

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 12, 2023

NEW ISSUE – BOOK-ENTRY ONLY

Fitch: A
Moody's: A2
S&P: A-
(See "RATINGS" herein)



NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
\$77,545,000*
REVENUE BONDS
HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM ISSUE, SERIES 2023 A

Dated: Date of Delivery

Maturity Date: September 1, as set forth on the inside front cover

This Official Statement has been prepared by the New Jersey Educational Facilities Authority (the "Authority") to provide information related to its \$77,545,000* Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 2023 A (the "Series 2023 Bonds"). Simultaneously with the issuance of the Series 2023 Bonds, the Authority is issuing its Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2023 A (the "CIF Bonds"). **The CIF Bonds are not being offered by means of this Official Statement. Only the Series 2023 Bonds are being offered by the Authority pursuant to this Official Statement.**

Tax Exemption: In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Series 2023 Bonds, interest on the Series 2023 Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2023 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax applicable to individuals. For tax years beginning after December 31, 2022, interest on the Series 2023 Bonds may affect the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, under current law, interest on the Series 2023 Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

Redemption: The Series 2023 Bonds are not subject to redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2023 BONDS – Redemption" herein.

Security: The Series 2023 Bonds are special and limited obligations of the Authority payable solely out of the revenues or other receipts, funds or moneys of the Authority pledged under the Resolution for the payment of the Series 2023 Bonds. The Series 2023 Bonds are payable solely from funds received by the Authority from the State of New Jersey (the "State") pursuant to an Amended and Restated Contract, dated as of September 1, 2001 (the "State Contract"), by and between the Treasurer of the State and the Authority, and amounts held under the Resolution (as defined herein). See "SECURITY FOR THE SERIES 2023 BONDS" herein.

THE OBLIGATION OF THE STATE TO MAKE PAYMENTS UNDER THE STATE CONTRACT IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "STATE LEGISLATURE") FOR SUCH PURPOSE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. See "SECURITY FOR THE SERIES 2023 BONDS" herein.

The Series 2023 Bonds shall not, in any way, be a debt or liability of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) and shall not create or constitute an indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority to the limited extent set forth in the Resolution) or be or constitute a pledge of the faith and credit or the taxing power of the State or any political subdivision thereof. The Series 2023 Bonds do not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

Purposes: The Series 2023 Bonds are being issued to: (i) provide funds to finance the cost of acquiring and installing Higher Education Equipment (as such term is defined herein) for public and private institutions of higher education within the State in accordance with the Equipment Leasing Fund Act (as defined herein) and (ii) pay the costs of issuing the Series 2023 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS FOR THE SERIES 2023 BONDS" herein.

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

Interest Payment Dates: Interest on the Series 2023 Bonds is payable initially on March 1 and September 1, commencing on March 1, 2024.

Denominations: The Series 2023 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof.

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

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

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

This cover page contains certain information for quick reference only. Investors should read this entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

The Series 2023 Bonds are offered when, as and if issued and subject to the receipt of the approving legal opinion of Chiesa Shahinian & Giantomasi PC, Roseland, New Jersey, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the Attorney General of the State, General Counsel to the Authority, and for the Underwriters by their counsel, Nash Perez, LLC, Camden, New Jersey. The Series 2023 Bonds in definitive form are expected to be available for delivery through DTC on or about _____, 2023.

Siebert Williams Shank & Co., LLC
Academy Securities Inc.

Cabrera Capital Markets LLC

BofA Securities
Janney Montgomery Scott

Rockfleet

Official Statement dated: _____, 2023

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, amendment and completion without notice. 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 these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the applicable securities laws of such jurisdiction.

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICE AND CUSIP NUMBERS**

\$77,545,000*

REVENUE BONDS, HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM ISSUE, SERIES 2023 A

<u>Maturity Date (September 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2024	\$8,160,000				
2025	8,580,000				
2026	9,020,000				
2027	9,480,000				
2028	9,965,000				
2029	8,295,000				
2030	7,860,000				
2031	6,275,000				
2032	4,830,000				
2033	5,080,000				

* Preliminary, subject to change.

** Registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2023 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2023 Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS SET FORTH ON THE FRONT COVER OF THIS OFFICIAL STATEMENT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2023 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2023 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The purchase of the Series 2023 Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Series 2023 Bonds should make an independent evaluation of the entirety of the information presented in the Official Statement, including, its Appendices, to obtain information essential to the nature of an informed investment decision in the Series 2023 Bonds.

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 an offer to buy, nor shall there be any sale of the Series 2023 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. However, it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation of the Authority. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any 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 Series 2023 Bonds will not be registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Resolution 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 Series 2023 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2023 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 Series 2023 Bonds. Neither these states nor any of their agencies have passed upon the merits of the Series 2023 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 and the Treasurer of the State of New Jersey, has approved the Series 2023 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 Series 2023 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of the Series 2023 Bonds.

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

This Official Statement contains a general description of the Series 2023 Bonds, the Authority, the State, the Authority’s Higher Education Equipment Leasing Fund Program and sets forth summaries of certain provisions of the Resolution. The descriptions and summaries herein do not purport to be complete. Persons interested in purchasing the Series 2023 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.

The information in this Official Statement concerning The Depository Trust Company, New York, New York (“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
\$77,545,000*
NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS
HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM ISSUE, SERIES 2023 A
INTRODUCTORY STATEMENT

General

The purpose of this Official Statement (which includes the cover page, the inside cover page and the Appendices hereto) is to furnish information concerning the New Jersey Educational Facilities Authority (the “Authority”) and its \$77,545,000* aggregate principal amount of Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 2023 A (the “Series 2023 Bonds”). Simultaneously with the issuance of the Series 2023 Bonds, the Authority is issuing its Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2023 A (the “CIF Bonds”). The CIF Bonds are not being offered by means of this Official Statement. Only the Series 2023 Bonds are being offered by the Authority pursuant to this Official Statement.

The Series 2023 Bonds are being issued by the Authority under and pursuant to the Higher Education Equipment Leasing Fund Act, being Chapter 136 of the Public Laws of 1993, as amended and supplemented (the “Equipment Leasing Fund Act”), which amended and supplemented the New Jersey Educational Facilities Authority Law, being Chapter 72A of Title 18A of the Public Laws of 1967, as amended and supplemented (the “Act”), and under and pursuant to the Authority’s Higher Education Equipment Leasing Fund General Bond Resolution adopted on August 10, 1994, as amended and supplemented to date (the “Bond Resolution”), including as supplemented by the Authority’s Fifth Supplemental Higher Education Equipment Leasing Fund Program Resolution adopted on July 25, 2023 (the “Fifth Supplemental Resolution”), authorizing the issuance of the Series 2023 Bonds, and a certificate executed by an Authorized Officer of the Authority on the date of sale of the Series 2023 Bonds (the “Series Certificate,” and collectively with the Bond Resolution and the Fifth Supplemental Resolution, the “Resolution”).

The Authority currently has no outstanding bonds under the Equipment Leasing Fund Act and pursuant to the Bond Resolution. The Series 2023 Bonds and any additional Series of Bonds hereafter issued under the Bond Resolution shall be collectively referred to as the “Bonds.” The Bank of New York Mellon, Woodland Park, New Jersey, is acting as trustee (the “Trustee”) under the Resolution. For definitions of certain capitalized words and terms used in this Official Statement and not otherwise defined herein, see “APPENDIX II – BOND RESOLUTION” hereto.

The information contained in this Official Statement has been prepared under the direction of the Authority for use in connection with the sale and delivery of the Series 2023 Bonds.

* Preliminary, subject to change.

Authority for Issuance

The Series 2023 Bonds are being issued pursuant to the Equipment Leasing Fund Act. The Equipment Leasing Fund Act, among other things, empowers the Authority to issue its obligations to obtain funds to finance the purchase of higher education equipment (as defined in the Equipment Leasing Fund Act) (the “Higher Education Equipment”) at public and private institutions of higher education located in the State, provided that the total outstanding principal amount of the bonds issued for such purpose, excluding refunding bonds, shall not exceed \$100,000,000 and the term of any bond shall not exceed ten (10) years, and to issue refunding bonds to refinance such obligations.

Purposes and Use of Proceeds

The Series 2023 Bonds are being issued for the purposes of the Bond Resolution and the Fifth Supplemental Resolution, specifically to: (i) provide funds to finance the cost of acquiring and installing the Higher Education Equipment for public and private institutions of higher education located in the State; and (ii) pay the costs of issuing the Series 2023 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS FOR THE SERIES 2023 BONDS” herein.

Tax Elections for Series 2023 Bonds

Pursuant to certain federal tax elections to be made by the Authority at the time of issuance of the Series 2023 Bonds, a portion of the Series 2023 Bonds shall be treated as “governmental bonds” for federal income tax purposes (the “Governmental Bonds”) and a portion of the Series 2023 Bonds shall be treated as “qualified 501(c)(3) bonds” for federal income tax purposes (the “Qualified 501(c)(3) Bonds”). See “TAX MATTERS” herein.

Security

The Series 2023 Bonds and the other Bonds are special and limited obligations of the Authority payable solely from payments to be received by the Authority from the Treasurer of the State (the “State Treasurer”) pursuant to the Amended and Restated Contract dated as of September 1, 2001 (the “State Contract”), by and between the State Treasurer and the Authority, and amounts held under the Resolution. **All amounts paid to the Authority under the State Contract are subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the “State Legislature”). The State Legislature has no legal obligation to make any such appropriations.**

The Authority shall collect and forthwith cause to be deposited with the Trustee all amounts, if any, payable to it pursuant to the State Contract. The Authority shall enforce the provisions of the State Contract and agreements thereunder. The Authority will not consent or agree to permit any amendment, change or modification to any State Contract that would reduce the amounts payable to the Authority or extend the times when such payments are to be made thereunder. See “APPENDIX III – STATE CONTRACT” hereto.

All references herein to the Equipment Leasing Act, the Act, the Bond Resolution, the Fifth Supplemental Resolution, the Series Certificate and the State Contract are qualified in their entirety by reference to the complete text of the Equipment Leasing Fund Act, the Act, the Bond Resolution, the Fifth Supplemental Resolution, the Series Certificate and the State Contract, copies of which are available from the Authority, and all references to the Series 2023 Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Bond Resolution, the Fifth Supplemental Resolution, the Series Certificate and the State Contract.

THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2023 BONDS IS TO BE DERIVED FROM PAYMENTS MADE BY THE STATE TREASURER TO THE AUTHORITY UNDER THE STATE CONTRACT AND CERTAIN AMOUNTS HELD UNDER THE RESOLUTION. THE OBLIGATION OF THE STATE TREASURER TO MAKE SUCH PAYMENTS UNDER THE STATE CONTRACT IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE STATE LEGISLATURE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATION.

There are no remedies available to the Bondholders in the event that the State Legislature does not appropriate sufficient funds or any funds to make payments when due under the State Contract nor is there any other significant source of monies from which payment on the Series 2023 Bonds could be made. While the State Legislature has the legal authority to make appropriations, it has no obligation to do so. Neither the failure of the State Legislature to make such appropriation nor non-payment of the Series 2023 Bonds as a result of such failure to appropriate is an Event of Default under the Resolution or the Series 2023 Bonds and will not give rise to any rights or remedies against the State or the Authority.

No Pledge of Higher Education Equipment or Payments by the Institutions

None of the Higher Education Equipment funded with proceeds of the Series 2023 Bonds nor any payments to be made by the Institutions pursuant to the Leases (as defined herein) will secure, be pledged to or be available to pay the Series 2023 Bonds. See “SECURITY FOR THE SERIES 2023 BONDS” herein.

No Pledge of State’s Credit

NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2023 BONDS. THE SERIES 2023 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THE SERIES 2023 BONDS. THE SERIES 2023 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Additional Series of Bonds

The Authority may, with the prior written consent of the State Treasurer, issue additional Series of Bonds under the Equipment Leasing Fund Act in a principal amount up to the maximum amount authorized under the Equipment Leasing Fund Act, subject to the Statutory Debt Issuance Limit (as defined herein) for the purpose of financing the purchase of additional Higher Education Equipment. See “HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM” herein. Any additional Series of Bonds will be secured equally and ratably, without preference or priority, with the Series 2023 Bonds. See “SECURITY FOR THE SERIES 2023 BONDS” herein.

Refunding Bonds

One or more series of Refunding Bonds may be issued at any time, with the prior written consent of the State Treasurer, to refund outstanding Bonds of one or more Series or one or more maturities thereof. Refunding Bonds issued to refund prior obligations of the Authority shall be excluded from the calculation against the Statutory Debt Issuance Limit described under “SECURITY FOR THE SERIES 2023 BONDS – Statutory Debt Issuance Limit” herein, provided that the refunding by the Authority shall be determined by the Authority to result in debt service savings.

THE AUTHORITY

The Authority was duly created under the Act (N.J.S.A. 18A:72A-1 et seq.) as a public body corporate and politic constituting an instrumentality exercising public and essential governmental functions of the State. The Act empowers the Authority, among other things, to make loans to public and private colleges and universities for the construction, improvement, acquisition, and refinancing of eligible projects in accordance with a lease agreement, a loan agreement or a mortgage approved by the Authority. The Authority is also authorized to provide financing for capital improvements at qualified public libraries.

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

HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM

The Equipment Leasing Fund Act, which became effective June 5, 1993, establishes a higher education equipment leasing fund in the Authority and authorizes the Authority to issue bonds in a total outstanding principal amount of \$100,000,000, exclusive of refunding bonds, to finance the purchase of any property consisting of, or relating to, scientific, engineering, technical, computer, communications, and instructional equipment for lease to public and private institutions of higher education in the State (the “Program”). The term of any bond issued for the Program shall not exceed ten (10) years and the Authority may not issue any bonds pursuant to the provisions of the Equipment Leasing Fund Act without the prior approval of the State Treasurer. The Equipment Leasing Fund Act provides that the State Treasurer, pursuant to the State Contract and subject to available appropriations from time to time by the State Legislature, shall pay the amount necessary to pay the principal of and interest on bonds and notes of the Authority issued for the Program.

The Authority has entered or will enter into lease agreements, as lessor (each, a “Lease” and collectively, the “Leases”), with the public or private institutions of higher education in the State (each an “Institution” and collectively, the “Institutions”) that finance the acquisition of higher education equipment pursuant to the Program. During the period of each Lease, the Authority shall hold title to the equipment. At such time as the liabilities of the Authority incurred for the purchase of the Higher Education Equipment have been met and the principal of and interest on the Series 2023 Bonds have been paid, the Authority will transfer title to the equipment to the Institutions. The Institutions participating in the Program with respect to the Series 2023 Bonds are as follows: Rowan University, Rutgers, The State University of New Jersey (“Rutgers”), Stockton University, The College of New Jersey, Thomas Edison State University, William Paterson University, Fairleigh Dickinson University, Felician University, Georgian Court University, Saint Peter’s University, Seton Hall University, Stevens Institute of Technology, Brookdale Community College, Camden County College, County College of Morris, Middlesex College, Ocean County College, Rowan

College at Burlington County, Rowan College of South Jersey, Sussex County Community College and Warren County Community College.

Each of the Leases includes a provision which requires the Institution to pay to the Authority an amount equal to 25% of the amount necessary to pay the principal of and interest on the portion of the Series 2023 Bonds issued to finance the purchase of the Higher Education Equipment to be leased to such Institution. Upon receipt of the moneys from each Institution, the Authority will remit the moneys immediately to the State Treasurer. None of the payments made by the Institutions pursuant to the Leases will secure, be pledged to or be available to pay the Series 2023 Bonds. See “SECURITY FOR THE SERIES 2023 BONDS” herein

In order to assure the continued operation and solvency of the Program, if an Institution is unable to meet its payment obligation to the Authority under its Lease, an amount sufficient to satisfy the deficiency may be retained by the State Treasurer from State aid or any appropriation payable to the Institution.

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ESTIMATED SOURCES AND USES OF FUNDS FOR THE SERIES 2023 BONDS

The sources and uses of funds in connection with the issuance of the Series 2023 Bonds are expected to be as set forth below:

	<u>Totals</u> ¹
<u>SOURCES OF FUNDS</u>	
Par Amount of Series 2023 Bonds	\$
Net Original Issue Premium	
Total Sources of Funds	<u>\$</u>
<u>USES OF FUNDS</u>	
Deposit to Higher Education Equipment Leasing Fund	\$
Costs of Issuance ²	\$
Underwriters' Discount	<u>\$</u>
Total Uses of Funds	<u>\$</u>

¹ Totals may not add due to rounding.

² Includes fees and expenses of Bond Counsel, Municipal Advisor, Trustee, Rating Agencies and other issuance costs associated with the issuance and sale of the Series 2023 Bonds.

DESCRIPTION OF THE SERIES 2023 BONDS

General

The Series 2023 Bonds will initially be dated the date of delivery thereof, will bear interest at the respective rates per annum and mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2023 Bonds will accrue from their date of delivery and such interest will be payable initially on March 1, 2024, and semiannually thereafter on September 1 and March 1 of each year to and including their respective dates of maturity or redemption prior to maturity and will be payable in lawful money of the United States of America. The Series 2023 Bonds will be payable as to principal or redemption price upon presentation and surrender thereof at the corporate trust office of The Bank of New York Mellon, Woodland Park, New Jersey, as Trustee.

The principal and redemption price of the Series 2023 Bonds will then be payable upon presentation and surrender of the respective Series 2023 Bonds at the corporate trust office of the Trustee designated by the Trustee. Interest on the Series 2023 Bonds will be payable by check mailed to the registered owners thereof. However, interest on the Series 2023 Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of the Series 2023 Bonds by wire transfer to a wire transfer address within the continental United States upon the written request of such owner received by the Trustee not less than five (5) days prior to the Record Date.

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2023 Bonds. So long as DTC or its nominee is the registered owner of the Series 2023 Bonds, payments of the principal of and interest on the Series 2023 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 (as such term is defined in “APPENDIX VI – BOOK-ENTRY ONLY SYSTEM”) of the Series 2023 Bonds. See “APPENDIX VI – BOOK-ENTRY ONLY SYSTEM.”

The Series 2023 Bonds will initially be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee of DTC. Purchases of beneficial interests in the Series 2023 Bonds will be made in book-entry only form through DTC participants in denominations of \$5,000 or any integral multiple thereof, and no physical delivery of the Series 2023 Bonds will be made to purchasers, except as provided in the Resolution. See “APPENDIX VI - BOOK-ENTRY ONLY SYSTEM” herein.

Redemption

The Series 2023 Bonds are not subject to optional redemption prior to maturity.

Negotiable Instruments

The Series 2023 Bonds issued pursuant to the Equipment Leasing Fund Act and the Resolution are fully negotiable within the meaning of the Uniform Commercial Code of the State, subject only to provision for registration contained in the applicable Series 2023 Bond.

Book-Entry Only System

The information in “APPENDIX VI – BOOK-ENTRY ONLY SYSTEM” concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Neither the DTC participants nor the Beneficial Owners (as such terms are defined in “APPENDIX VI – DTC 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 SERIES 2023 BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2023 BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2023 BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE SERIES 2023 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN APPENDIX VI TO THIS OFFICIAL STATEMENT. NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2023 BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE BOND REGISTER OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A SERIES 2023 BONDHOLDER.

NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER, AS DEFINED HEREIN, WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2023 BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2023 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2023 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2023 BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2023 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE SERIES 2023 BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2023 BONDS.

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

SECURITY FOR THE SERIES 2023 BONDS

General

The Resolution provides, among other things, that: (i) such Resolution shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the holders, from time to time, of the Series 2023 Bonds; (ii) all bonds and bondholders shall be entitled to the benefit of the continuing pledge and lien created by the Resolution to secure the full and final payment of the principal of, redemption premium, if any, and interest on the Series 2023 Bonds; (iii) the pledge made by the Resolution is valid and binding from and after the date of the first delivery by the Trustee of the first bond which is authenticated and delivered under the terms of the Resolution and all amounts pledged shall immediately be subject to the lien of the pledge without any physical delivery or further act; and (iv) the lien of the pledge made under the Resolution shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. For a further description of the Resolution, see “APPENDIX II – BOND RESOLUTION” hereto.

NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE RESOLUTION) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2023 BONDS.

THE SERIES 2023 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE REVENUES OR OTHER RECEIPTS, FUNDS OR MONEYS OF THE AUTHORITY PLEDGED UNDER THE RESOLUTION AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE RESOLUTION FOR THE PAYMENT OF THE SERIES 2023 BONDS. THE SERIES 2023 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Pledge Securing the Series 2023 Bonds

Pursuant to the Resolution, the pledge securing the payment of the principal of and interest on the Series 2023 Bonds consists of the Revenues (as hereinafter defined) (except such Revenues consisting of investment earnings that are required to be rebated to the Federal Government) and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds (except the Rebate Fund) established and created under the Resolution.

Under the Resolution, “Revenues” means (i) all amounts appropriated and paid to the Authority by the State pursuant to the terms of the State Contract, (ii) any other amounts appropriated and paid by the State to the Authority or received by the Authority from any other source and pledged by the Authority as security for the payment of Bonds, and (iii) any investment income which is derived from the investment of any moneys or securities held by the Trustee which are deposited in the Revenue Fund pursuant to the Resolution.

State Contract

Pursuant to the State Contract, the State Treasurer is required to pay the amount necessary to pay the principal of and interest on the Series 2023 Bonds. However, all payments by the State Treasurer to the Authority, pursuant to the terms of the State Contract, 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 legal obligation to make any such appropriations. See “APPENDIX III – STATE CONTRACT” hereto.

The Authority shall collect and forthwith cause to be deposited with the State Treasurer all amounts, if any, payable to it pursuant to the State Contract. The Authority shall enforce the provisions of the State Contract and agreements thereunder. The Authority will not consent or agree to or permit any amendment, change or modification to any State Contract that would reduce the amounts payable to the Authority or extend the times when such payments are to be made thereunder.

State General Taxing Power Not Pledged

Pursuant to the Equipment Leasing Fund Act and the Resolution, the Series 2023 Bonds are special and limited obligations of the Authority and are not in any way a debt of the State or any political subdivision thereof (other than the Authority to the limited extent set forth therein) and shall not be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof. The Authority has no taxing power. All bonds or notes of the Authority issued under the Resolution, unless funded or refunded by bonds, notes or other obligations of the Authority, shall be payable solely from the Revenues of the Authority pledged under the Resolution.

Statutory Debt Issuance Limit

The Equipment Leasing Fund Act currently provides that the aggregate outstanding principal amount of bonds, notes or other obligations outstanding at any one time of the Authority under the Program may not exceed \$100,000,000 (the “Statutory Debt Issuance Limit”). As of the date hereof, no obligations are outstanding under the Equipment Leasing Fund Act. All bonds, notes or other obligations of the Authority issued for refunding purposes shall be excluded from the calculation against the Statutory Debt Issuance Limit, provided that the refunding shall be determined by the Authority to result in a debt service savings.

Event of Non-Appropriation

An “Event of Non-Appropriation” shall mean the failure by the State Legislature to appropriate funds to the Authority for any Fiscal Year in an amount sufficient to pay when due the Debt Service on the Series 2023 Bonds coming due in such Fiscal Year.

The Resolution provides that, notwithstanding anything contained therein to the contrary, a failure by the Authority to pay when due any principal or redemption price of or interest on any Series 2023 Bonds or any other Bonds required to be made under the Resolution, or a failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Resolution or any Bonds, resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under the Resolution.

Upon the occurrence of an Event of Non-Appropriation (or the failure by the Authority to pay the principal or redemption price of and interest the Series 2023 Bonds resulting from such Event of Non-Appropriation), the Trustee on behalf of the holders of the Series 2023 Bonds has no remedies. The Trustee

may not accelerate the Series 2023 Bonds. The Authority has no obligation to pay any principal or redemption price of or interest on any Series 2023 Bonds with respect to which an Event of Non-Appropriation has occurred. However, the Authority would remain obligated to pay such principal or redemption price of or interest on Series 2023 Bonds to the extent State appropriations are subsequently made for such purposes.

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

(i) to the payment of the reasonable and proper charges, expenses, costs and liabilities of the Fiduciaries, including without limitation the reasonable expenses of counsel employed by them;

(ii) to the payment of the interest and principal amount or redemption price then due on Bonds as follows:

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

Second: To the payment of the unpaid principal amount or redemption price of any Bonds 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 due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond, without priority or preference of any Bond over any other.

If any amounts remain after all payments described under paragraphs (i) and (ii) above have been made, the balance shall be paid to the State Treasurer.

Certain Covenants of the State and the Authority

Pursuant to the Equipment Leasing Fund Act, the State has covenanted that it will not limit or alter the rights or powers of the Authority vested thereby to perform and fulfill the terms of any agreement made with the holders of the bonds or notes, or to fix, establish, charge and collect such rents, fees, rates, payments or other charges as may be convenient or necessary to produce sufficient revenues to meet all expenses of the Authority and to fulfill the terms of any agreement made with the holders of the bonds and notes, together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the holders, until the bonds and notes, together with interest thereon, are fully met and discharged or provided for.

Under the Resolution, the Authority has covenanted with the bondholders not to amend the State Contract in a manner which would adversely affect the obligations of the State to make payments thereunder, and to take all reasonable measures to enforce prompt payment to it of all amounts to be paid thereunder.

Additional Series of Bonds

After authentication and delivery of the Series 2023 Bonds, one or more series of Additional Bonds may be issued by the Authority, with the prior written consent of the State Treasurer, at any time or from time to time for the purpose of financing the costs of Higher Education Equipment for public and private institutions of higher education under the Program. The Resolution provides that such Additional Bonds shall be equally and ratably secured with the Series 2023 Bonds and any other bonds issued or to be issued under the Resolution. The issuance of Additional Bonds is subject to the Statutory Debt Issuance Limit. See “APPENDIX II – BOND RESOLUTION” hereto.

Refunding Bonds

One or more series of Refunding Bonds may be issued at any time, with the prior written consent of the State Treasurer, to refund outstanding bonds of one or more series or one or more maturities within a series of any bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts under the Resolution required by the provisions of the supplemental resolution authorizing such Refunding Bonds. See “SECURITY FOR THE SERIES 2023 BONDS – Statutory Debt Issuance Limit” herein and “APPENDIX II – BOND RESOLUTION” hereto.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS ON THE SERIES 2023 BONDS

The following table sets forth the debt service requirements on the Series 2023 Bonds in each fiscal year.

Fiscal Year

**Ending
June 30**

Principal

Coupon

Interest

Debt Service

Total

LEGALITY FOR INVESTMENT

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

LITIGATION

There is no litigation pending, or, to the knowledge of the Authority, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2023 Bonds, or questioning or affecting the validity of the Series 2023 Bonds or the proceedings under which the Series 2023 Bonds are to be issued. There is no litigation pending or, to the knowledge of the Authority, threatened, which in any manner questions the right of the Authority to adopt the Resolution, to enter into the State Contract or to secure the Series 2023 Bonds in the manner herein described.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2023 Bonds are subject to the unqualified approving opinion of Chiesa Shahinian & Giantomasi PC, Roseland, New Jersey, Bond Counsel to the Authority (“Bond Counsel”). A copy of the approving opinion of Bond Counsel, in substantially the form provided in APPENDIX V hereto, will be available at the time of the delivery of the Series 2023 Bonds. 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 their counsel, Nash Perez, LLC, Camden, New Jersey.

TAX MATTERS

Federal Income Taxation

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”) applicable to the Series 2023 Bonds, interest on the Series 2023 Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2023 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax applicable to individuals. For tax years beginning after December 31, 2022, interest on the Series 2023 Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2023 Bonds or the receipt of interest thereon.

The Code and the Treasury Regulations promulgated thereunder (the “Treasury Regulations”) impose certain continuing requirements that must be satisfied subsequent to the issuance and delivery of the Series 2023 Bonds so that interest on the Series 2023 Bonds will be and remain excludable from gross income for federal income tax purposes, including, but not limited to, restrictions relating to the use of the proceeds of the Series 2023 Bonds and the investment of the proceeds of the Series 2023 Bonds and the requirement to rebate certain arbitrage earnings in excess of the yield on the Series 2023 Bonds to the Treasury of the United States. The Authority expects and intends to comply, and to the extent permitted by law, will comply, with such requirements, and the Institutions have covenanted to comply with such requirements. Noncompliance with such requirements may cause interest on the Series 2023 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2023 Bonds, regardless of the date on which such noncompliance occurs or is discovered. In rendering its opinion as to the tax-exempt status of interest on the Series 2023 Bonds, Bond Counsel has relied on certain representations, certifications of fact, statements of reasonable expectations and covenants by the Authority and the Institutions made in connection with the issuance of the Series 2023 Bonds, and Bond Counsel has assumed continuing compliance by the Authority and the Institutions with certain ongoing requirements of the Code to the extent necessary to effect or maintain the exclusion of interest on the Series 2023 Bonds from gross income under Section 103 of the Code.

The sale date of the Series 2023 Bonds is within fourteen (14) days of the sale date of the Authority's \$ _____ Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2023 A (the "CIF Bonds"). The CIF Bonds are being issued under and pursuant a separate bond resolution from the Series 2023 Bonds, are secured pursuant to a separate contract with the State Treasurer, and are being sold pursuant to a separate official statement from the Series 2023 Bonds. The CIF Bonds are being issued for the purpose of providing funds to make grants to finance the renewal, renovation, improvement, expansion, construction and reconstruction of facilities and technology infrastructure at instructional, laboratory, communication, research, administrative, and student-support facilities at public institutions of higher education ("Public Institutions") and private institutions of higher education ("Private Institutions") in the State and paying the costs of issuance of the CIF Bonds.

Pursuant to Treasury Regulations Section 1.150-1(c)(1), in general, if two or more bond issues are sold at substantially the same time, pursuant to a common plan of finance, and are reasonably expected to be paid from the same source of funds for federal income tax purposes, then such bonds will be treated as part of the same issue for federal income tax purposes. The effect of being treated as one issue for federal income tax purposes is that the failure of one of the bond issues to comply with the requirements of the Code and Treasury Regulations applicable to such bond issue could cause interest on such bond issue to be includable in gross income of the holders of the bonds of such bond issue retroactive to the date of issuance of such bond issue, and could also cause interest on such other bond issue to be includable in gross income of the holders of the bonds of such other bond issue retroactive to the date of issuance of such other bond issue.

Pursuant to Treasury Regulation Section 1.150-1(c)(3), bonds that would otherwise be treated as a single issue of bonds may be treated as separate issues for certain purposes of the Code if each such separate issue would separately qualify as an issue of tax-exempt bonds. A portion of the Series 2023 Bonds is being used to provide funds to finance the cost of acquiring and installing scientific, engineering, technical, computer, communications, and instructional equipment ("Higher Education Equipment") at Public Institutions and a portion of the Series 2023 Bonds is being used to provide funds to finance the cost of acquiring and installing Higher Education Equipment at Private Institutions that are qualified Section 501(c)(3) organizations within the meaning of the Code, and a portion of the CIF Bonds will be used to finance grants to Public Institutions and a portion of the CIF Bonds will be used to finance grants to Private Institutions that are qualified Section 501(c)(3) organizations within the meaning of the Code. Collectively, the portions of the Series 2023 Bonds and the CIF Bonds used to finance projects of the Public Institutions are referred to herein as the "Governmental Bonds". Collectively, the portions of the Series 2023 Bonds and the ELF Bonds used to finance projects of the Private Institutions are referred to herein as the "Qualified 501(c)(3) Bonds". The Authority is electing to treat the Governmental Bonds and the Qualified 501(c)(3) Bonds as separate issues for certain purposes of the Code. However, under Treasury Regulation Section 1.150-1(c)(3), the Governmental Bonds and the Qualified 501(c)(3) Bonds are not being treated as separate issues for certain purposes of the Code, including those provisions of the Code that relate to arbitrage and rebate. Therefore, the continuing federal tax exemption of the Series 2023 Bonds will be dependent upon, among other things, compliance by the Authority and each Institution with certain requirements of the Code, as well as, in the case of the Qualified 501(c)(3) Bonds, continuation of the tax-exempt status of each of the Private Institutions under Code Section 501(c)(3).

[The Series 2023 Bonds maturing on _____ are herein referred to as the "Discount Bonds." The difference between the initial public offering price of the Discount Bonds set forth on the inside cover page hereof and the stated redemption price at maturity of each such Discount Bond constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Discount Bond, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will accrue to a holder under a "constant interest method" utilizing periodic compounding of accrued interest. Prospective

purchasers of Discount Bonds should consult their tax advisors regarding the tax treatment of original issue discount for federal, state and local law purposes.]

[The Series 2023 Bonds maturing on _____ are herein referred to as the “Premium Bonds.” Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner’s basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Prospective purchasers of Premium Bonds should consult their tax advisors regarding the treatment of premium for federal, state and local law purposes.]

Other Federal Tax Consequences Relating to the Series 2023 Bonds

Prospective purchasers of the Series 2023 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Prospective purchasers of the Series 2023 Bonds who may be subject to such collateral consequences should consult their own tax advisors. Prospective purchasers of the Series 2023 Bonds should also consult their own tax advisors as to the applicability and the effect on federal income tax of the alternative minimum tax applicable to certain corporations, the branch profits tax, and the tax on S Corporations, as well as the applicability and the effect of any other federal income tax consequences. Prospective purchasers of the Series 2023 Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information to avoid backup withholding. Bond Counsel expresses no opinion as to any such matters.

New Jersey Gross Income Tax Act

In the opinion of Bond Counsel, under current law, interest on the Series 2023 Bonds and any gain from the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

Future Events

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. Federal tax legislation, administrative action taken by federal tax authorities and court decisions at the federal level may adversely affect the exclusion from gross income of interest on the Series 2023 Bonds for federal income tax purposes, and State tax legislation, administrative action taken by State tax authorities and court decisions at the State level may adversely affect the exclusion of interest on and any gain realized from the sale of the Series 2023 Bonds under the New Jersey Gross Income Tax Act. In addition, any such federal or State legislation, administrative action or court decisions could adversely affect the market price or marketability of the Series 2023 Bonds. Further, no assurance can be given that any action of the Internal Revenue Service (the “IRS”), including, but not limited to, selection of the Series 2023 Bonds for examination, or the course or result of any IRS examination of the Series 2023 Bonds or of bonds which present similar tax issues, will not have an adverse effect on the federal tax-exempt status of the **Series** 2023 Bonds or affect the market price for or marketability of the Series 2023 Bonds.

Bond Counsel is rendering its opinion under existing law as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action

taken or not taken after the date of the opinion or in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2023 Bonds.

ALL POTENTIAL PURCHASERS OF THE SERIES 2023 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE SERIES 2023 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Bond Counsel will deliver its opinion, substantially in the form attached hereto as APPENDIX V, contemporaneously with the delivery of the Series 2023 Bonds.

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 State Treasurer and the Authority will, concurrently with the issuance of the Series 2023 Bonds, enter into a Continuing Disclosure Agreement with the Trustee, acting as dissemination agent, substantially in the form set forth in “APPENDIX IV – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

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

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

For the 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 the 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-appropriation 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.

The State Treasurer and the Authority have become aware of certain facts that they do not consider to be material but that are disclosed below for the benefit of the Bondholders and Beneficial Owners of its 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 State Treasurer and the Authority are not always made aware of or may not have received notices from the rating agencies or the bond insurers of changes in the bond insurers' ratings. Such bond insurer rating changes may or may not have had an effect on the ratings of the Bonds.

UNDERWRITING

Siebert Williams Shank & Co., LLC as representative of the underwriters of the Series 2023 Bonds shown on the cover page hereof (the "Underwriters"), has agreed, subject to certain conditions, to purchase the Series 2023 Bonds from the Authority on _____ 2023 at an aggregate purchase price of \$_____ (said aggregate purchase price reflecting the par amount of the Series 2023 Bonds, plus a net original issue premium of \$_____, and less an Underwriters' discount of \$_____.) The Underwriters intend to offer the Series 2023 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 may offer and sell the Series 2023 Bonds to certain dealers (including dealers depositing the Series 2023 Bonds into investment trusts) at prices or yields lower than the offering prices or yields set forth on the inside cover page hereof.

MUNICIPAL ADVISOR

Acacia Financial Group, Inc., of Mount Laurel, New Jersey, served as municipal advisor to the State with respect to the sale of the Series 2023 Bonds. Acacia Financial Group, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") have assigned municipal bond ratings of "A", "A2", and "A-" respectively, to the Series 2023 Bonds. Such ratings reflect only the views of each organization, and an explanation of the significance of such ratings can only be obtained from Fitch, Moody's and S&P. There is no assurance that these ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch, Moody's or S&P if, in the judgment of these rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2023 Bonds.

MISCELLANEOUS

Copies of the Resolution may be obtained upon request from the Authority, 103 College Road East, Princeton, New Jersey 08540.

The foregoing summaries and references to the provisions of the Act, the Equipment Leasing Fund Act, the Resolution, the Series 2023 Bonds, the State Contract and the Continuing Disclosure Agreement do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made. 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.

This Official Statement is distributed in connection with the sale and issuance of the Series 2023 Bonds and may not be reproduced or used as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the official signing below.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Resolution in accordance with the Equipment Leasing Fund Act and this Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any Series 2023 Bonds.

**NEW JERSEY EDUCATIONAL FACILITIES
AUTHORITY**

By: _____
Sheryl A. Stitt, Executive Director

Dated: _____, 2023

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APPENDIX I

**FINANCIAL AND OTHER INFORMATION RELATING
TO THE STATE OF NEW JERSEY**

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APPENDIX I

DATED: SEPTEMBER 11, 2023

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, 2022, including Management’s Discussion and Analysis (the “2022 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 2022 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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FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

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OVERVIEW OF THE STATE'S FINANCIAL CONDITION

Recent Fiscal Years

In Fiscal Years 2020, 2021 and 2022, the State faced challenges in projecting its revenues due to the multiple rounds of federal stimulus and major economic changes that occurred during the pandemic and its aftermath, and the State experienced substantially higher levels of revenues than the State expected. As a result, the State experienced a substantial increase in the State's combined ending fund balance which, as of June 30, 2022, was approximately \$8.319 billion. As this economic momentum continued through the first half of Fiscal Year 2023, revenue collections once again exceeded the State's revenue projections it made at the time of the Fiscal Year 2023 Appropriations Act, but the State did experience a decline in its revenues during Fiscal Year 2023 when compared to Fiscal Year 2022. The State projects its June 30, 2023 combined ending fund balance to grow to approximately \$10.210 billion. The State's combined ending fund balances at the end of Fiscal Year 2022 and Fiscal Year 2023 are the highest combined ending fund balances of the State in recent times, both in terms of the absolute amount and relative to the State's expenditures.

Fiscal Year 2024 Appropriations Act

For the Fiscal Year 2024 Appropriations Act, the Governor's revenue certification anticipates that revenues will be largely stable when compared to Fiscal Year 2023, and projects a small increase in total revenues for Fiscal Year 2024 of about 1.6 percent when compared to Fiscal Year 2023. The State's revenue forecast accounts for various risk factors related to the economic uncertainties facing the State's and country's economy, some of which may result in lower level of revenues being generated compared to Fiscal Year 2023. The Fiscal Year 2024 forecast also includes the initial impact of the expiration of the 2.5 percent surtax of the Corporation Business Tax, which will reduce revenues in the forecast year and thereafter. Overall, Fiscal Year 2024 revenues anticipate slow growth will continue in personal income and consumer spending, offset by ongoing weakness in the real estate market and structural impacts such as the expiring surtax.

The Fiscal Year 2024 Appropriations Act, along with enacted supplemental appropriations, appropriates, in aggregate, approximately \$54.450 billion. These appropriations are mostly supported by certified State revenues for Fiscal Year 2024 of approximately \$52.748 billion, but will also be supported by a partial drawdown of the State's robust surplus of approximately \$1.7 billion. The Fiscal Year 2024 Appropriations Act projects a combined ending fund balance for the State as of June 30, 2024 of approximately \$8.255 billion, which would represent a decline from the projected combined ending fund balance as of June 30, 2023, of approximately \$10.210 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 ongoing elevated price and wage inflation, rising interest rates, banking sector volatility, and the potential for weak economic growth, combine for ongoing fiscal uncertainties. See "FINANCIAL RESULTS AND ESTIMATES—New Jersey Current Economic Outlook" herein. As the State monitors its revenues and expenditures, the State is focused on the following aspects of its financial condition:

- As the State's revenues have increased during the pandemic and its aftermath, the State's ongoing expenditures have also increased, and this poses a potential challenge to structurally balanced budgets in future Fiscal Years. One of the reasons why the State expects to partially drawdown its combined ending fund balance during Fiscal Year 2024 is to continue to fund ongoing expenditures while projecting somewhat static revenue levels. As the State develops its budgets for future Fiscal Years, if revenues do not continue to increase from levels projected in the Fiscal Year 2024 Appropriations Act, the State will continue to experience deficits between its ongoing revenues and ongoing expenditures.
- The State's revenues rely, to some extent, on high-income taxpayers who generate wage and non-wage income through certain types of business income and the financial markets. The State experienced a decline in Gross Income Tax collections of an estimated \$1.9 billion in Fiscal Year

2023 compared to Fiscal Year 2022, as income tax collections from certain high-income sources such as capital gains realizations fell substantially. If financial markets continue to encounter volatility and disruption, State revenues in Fiscal Year 2024 may be adversely affected in contrast to the revenue surges experienced in prior years.

- Total budgeted salary costs, across all funding sources, are projected to increase due to contracted salary increases, regular anniversary step costs and assumptions regarding the timing of hiring, separations and the value of salaries for State employees. 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. Most of the employee contracts expired on June 30, 2023, and the terms of any future contract are unknown as negotiations continue. See “STATE EMPLOYEES” herein for the status of employee contracts.
- Due to federal law, states have not been permitted over the past several years to disenroll beneficiaries from the Medicaid program. Under the provisions of the Fiscal Year 2023 federal omnibus bill, states began the eligibility review process as of April 1, 2023. This review process could possibly result in hundreds of thousands of beneficiaries losing their coverage. The Fiscal Year 2024 Appropriations Act assumes a pace of disenrollments based on historical trends. Funding in Fiscal Year 2024 assumes overall enrollment will decline by 308,000 compared to total Medicaid enrollment in June 2023 of 2.316 million. However, due to administrative burdens, the federal government issued guidance permitting states to temporarily delay disenrolling Medicaid beneficiaries. The State is taking advantage of this flexibility and, as a result, the State cannot project the actual level and pace of disenrollments.

While the State is focused on these aspects of its financial condition, the economic conditions that the Nation and the State are confronting have not been experienced in several decades. The potential for high inflation and weak economic growth may place additional pressure on other aspects of the State’s financial condition. Following enactment of the annual appropriations act, the State closely monitors revenues and expenditures, comparing actual results to projections. In addition to the factors listed above, there could be other supplemental appropriations in Fiscal Years 2023 and 2024. In prior fiscal years, however, mid-year budget savings have offset the cost of supplemental appropriations.

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 2024, 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, 2022, and the notes referred to therein (the "2022 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 2022 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 2022 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 2024 began on July 1, 2023 and ends on June 30, 2024.

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 2022 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, 2022 and 2021 are set forth below.

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

	As of June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents.....	\$ 174.1	\$ 70.4
Investments	23,943.7	19,974.4
Receivables, net of allowances for uncollectibles		
Federal government	862.9	1,364.6
Departmental accounts.....	2,870.6	2,785.5
Loans	133.6	150.8
Other	526.3	493.5
Due from other funds.....	1,351.5	770.6
Other	35.8	61.4
Total Assets.....	\$29,898.5	\$25,671.2
LIABILITIES AND FUND BALANCES		
Accounts payable and accruals	\$ 2,388.8	\$ 1,813.5
Unearned revenue	6,084.7	7,061.6
Due to other funds.....	9,213.4	6,438.8
Refunds payable.....	272.5	368.4
Other	276.2	258.9
Total Liabilities	18,235.6	15,941.2
Deferred Inflows of Resources	638.5	610.8
Total Liabilities and Deferred Inflows of Resources	\$18,874.1	\$16,552.0
Fund Balances		
Restricted	1,195.8	1,152.5
Committed	4,571.8	3,627.2
Unassigned.....	5,256.8	4,339.5
Total Fund Balances	11,024.4	9,119.2
Total Liabilities and Deferred Inflows of Resources and Fund Balances.....	\$29,898.5	\$25,671.2

⁽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.

**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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
ASSETS								
Receivables, net of allowances for uncollectibles								
Department accounts	\$10.2	\$3.1	\$44.9	\$37.6	\$ –	\$ –	\$879.9	\$835.2
Due from other funds.....	–	3.3	0.6	0.8	0.2	0.3	3,055.5	2,404.3
Total Assets	<u>\$10.2</u>	<u>\$6.4</u>	<u>\$45.5</u>	<u>\$38.4</u>	<u>\$0.2</u>	<u>\$0.3</u>	<u>\$3,935.4</u>	<u>\$3,239.5</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accruals	\$6.6	\$6.4	\$10.4	\$14.4	\$ –	\$ –	\$138.1	\$149.2
Due to other funds	3.6	–	22.4	11.6	0.2	0.3	172.0	118.9
Refunds payable.....	–	–	–	–	–	–	279.9	330.3
Total Liabilities	<u>\$10.2</u>	<u>\$6.4</u>	<u>\$32.8</u>	<u>\$26.0</u>	<u>\$0.2</u>	<u>\$0.3</u>	<u>\$590.0</u>	<u>\$598.4</u>
Fund Balances								
Restricted	–	–	–	–	–	–	3,345.4	2,641.1
Committed	–	–	12.7	12.4	–	–	–	–
Total Fund Balances	<u>–</u>	<u>–</u>	<u>12.7</u>	<u>12.4</u>	<u>–</u>	<u>–</u>	<u>3,345.4</u>	<u>2,641.1</u>
Total Liabilities and Fund Balances	<u>\$10.2</u>	<u>\$6.4</u>	<u>\$45.5</u>	<u>\$38.4</u>	<u>\$0.2</u>	<u>\$0.3</u>	<u>\$3,935.4</u>	<u>\$3,239.5</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 2020 through 2024, 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 2020 through 2022 are actual and final. Amounts shown for Fiscal Year 2023 in the following tables and charts are based upon revised estimates for revenues and appropriations as of June 30, 2023. Amounts shown for Fiscal Year 2024 are estimates as contained in the Fiscal Year 2024 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2024 Appropriations Act. The ending undesignated fund balance for Fiscal Year 2024 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)

	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual ⁽²⁾	2020 Actual
July 1st Beginning Balances					
General Fund	\$ 9,986.1	\$ 5,256.8	\$ 1,892.6	\$ 2,050.6	\$ 1,287.8
Surplus Revenue Fund	222.9	—	2,446.9	6.7	420.6
Property Tax Relief Fund	—	3,062.4	2,544.9	1.8	3.0
Gubernatorial Elections Fund	0.7	—	—	1.1	0.8
Casino Control Fund	—	—	—	—	—
Casino Revenue Fund	—	—	—	—	—
Total Beginning Balances	<u>10,209.7</u>	<u>8,319.2</u>	<u>6,884.4</u>	<u>2,060.2</u>	<u>1,712.2</u>
Anticipated Revenue					
General Fund	31,561.9	31,449.9	30,355.7	29,721.3	20,625.6
Property Tax Relief Fund	20,585.6	19,907.1	21,778.9	18,413.8	17,074.5
Gubernatorial Elections Fund	0.7	0.7	0.2	0.3	0.3
Casino Control Fund	73.5	66.7	60.2	54.0	50.3
Casino Revenue Fund	526.7	483.6	458.0	363.5	262.5
Total Revenues	<u>52,748.4</u>	<u>51,908.0</u>	<u>52,653.0</u>	<u>48,552.9</u>	<u>38,013.2</u>
Total Resources	<u>\$62,958.1</u>	<u>\$60,227.2</u>	<u>\$59,537.4</u>	<u>\$50,613.1</u>	<u>\$39,725.4</u>
Other Adjustments					
General Fund					
Balances lapsed ⁽³⁾	—	1,544.7	1,299.7	1,532.2	831.3
From (To) Reserved Fund Balance	(253.6)	123.5	26.8	(119.8)	19.2
From (To) Surplus Revenue Fund	—	(222.9)	2,446.9	(2,440.2)	413.9
From (To) Property Tax Relief Fund	—	(617.5)	(27.8)	(77.3)	(180.9)
Budget vs GAAP Adjustment	—	—	—	—	—
From (To) Casino Revenue Fund	—	19.1	—	—	—
From (To) Gubernatorial Elections Fund	—	—	—	(9.6)	—
From (To) Casino Control Fund	—	—	—	—	—
Surplus Revenue Fund					
From (To) General Fund	—	222.9	(2,446.9)	2,440.2	(413.9)
Property Tax Relief Fund					
Balances lapsed ⁽³⁾	—	306.7	227.5	108.3	40.8
From (To) General Fund	—	617.5	8.4	77.3	180.9
Gubernatorial Elections Fund					
From (To) General Fund	—	—	18.9	9.6	—
Balances lapsed ⁽³⁾	—	—	1.9	—	—
Budget vs GAAP Adjustment	—	—	0.5	—	—
Casino Control Fund					
From (To) General Fund	—	—	—	—	—
Balances lapsed ⁽³⁾	—	1.4	2.5	7.5	5.6
Budget vs GAAP Adjustment	—	—	(0.3)	(0.6)	(0.2)
Casino Revenue Fund					
From (To) General Fund	—	(19.1)	—	—	—
Balances lapsed ⁽³⁾	—	0.7	6.2	3.4	0.3
Budget vs GAAP Adjustment	—	—	—	—	—
Total Other Adjustments	<u>(253.6)</u>	<u>1,977.0</u>	<u>1,564.3</u>	<u>1,531.0</u>	<u>897.0</u>
Total Available	<u>\$62,704.5</u>	<u>\$62,204.2</u>	<u>\$61,101.7</u>	<u>\$52,144.1</u>	<u>\$40,622.4</u>
Appropriations					
General Fund	33,389.6	27,567.5	30,737.1	28,764.6	20,842.4
Property Tax Relief Fund	20,460.0	23,893.7	21,497.3	16,056.3	17,297.4
Gubernatorial Elections Fund	—	—	21.5	11.0	—
Casino Control Fund	73.5	68.1	62.4	60.9	55.7
Casino Revenue Fund	526.7	465.2	464.2	366.9	262.8
Total Appropriations⁽⁴⁾	<u>\$54,449.8</u>	<u>\$51,994.5</u>	<u>\$52,782.5</u>	<u>\$45,259.7</u>	<u>\$38,458.3</u>
June 30th Ending Balances					
General Fund	7,904.8	9,986.1	5,256.8	1,892.6	2,154.5
Surplus Revenue Fund	222.9	222.9	—	2,446.9	6.7
Property Tax Relief Fund	125.6	—	3,062.4	2,544.9	1.8
Gubernatorial Elections Fund	1.4	0.7	—	—	1.1
Casino Control Fund	—	—	—	—	—
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances⁽⁵⁾⁽⁶⁾	<u>\$ 8,254.7</u>	<u>\$ 10,209.7</u>	<u>\$ 8,319.2</u>	<u>\$ 6,884.4</u>	<u>\$ 2,164.1</u>

(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 and Fiscal Year 2023 appropriations reflect a \$5.2 billion deposit and a \$400 million deposit to the Debt Defeasance and Prevention Fund, respectively. The reduction in the deposit is the reason for the reduction in the level of appropriations for Fiscal Year 2023.
 - (5) The ending undesignated fund balance for Fiscal Year 2022 and the opening undesignated fund balance for Fiscal Year 2023 are actual and final. The ending undesignated fund balance for Fiscal Years 2023 and 2024 may be revised as a result of changes in spending and/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.

New Jersey Demographic Information

New Jersey is the most densely populated state in the Nation, with an average density of 1,263 persons per square mile as of 2022. 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 industries 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, part of the Atlantic Seaboard, is a focus of the State’s tourism sector and includes casino gambling in Atlantic City. The State attracted 110.8 million visitors in 2018 and 116.2 million visitors in 2019. The number of visitors dropped to 84.6 million in 2020 as travel and tourism were disrupted by pandemic-related restrictions. The number of visitors rebounded to 96.6 million in 2021 and 114.6 million in 2022. The latter number is nearly a return to pre-pandemic levels. In March 2023, the private forecaster Tourism Economics predicted that the number of visitors would be 119.7 million in 2023, 124.1 million in 2024 and 127.4 million in 2025.

There are approximately 9.3 million people residing in New Jersey in 2022, according to the latest population estimate from the U.S. Census Bureau. New Jersey’s population has grown an average of 0.4 percent per year from 2010 to 2022. This is above the average annual growth rate of 0.1 percent for New York and 0.2 percent for Pennsylvania. It is below the national growth rate of 0.6 percent. Approximately 21.5 percent of New Jersey’s population is under the age of 18, which is slightly lower than the national average of 21.7 percent. In addition, 17.4 percent of the State’s population is 65 years or older, which is similar to the national average.

New Jersey’s population is highly educated. Based on the 5-year American Community Survey for 2017–2021, 41.5 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 33.7 percent. New Jersey is also a diverse state. At 22.9 percent, New Jersey has the second highest share of foreign-born residents, behind only California, and above the national average of 13.6 percent. New Jersey has the fourth highest percentage of residents that speak a language other than English at home at 31.9 percent. The State ranks behind only California, Texas, and New Mexico and is above the national percentage of 21.7 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 2007 to 2020, the total number of taxpayers increased by 1.0 percent per year on average. During the same period, the number of taxpayers whose total income was between \$500,000 and \$1 million increased by 6.7 percent per year on average, and the number of taxpayers whose total income was greater than \$1 million increased by 5.5 percent per year on average.

For more information, see the 2022 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

In 2022, New Jersey's economy continued to recover from the recession caused by the COVID-19 pandemic. The State's Gross Domestic Product ("GDP") – a broad measure of economic output – showed moderate growth and employment levels continued to improve, surpassing pre-pandemic levels. Price inflation peaked during the summer, before easing somewhat by the end of 2022 and continuing to decline in 2023. Higher interest rates, intended to tame inflation, slowed economic activity in some sectors, most notably the housing market. In 2023, the near-term economic outlook for the State and Nation is for continued slowing with ongoing uncertainty related to the impact of inflation and interest rates.

Overall, the State's economy experienced moderate growth over the course of 2022. Real GDP growth slowed from its rapid pace in 2021 to a seasonally adjusted annual rate of 2.6 percent in 2022, faster than that of Pennsylvania and the U.S. (2.1 percent for each) but slower than that of New York (3.2 percent). New Jersey's real GDP growth of 2.6 percent for 2022 ranked thirteenth out of the fifty states and outpaced growth for the Nation as a whole (2.1 percent). Real GDP growth continued to taper into 2023 as New Jersey's GDP rose 1.0 percent in the first quarter, slower than New York (1.3 percent), Pennsylvania (1.9 percent), and the U.S. as a whole (2.0 percent).

New Jersey's labor market saw solid gains in 2022. Following a record 265,600 jobs gained in 2021, employment grew in ten out of twelve months, gaining 129,700 jobs through December 2022. This represented a sustained bounce-back from 2020, when employment fell by 303,600 net jobs, including an unprecedented initial decline of 730,200 jobs at the start of the pandemic in March and April 2020. Payroll employment grew by an average of 12,700 jobs per month from January 2022 to September 2022, then decelerated to an average of 5,000 jobs per month from October to December 2022. New Jersey's labor market has remained resilient in 2023, adding an average of 5,400 jobs per month through July of the calendar year. By July 2023, New Jersey had gained back 114.4 percent of the jobs lost in the spring of 2020, a greater share than that of New York (93.1 percent), Pennsylvania (105.4 percent), and Connecticut (98.2 percent).

The State's unemployment rate, which soared to 15.3 percent in May 2020, improved to a pre-pandemic level of 3.3 percent in December 2022, 2.1 percentage points lower than December 2021 (5.4 percent). The State's unemployment rate stood at 3.9 percent as of July 2023, the same as that of New York (3.9 percent), but above Pennsylvania (3.5 percent) and Connecticut (3.6 percent). New Jersey's December 2022 labor force participation rate of 64.1 percent was 0.4 percentage points lower than the pre-pandemic level of 64.5 percent, but 1.3 percentage point higher than in December 2021. The rate as of July 2023 was 65.5 percent, surpassing the pre-pandemic rate and exceeding that of New York (61.4 percent), Pennsylvania (61.9 percent) and Connecticut (64.1 percent).

Workers in low-wage sectors felt the brunt of the economic impact of the COVID-19 pandemic. The leisure and hospitality sector (hotels, restaurants, bars, arts and entertainment venues); trade, transportation and utilities sector (retail trade); and other services sectors accounted for 57.0 percent (415,600) of job losses in March and April 2020. As of July 2023, the leisure and hospitality sector had recovered 97.4 percent of total jobs lost, the other services sector had regained 89.3 percent and trade, transportation and utilities had regained 122.9 percent. Moreover, professional and business services, a relatively high-earning sector, recovered 129.5 percent of the jobs lost during March and April 2020, surpassing pre-pandemic employment levels by 24,700 jobs. Financial activities, another relatively high-earning sector, regained 154.3 percent of its jobs, surpassing pre-pandemic employment by 7,000 jobs as of July 2023.

The housing market in 2022 slowed substantially from the quick pace of the prior two years amidst rapidly rising mortgage interest rates and elevated home prices. The average U.S. 30-Year fixed rate mortgage in December 2022 hovered over 6.0 percent, double its 3.0 percent level in December 2021. According to New Jersey Realtors data, existing-home sales growth started to fall off near the end of 2021 and total closed sales fell 17.8 percent in 2022 from 2021, matching levels last seen in 2015. The number of single-family homes sold, which represents over two-thirds of existing-home sales in New Jersey, was 18.6 percent below its 2021 level, while the number of townhomes and condos sold was 17.8 percent lower. Transaction prices continued to rise substantially, with the average price of a single-family home reaching nearly \$593,000 in 2022, a 9.3 increase over 2021. Existing home sales continued to

slow into 2023, as tight inventory, high interest rates, and elevated median sales prices have constrained sales volumes. Closed sales year-to-date through June 2023 (40,672) were down 24.6 percent from 2022, while the median sales price grew to \$435,000, up 3.3 percent from the same point in 2022.

New Jersey wages and salaries increased 9.3 percent in 2022, while personal income, which was hindered by falling transfer receipts and weaker growth in other components, rose 2.1 percent overall. Personal income growth in New Jersey (2.1 percent) outpaced that of New York (0.8 percent) and Pennsylvania (1.4 percent) in 2022. New Jersey's wages and salaries growth of 9.3 percent also outpaced that of New York (7.4 percent) and Pennsylvania (8.5 percent). Personal income rose 5.8 percent in New Jersey in the first quarter of 2023, which was higher than New York's 3.2 percent rate, but lower than Pennsylvania's 6.7 percent rate.

National personal saving as a percentage of disposable personal income has fluctuated sharply in recent years. From a pre-pandemic level of over 8.0 percent, savings rose to a high of 26.4 percent spurred by federal economic impact payments and limited spending options. The savings rate fell to under 4.0 percent in the final three quarters of 2022 as households adjusted to high price inflation, but rebounded above that 4.0 percent threshold in the first two quarters of 2023. Despite this slight recovery, the savings rate still lagged pre-pandemic levels of at least 8.0 percent.

Price inflation is expected to continue to impact the economy. After reaching a high of 9.1 percent in June 2022, year-over-year growth in the U.S. Consumer Price Index (CPI) for all items eased to 6.5 percent in December 2022 and 3.2 percent in July 2023. Core CPI, which excludes food and energy items, was up 5.7 percent in December 2022, and 4.7 percent in July 2023. Inflation in the metropolitan area containing much of northern and central New Jersey has been more muted, and regional year-over-year CPI growth was 3.2 percent in July 2023 after reaching a high of 6.7 percent in June 2022. Regional core CPI was up 4.4 percent in July 2023. It is generally anticipated that the CPI will remain above 3.0 percent throughout 2023.

The economic outlook has softened recently for both the State and the Nation, as rising interest rates and persistently high inflation erode purchasing power and slow the pace of the economy. Wage gains have struggled to keep up with the pace of inflation, which has dampened consumer spending. The Federal Open Market Committee ("FOMC") lifted the benchmark federal funds rate to between 5.25 percent and 5.5 percent in July 2023 after lifting the rate 25 basis points in February, March, and June of 2023. The federal funds rate was raised 50 basis points in December 2022 and 75 basis points in November, September, July, and June 2022. As of the June 2023 projections, FOMC members expect one more 25 basis point increases in calendar year 2023 to combat persistently elevated inflation and most members expect the target federal funds rate to fall in the 5.5 percent and 5.75 percent range in 2023. As of June 2023, members of the FOMC project that real GDP in the Nation will grow 1.0 percent in 2023, while economists surveyed by the Wall Street Journal in April 2023 forecasted real GDP growth of 0.5 percent for the year.

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. For example, on July 17, 2023, NJDEP issued the

Inland Flood Protection rule which will improve flood protection for development in New Jersey, including for state assets. The rule incorporates the current and future predicted precipitation data to ensure that projects are designed in consideration of these potential flood impacts. The NJDEP has also established a resilience planning program to provide technical and planning assistance to local governments. In 2023, the Resilient NJ program will provide support to more than 40 local governments to identify and enact appropriate measures to address climate impacts in coordination with State and federal agencies.

New Jersey has also established an Interagency Council on Climate Resilience (the “Interagency Council”) to develop consistent statewide policies and actions, and establish both short and long-term action plans, by which State departments and agencies will work both individually and collectively to address climate impacts. The council is made up of representatives from 22 State agencies and departments, and staffed by New Jersey’s Chief Resilience Officer. In 2021, the Interagency Council released New Jersey’s Statewide Climate Change Resilience Strategy that includes recommendations to promote the long-term mitigation, adaptation, and resilience of New Jersey’s economy, communities, infrastructure, and natural resources throughout the State. The Council is currently developing a Resilience Action Plan specific to extreme heat, expected to be released in 2024.

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 I.

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 mitigate cyber risks 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 standard 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. To further manage risk, the State maintains cyber liability insurance coverage.

Revenues

Fiscal Year 2023 Revenues Decline from Fiscal Year 2022

As New Jersey’s economy emerged from the COVID-19 Pandemic, State revenue growth was strong. Fiscal Year 2022 revenues of \$52.7 billion rose substantially above the \$38.0 billion recorded in Fiscal Year 2020, up 38.7 percent in just two years. Some retrenchment was anticipated for Fiscal Year 2023 relative to Fiscal Year 2022, as the Governor’s revenue certification projected an overall decline and a return toward historic trends. State revenues are now expected to reach \$51.9 billion in Fiscal Year 2023, a decline of about \$745.0 million, or 1.4 percent below Fiscal Year 2022. However, the decline was not as large as originally anticipated, and the \$51.9 billion total revenues are now estimated to finish about \$1.6 billion above the level the Governor certified at the time of enactment of the Fiscal Year 2023 Appropriations Act.

The revised Fiscal Year 2023 Gross Income Tax (“GIT”) revenue estimate of \$18.8 billion is a decline of \$1.9 billion, or 9.1 percent below Fiscal Year 2022. The estimate is \$1.1 billion below the Governor’s revenue certification for Fiscal Year 2023. In particular, final payments from Spring 2023 filers came in substantially below the prior year, likely due to the impact of a weak stock market on higher-income taxpayers in 2022. Withholding collections from employee wages continued to grow throughout the fiscal year, as the jobs market remained strong. The GIT estimate includes two tax policy changes: tax benefits for certain college costs, loan payments and savings (*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*), expected to save taxpayers about \$120.0 million.

The revised Fiscal Year 2023 Corporation Business Tax (“CBT”) revenue forecast of \$5.5 billion is \$247.8 million below Fiscal Year 2022, but \$232.5 million more than the amount certified at the time of the enactment of the

Fiscal Year 2023 Appropriations Act. Fiscal Year 2023 CBT revenue collections retracted due to dwindling profit margins as the national economic expansion slowed in the face of interest rate hikes. A shift of some partnership collections from CBT to PTBAIT, as well as elevated levels of credits issued under legacy tax credit programs also dampened collections. CBT revenue growth was very strong in the first quarter of Fiscal Year 2023, but eased during the remaining months of the fiscal year.

Sales and Use Tax (“SUT”) revenues are expected to reach \$13.1 billion in Fiscal Year 2023, up \$606.1 million, or 4.8 percent above the prior year and \$625.7 million above the amount certified at the time of the enactment of the Fiscal Year 2023 Appropriations Act. Revenue growth was relatively strong through the first half of Fiscal Year 2023, generally exceeding price inflation rates. Growth during the remainder of Fiscal Year 2023 slowed, tracking slightly below nominal price inflation.

Revised Pass-Through Business Alternative Income Tax (“PTBAIT”) collections of \$4.0 billion are expected to match last year’s level, up \$606.4 million from the total certified at the time of the enactment of the Fiscal Year 2023 Appropriations Act. Collections were initially forecasted to decline in Fiscal Year 2023, as December 2021 previously saw a significant payment surge from first-time PTBAIT filers. Taxpayers were expected to distribute those large December payments throughout their quarterly estimated payments for Tax Year 2022, which to a great degree occurred. However, in its brief history, changes have been made to capture additional sources of income, alter tax rates, and revise tax credit structures, which in turn have contributed to PTBAIT revenue coming in greater than forecasted. Much of the refund and payment activity that has carried across fiscal years has stabilized.

Among other notable tax revenues, the Transfer Inheritance Tax did not decline as sharply as anticipated, with revenues expected to total \$568.2 million for Fiscal Year 2023 compared to \$384.5 million anticipated at the time of the enactment of the Fiscal Year 2023 Appropriations Act. The Realty Transfer Fee is expected to decline further with revenue coming in \$163.9 million below Fiscal Year 2022, as high interest rates impact the housing market. The State’s investment earnings rose markedly in Fiscal Year 2023, yielding an estimated \$708.5 million, well above the certified level of \$72.8 million due to large State balances and strong investment returns.

Fiscal Year 2024 Revenues Expected to Remain Relatively Stable

The State’s anticipated revenues in the Fiscal Year 2024 Appropriations Act reflect largely stable revenues in Fiscal Year 2024 when compared to Fiscal Year 2023, with anticipated revenues of \$52.7 billion, up \$840.4 million, or 1.6 percent above Fiscal Year 2023 estimates. Most revenues are expected to grow slowly in Fiscal Year 2024, as the economy softens but avoids a possible recession. However, revenue growth will be partially offset by the expiration of the CBT surtax.

The Fiscal Year 2024 GIT projection of \$19.5 billion is an increase of \$658.1 million, or 3.5 percent above Fiscal Year 2023. Withholding revenue growth is expected to continue to slow as pressures driving up wage growth ease alongside inflation. Capital market performance has been positive early in 2023, but remains a concern as the markets grapple with an ever-changing economic picture, tightening monetary policy, and international events. Non-wage income sources are expected to remain relatively flat in Fiscal Year 2024 as most economic forecasts debate the prospects of weak economic growth or a very mild, short recession. The forecast also anticipates a tax cut related to the expansion of the State’s Child Tax Credit, which is estimated at \$123.2 million.

Fiscal Year 2024 SUT revenue collections are projected at \$13.6 billion, an increase of \$260.0 million or 1.9 percent over Fiscal Year 2023. Slowing consumer spending and inflation are expected to soften collections growth. Substantial federal governmental assistance, including stimulus checks and student loan relief that boosted discretionary income and contributed to the sharp rise in SUT growth in recent years, has largely dwindled and will wane in Fiscal Year 2024. Consumers are expected to continue their return toward pre-pandemic levels of spending on nontaxable services rather than taxable durable goods, while grappling with high levels of credit card debt and diminished savings.

Fiscal Year 2024 CBT revenue collections are projected to fall from Fiscal Year 2023 levels, declining to \$5.3 billion, a decrease of 2.6 percent, primarily due to the phase out of the CBT surtax. Concerns about the slowing economy have dampened expectations for 2023, which will impact Fiscal Year 2024 CBT revenue collections, and most economic forecasts expect corporate profits to stagnate. The CBT surtax is set to sunset on December 31, 2023,

and thus will first affect and reduce CBT revenues in Fiscal Year 2024 by \$333.1 million and by roughly \$1.0 billion in Fiscal Year 2025. The CBT will see a continued influx of collections from Banks and Financial Institutions as part of unitary combined reporting.

Stability in PTBAIT revenue collections is anticipated, but continued weakness in the housing market will again reduce anticipated Realty Transfer Fee collections in Fiscal Year 2024.

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2020 through 2024 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 2020 through 2022 are actual and final. The Fiscal Year 2023 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2024 estimates are as presented in the Fiscal Year 2024 Appropriations Act and are based on the economic data presented above. See “FINANCIAL RESULTS AND ESTIMATES – New Jersey Current Economic Outlook” above and “APPENDIX I-A – SUMMARY OF CERTAIN STATE TAXES” below.

REVENUES (In Millions)					
	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund:					
Sales and Use Tax	\$13,608.6	\$13,348.6	\$12,630.0	\$11,366.6	\$9,786.0
Sales and Use Tax (Energy Tax Receipts)	798.4	788.5	788.5	788.5	788.5
Less: Property Tax Dedication	(1,062.4)	(1,042.0)	(1,013.0)	(917.3)	(798.1)
Net Sales and Use Tax	13,344.6	13,095.1	12,405.5	11,237.8	9,776.4
Corporation Business Tax	5,323.6	5,466.1	5,718.0	4,894.9	3,811.6
Business Alternative Income Tax.....	4,146.6	4,006.4	3,980.0	1,968.4	–
NJ COVID-19 State Emergency Fund	–	–	–	4,288.7	–
Transfer Inheritance Tax	504.5	568.2	601.7	485.3	358.1
Insurance Premium Tax	595.9	675.0	703.7	464.0	622.3
Fringe Benefit Recoveries.....	1,371.8	1,205.9	999.7	806.9	708.1
Motor Fuels Tax.....	462.4	462.9	461.8	434.4	440.4
Motor Vehicle Fees.....	402.4	384.4	393.4	477.2	420.3
Medicaid Uncompensated Care.....	383.4	492.7	477.6	524.2	518.5
Realty Transfer Tax	428.2	510.7	674.6	526.2	364.7
Petroleum Products Gross Receipts	1,419.3	1,420.9	1,553.9	1,624.2	1,338.4
Petroleum Products Gross Receipts-Capital Reserves.....	(519.9)	(563.3)	(756.3)	(844.3)	(578.5)
Corporation Business Tax-Banks and Financials.....	5.0	68.0	81.9	107.8	283.0
Cigarette Tax	42.7	65.6	38.0	71.0	80.1
Alcoholic Beverage Excise Tax	146.5	146.5	142.6	140.1	121.8
Other	3,504.9	3,444.8	2,879.6	2,514.5	2,360.4
Total General Fund ⁽¹⁾	31,561.9	31,449.9	30,355.7	29,721.3	20,625.6
Property Tax Relief Fund:					
Gross Income Tax	19,498.7	18,840.6	20,737.5	17,469.9	16,253.7
Plus: Property Tax Dedication.....	1,086.9	1,066.5	1,041.4	943.9	820.8
Gross Property Tax Relief Fund	20,585.6	19,907.1	21,778.9	18,413.8	17,074.5
Gubernatorial Elections Fund-Taxpayer Designations.....	0.7	0.7	0.2	0.3	0.3
Casino Control Fund-License Fees, Interest.....	73.5	66.7	60.2	54.0	50.3
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	526.7	483.6	458.0	363.5	262.5
Total.....	\$52,748.4	\$51,908.0	\$52,653.0	\$48,552.9	\$38,013.2

⁽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, 2020 through 2024 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 2020 through 2022 are actual and final. The Fiscal Year 2023 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2024 estimates are as presented in the Fiscal Year 2024 Appropriations Act.

REVENUES — DOLLAR GROWTH (In Millions)

	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund:					
Sales and Use Tax	\$260.0	\$718.6	\$1,263.4	\$1,580.6	\$(152.6)
Sales and Use Tax (Energy Tax Receipts).....	9.9	—	—	—	—
Less: Property Tax Dedication	(20.4)	(29.0)	(95.7)	(119.2)	18.4
Net Sales and Use Tax	249.5	689.6	1,167.7	1,461.4	(134.2)
Corporation Business Taxes.....	(142.5)	(251.9)	823.1	1,083.3	(217.1)
Business Alternative Income Tax.....	140.2	26.4	2,011.6	1,968.4	—
NJ COVID-19 State Emergency Fund	—	—	(4,288.7)	4,288.7	—
Transfer Inheritance Tax	(63.7)	(33.5)	116.4	127.2	(59.3)
Insurance Premium Tax	(79.1)	(28.7)	239.7	(158.3)	100.1
Fringe Benefit Recoveries.....	165.9	206.2	192.8	98.8	(28.8)
Motor Fuels Tax.....	(0.5)	1.1	27.4	(6.0)	(59.8)
Motor Vehicle Fees.....	18.0	(9.0)	(83.8)	56.9	(16.6)
Medicaid Uncompensated Care.....	(109.3)	15.1	(46.6)	5.7	144.6
Realty Transfer Tax	(82.5)	(163.9)	148.4	161.5	(9.5)
Petroleum Products Gross Receipts.....	(1.6)	(133.0)	(70.3)	285.8	(127.6)
Petroleum Products Gross Receipts-Capital Reserves.....	43.4	193.0	88.0	(265.8)	294.1
Corporation Business Tax-Banks and Financials	(63.0)	(13.9)	(25.9)	(175.2)	(9.4)
Cigarette Tax.....	(22.9)	27.6	(33.0)	(9.1)	(18.8)
Alcoholic Beverage Excise Tax	—	3.9	2.5	18.3	9.6
Other	60.1	565.2	365.1	154.1	(494.0)
Total General Fund ⁽¹⁾	112.0	1,094.2	634.4	9,095.7	(626.7)
Property Tax Relief Fund:					
Gross Income Tax	658.1	(1,896.9)	3,267.6	1,216.2	350.4
Plus: Property Tax Dedication	20.4	25.1	97.5	123.1	(23.7)
Gross Property Tax Relief Fund	678.5	(1,871.8)	3,365.1	1,339.3	326.7
Gubernatorial Elections Fund-Taxpayer Designations	—	0.5	(0.1)	—	(0.5)
Casino Control Fund-Licenses, Interest	6.8	6.5	6.2	3.7	1.2
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	43.1	25.6	94.5	101.0	(3.7)
Total.....	\$840.4	\$(745.0)	\$4,100.1	\$10,539.7	\$(303.0)

⁽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.

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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, 2020 through 2024 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 source and are not intended to sum when reading down the table. Year over year percentage growth in revenues for Fiscal Years 2020 through 2022 are actual and final. The Fiscal Year 2023 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2024 estimates are as presented in the Fiscal Year 2024 Appropriations Act.

REVENUES — PERCENTAGE GROWTH

	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund:					
Sales and Use Tax.....	1.9%	5.7%	11.1%	16.2%	(1.5)%
Sales and Use Tax (Energy Tax Receipts)	1.3	—	—	—	—
Less: Property Tax Dedication	2.0	2.9	10.4	14.9	(2.3)
Net Sales and Use Tax	1.9	5.6	10.4	14.9	(1.4)
Corporation Business Taxes.....	(2.6)	(4.4)	16.8	28.4	(5.4)
Business Alternative Income Tax	3.5	0.7	102.2	—	—
NJ COVID-19 State Emergency Fund	—	—	(100.0)	—	—
Transfer Inheritance Tax	(11.2)	(5.6)	24.0	35.5	(14.2)
Insurance Premium Tax	(11.7)	(4.1)	51.7	(25.4)	19.2
Fringe Benefit Recoveries.....	13.8	20.6	23.9	14.0	(3.9)
Motor Fuels Tax	(0.1)	0.2	6.3	(1.4)	(12.0)
Motor Vehicle Fees.....	4.7	(2.3)	(17.6)	13.5	(3.8)
Medicaid Uncompensated Care	(22.2)	3.2	(8.9)	1.1	38.7
Realty Transfer Tax	(16.2)	(24.3)	28.2	44.3	(2.5)
Petroleum Products Gross Receipts	(0.1)	(8.6)	(4.3)	21.4	(8.7)
Petroleum Products Gross Receipts-Capital Reserves.....	(7.7)	(25.5)	(10.4)	45.9	(33.7)
Corporation Business Tax-Banks and Financials.....	(92.6)	(17.0)	(24.0)	(61.9)	(3.2)
Cigarette Tax	(34.9)	72.6	(46.5)	(11.4)	(19.0)
Alcoholic Beverage Excise Tax	—	2.7	1.8	15.0	8.6
Other	1.7	19.6	14.5	6.5	(17.3)
Total General Fund ⁽¹⁾	0.4	3.6	2.1	44.1	(2.9)
Property Tax Relief Fund:					
Gross Income Tax.....	3.5	(9.1)	18.7	7.5	2.2
Plus: Property Tax Dedication.....	1.9	2.4	10.3	15.0	(2.8)
Gross Property Tax Relief Fund.....	3.4	(8.6)	18.3	7.8	2.0
Gubernatorial Elections Fund-Taxpayer Designations.....	—	250.0	(33.3)	—	(62.5)
Casino Control Fund-Licenses, Interest	10.2	10.8	11.5	7.4	2.4
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest.....	8.9	5.6	26.0	38.5	(1.4)
Total	1.6%	(1.4)%	8.4%	27.7%	(0.8)%

⁽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 — Percent of Total

The following table sets forth actual and estimated revenues as a percent of total revenue for fiscal years ended June 30, 2020 through 2024 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The Fiscal Year 2023 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2024 estimates are as presented in the Fiscal Year 2024 Appropriations Act.

REVENUES — PERCENT OF TOTAL

	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund:					
Sales and Use Tax.....	25.8%	25.7%	24.0%	23.4%	25.8%
Sales and Use Tax (Energy Tax Receipts).....	1.5	1.5	1.5	1.6	2.1
Less: Property Tax Dedication.....	(2.0)	(2.0)	(1.9)	(1.9)	(2.1)
Net Sales and Use Tax.....	25.3	25.2	23.5	23.1	25.8
Corporation Business Taxes	10.1	10.5	10.9	10.1	10.0
Business Alternative Income Tax	7.9	7.7	7.5	4.1	—
NJ COVID-19 State Emergency Fund.....	—	—	—	8.8	—
Transfer Inheritance Tax.....	1.0	1.1	1.1	1.0	0.9
Insurance Premium Tax.....	1.1	1.3	1.3	1.0	1.6
Fringe Benefit Recoveries	2.6	2.3	1.9	1.7	1.9
Motor Fuels Tax	0.9	0.9	0.9	0.9	1.2
Motor Vehicle Fees	0.8	0.7	0.7	1.0	1.1
Medicaid Uncompensated Care	0.7	1.0	0.9	1.1	1.4
Realty Transfer Tax	0.8	1.0	1.3	1.1	1.0
Petroleum Products Gross Receipts	2.6	2.8	3.0	3.3	3.5
Petroleum Products Gross Receipts-Capital Reserves	(1.1)	(1.1)	(1.4)	(1.7)	(1.5)
Corporation Banks and Financials	0.0	0.1	0.2	0.2	0.7
Cigarette Tax	0.1	0.1	0.1	0.1	0.2
Alcoholic Beverage Excise Tax	0.3	0.3	0.3	0.3	0.3
Other.....	6.7	6.7	5.5	5.2	6.2
Total General Fund ⁽¹⁾	59.8	60.6	57.7	61.3	54.3
Property Tax Relief Fund:					
Gross Income Tax	37.0	36.3	39.4	36.0	42.8
Plus: Property Tax Dedication	2.1	2.1	2.0	1.9	2.2
Gross Property Tax Relief Fund.....	39.1%	38.4%	41.4%	37.9%	45.0%
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	1.0	0.9	0.9	0.7	0.6
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* and *L. 2023, c. 98*, established several new programs that will be collectively referred to herein as the “NJ ERA Programs.”

Generally, tax credits are awarded 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 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 program) 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 years after the date of the original issuance to transfer the tax credits to a potential transferee.

The NJEDA provides fiscal year data on the total dollar amount of actual and projected tax credit awards issued in each fiscal year. More specifically, the totals for past and future fiscal year tax credit awards shown in the table below represent the issuance of certified credits for current and past tax years, rather than the application of those credits to tax year liabilities (on current or past year returns) during the current fiscal year. Actual tax credit award amounts are typically less than projected because taxpayers may withdraw their application, projects may be canceled, a tax credit may be reduced based on performance, or certification may be delayed. In most cases, firms that are awarded tax credits under NJEDA tax credit incentive programs must demonstrate compliance on an annual basis with requirements that may include minimum hiring or employment targets, capital investment commitments, or other parameters, and compliance must be certified by the NJEDA before the tax credits for a given tax year are awarded. Once awarded, the taxpayer may apply the tax credits to their tax liability for the relevant tax year or transfer it to another firm if permitted under the applicable tax credit incentive program. Some tax credits are awarded for the most recent tax year, while reporting, processing and certification delays can result in tax credits being awarded for past tax years as well.

The table below compares the NJEDA’s projected award amounts of Legacy Program tax credits to actual award amounts from Fiscal Year 2019 to Fiscal Year 2023, and provides the current projected award amounts for Fiscal Year 2024. Actual award amounts ranged from 45.0 percent to 50.0 percent of the projected level from Fiscal Year 2019 to Fiscal Year 2021, then rose to 67.0 percent in Fiscal Year 2022, possibly accounting for some portion of the then record-high level of CBT refund activity that fiscal year. In Fiscal Year 2023, projected and actual credit award amounts for Legacy Programs were again elevated due to current and backlogged BEIP program credits reaching their anticipated peak, as well as increased use of the Film and Digital Tax Credit. Actual award amounts approved reached \$745.4 million, or 67.4 percent of their January 2023 projection, similar to the Fiscal Year 2022 percentage, with CBT refunds once again reaching record levels. Fiscal Year 2024 awards are currently projected at \$1.1 billion, similar to the Fiscal Year 2023 projection at this time last year. While the tax credits primarily impact CBT revenues, certain credits can also be applied to GIT liabilities, and 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 Award Amounts vs Actual Award Amounts
(In Millions)

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
Projected Award Amounts*	\$660.7	\$872.1	\$876.8	\$883.7	\$1,105.5**	\$1,086.1**
Actual Award Amounts	\$308.3	\$396.3	\$437.8	\$592.3	745.4	n/a
Difference	\$352.3	\$475.8	\$439.0	\$278.9	\$360.1	n/a

* For Fiscal Year 2019 through Fiscal Year 2023, projected award amounts are estimates as of January of the given Fiscal Year. The Fiscal Year 2024 projection is as of July 2023.

** 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 (“PPE”). The PPE Manufacturing Tax Credit Program is for Tax Years 2020 through 2022 and has an annual cap of \$10.0 million. PPE Manufacturing Tax Credits of \$3.3 million are projected to be issued in Fiscal Year 2024. The seven primary programs expire after nine 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 nine-year period. After the completion of the sixth 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 \$200.0 million

annually. The table below summarizes the annual tax credit award limits and projected award amounts 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	Fiscal Year 2024
Historic Property Reinvestment Act	\$ 50	\$ 300	\$ –	\$ –	\$ –
Brownfield Redevelopment Incentive Program Act	50	300	–	–	–
New Jersey Innovation Evergreen Act	60	300	–	50	60
Food Desert Relief Act	40	240	–	–	40
Community Anchored Development Act	200	1,200	–	–	–
New Jersey Aspire (Non-Transformative) + Emerge	1,100	6,600	–	–	17
New Jersey Aspire (Transformative)	–	2,500	–	–	–
Total “New NJ ERA Programs”	\$1,500	\$11,500	\$ –	\$50	\$117

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 75.0 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 90.0 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 2020 through Fiscal Year 2024

The following table sets forth the composition of annual appropriations in Fiscal Years 2020 through 2024, 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 2020 through 2022 are actual and final. The Fiscal Year 2023 estimates are subject to adjustment pending completion of the annual audit. The Fiscal Year 2024 estimates are as presented in the Fiscal Year 2024 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2024 Appropriations Act.

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

	For the Fiscal Year Ended June 30,				
	2024 Estimated	2023 Estimated	2022 Actual	2021 Actual	2020 Actual
General Fund					
Legislature	\$ 118.7	\$ 111.8	\$ 107.1	\$ 96.5	\$ 80.9
Chief Executive	13.7	11.7	9.2	7.2	5.9
Department of:					
Agriculture	106.8	202.5	116.4	88.2	79.4
Banking and Insurance	90.3	90.3	89.5	64.0	140.6
Children and Families	1,405.0	1,359.9	1,283.0	1,212.1	1,144.0
Community Affairs	346.0	352.2	377.4	152.3	124.0
Corrections	1,154.7	1,182.5	1,101.1	1,044.7	1,033.6
Education	5,299.1	288.4	249.1	2,743.3	484.0
Environmental Protection	528.1	762.3	695.8	489.4	506.4
Health	1,376.1	1,179.7	1,183.8	1,120.6	985.7
Human Services	8,326.3	7,600.1	6,720.9	6,250.0	5,892.2
Labor and Workforce Development	204.4	206.2	207.6	176.3	169.6
Law and Public Safety	804.7	806.3	682.9	659.6	600.4
Military and Veterans' Affairs	121.2	109.7	100.0	96.4	95.9
State	2,067.6	1,839.8	1,759.7	1,496.0	1,300.3
Transportation	1,646.0	1,620.3	1,585.7	1,839.2	1,732.5
Treasury	1,760.6	1,950.7	1,749.9	1,640.5	1,038.4
Miscellaneous Commissions	1.0	1.0	1.0	0.8	0.7
Interdepartmental Accounts - Employee					
Benefits and Miscellaneous	7,137.0	7,016.8	11,885.3	8,777.0	4,638.6
Judicial Branch	882.3	875.3	831.7	810.5	789.3
Total, General Fund	<u>33,389.6</u>	<u>27,567.5</u>	<u>30,737.1</u>	<u>28,764.6</u>	<u>20,842.4</u>
Property Tax Relief Fund					
Department of:					
Agriculture	41.2	19.6	18.2	13.2	5.6
Community Affairs	1,138.7	997.5	856.5	824.9	742.4
Corrections	41.2	33.4	25.6	23.5	22.2
Education	14,597.9	18,517.1	18,009.2	12,893.3	14,458.0
Environmental Protection	16.3	14.3	7.8	6.5	4.0
Human Services	260.7	245.2	247.2	228.5	197.7
Law and Public Safety	9.5	5.5	5.0	4.6	3.0
State	7.2	6.8	5.0	3.7	3.7
Transportation	327.3	319.3	301.9	228.9	218.5
Treasury	3,974.0	3,689.5	1,975.5	1,783.8	1,602.2
Interdepartmental Accounts - Employee					
Benefits and Miscellaneous	45.5	45.5	45.4	45.4	40.1
Total, Property Tax Relief Fund	<u>20,460.0</u>	<u>23,893.7</u>	<u>21,497.3</u>	<u>16,056.3</u>	<u>17,297.4</u>
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	—	—	21.5	11.0	—
Total, Gubernatorial Elections Fund	<u>—</u>	<u>—</u>	<u>21.5</u>	<u>11.0</u>	<u>—</u>
Casino Control Fund					
Department of:					
Law and Public Safety	65.4	60.1	55.0	53.3	48.4
Treasury	8.1	8.0	7.4	7.6	7.3
Total, Casino Control Fund	<u>73.5</u>	<u>68.1</u>	<u>62.4</u>	<u>60.9</u>	<u>55.7</u>
Casino Revenue Fund					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	523.9	462.4	461.4	364.1	260.0
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>526.7</u>	<u>465.2</u>	<u>464.2</u>	<u>366.9</u>	<u>262.8</u>
Total Appropriations	<u>\$ 54,449.8</u>	<u>\$ 51,994.5</u>	<u>\$ 52,782.5</u>	<u>\$ 45,259.7</u>	<u>\$ 38,458.3</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 actual supplemental appropriations for Fiscal Years 2020 through 2022, the adjusted appropriations for Fiscal Year 2023, which is subject to further adjustment pending completion of the annual audit and the appropriations for Fiscal Year 2024 as presented in the Fiscal Year 2024 Appropriations Act, as amended by supplemental appropriations enacted shortly after the enactment of the Fiscal Year 2024 Appropriations Act.

SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY
(In Millions)

	Fiscal Year 2024 Estimated	Fiscal Year 2023 Estimated	Fiscal Year 2022 Actual	Fiscal Year 2021 Actual	Fiscal Year 2020 Actual
State Aid	\$23,278.3	\$21,862.4	\$20,861.7	\$18,231.0	\$17,359.4
Grants-in-Aid	17,709.3	16,216.9	14,023.2	12,204.3	10,804.1
Direct State Services	10,908.9	10,596.4	10,148.2	8,593.6	8,123.2
Capital Construction	1,971.5	2,698.0	7,354.2	5,589.6	1,827.2
Debt Service on General Obligation Bonds ...	581.8	620.8	395.2	641.2	344.4
Total	\$54,449.8	\$51,994.5	\$52,782.5	\$45,259.7	\$38,458.3

Total Fiscal Year 2024 appropriations increased by \$2.455 billion as compared to total Fiscal Year 2023 adjusted appropriations. Significant increases include increased recommended funding for PreK-12 school aid, increased funding to pay the contributions to the Pension Plans, increased costs in entitlement programs such as NJFamilyCare, enhanced payments to child care providers, net increases in Health Benefits costs, as well as support for enhanced ANCHOR benefits and for StayNJ. StayNJ is a new property tax relief program that will provide a property tax credit for eligible seniors, and is scheduled to begin in January 2026. The Fiscal Year 2024 appropriation of \$100 million for the StayNJ program is part of a scheduled buildup to ensure the program has resources to support the costs of the program when implemented. These combined increases are partially offset by the removal in Fiscal Year 2023 of one-time appropriations enacted in Fiscal Year 2023.

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The following tables set forth appropriations by department and by major category for Fiscal Year 2024 and adjusted appropriations by department and major category for Fiscal Year 2023.

**APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2024
(In Millions)**

Government Branch	Direct State Services	Grants-in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive.....	\$13.7	\$ –	\$ –	\$ –	\$ –	\$13.7
Agriculture	10.9	95.9	41.2	–	–	148.0
Banking and Insurance.....	90.3	–	–	–	–	90.3
Children and Families	405.3	999.7	–	–	–	1,405.0
Community Affairs	66.8	256.6	1,161.3	–	–	1,484.7
Corrections.....	1,064.1	90.6	41.2	–	–	1,195.9
Education	110.3	95.6	19,691.1	–	–	19,897.0
Environmental Protection	293.0	12.7	22.3	185.0	31.4	544.4
Health.....	451.2	925.4	–	–	–	1,376.6
Human Services	320.7	8,300.3	489.9	–	–	9,110.9
Labor and Workforce Development....	120.2	86.4	–	–	–	206.6
Law and Public Safety	814.0	45.9	19.8	–	–	879.7
Military and Veterans' Affairs.....	114.6	6.6	–	–	–	121.2
State	81.0	1,968.0	25.8	–	–	2,074.8
Transportation.....	106.0	162.0	127.3	1,578.0	–	1,973.3
Treasury	624.2	2,910.2	1,658.4	–	550.4	5,743.2
Miscellaneous Commissions.....	1.0	–	–	–	–	1.0
Interdepartmental	5,220.6	1,753.4	–	208.5	–	7,182.5
Subtotal.....	9,907.9	17,709.3	23,278.3	1,971.5	581.8	53,448.8
Legislature.....	118.7	–	–	–	–	118.7
Judiciary	882.3	–	–	–	–	882.3
Grand Total.....	\$10,908.9	\$17,709.3	\$23,278.3	\$1,971.5	\$581.8	\$54,449.8

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

Government Branch	Direct State Services	Grants-in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive.....	\$11.7	\$ –	\$ –	\$ –	\$ –	\$11.7
Agriculture	10.8	93.9	19.6	97.8	–	222.1
Banking and Insurance	90.3	–	–	–	–	90.3
Children and Families	395.2	964.7	–	–	–	1,359.9
Community Affairs	60.8	281.6	1,007.3	–	–	1,349.7
Corrections.....	1,055.3	127.2	33.4	–	–	1,215.9
Education	119.7	85.5	18,600.3	–	–	18,805.5
Environmental Protection.....	293.0	2.6	20.7	429.3	31.0	776.6
Health	460.8	719.4	–	–	–	1,180.2
Human Services	315.2	7,504.4	488.1	–	–	8,307.7
Labor and Workforce Development....	118.0	90.4	–	–	–	208.4
Law and Public Safety.....	816.0	45.4	7.1	3.5	–	872.0
Military and Veterans' Affairs	106.8	2.9	–	–	–	109.7
State.....	80.5	1,730.9	35.2	–	–	1,846.6
Transportation	147.3	120.1	119.3	1,552.9	–	1,939.6
Treasury	608.6	2,918.4	1,531.4	–	589.8	5,648.2
Miscellaneous Commissions	1.0	–	–	–	–	1.0
Interdepartmental	4,918.3	1,529.5	–	614.5	–	7,062.3
Subtotal	9,609.3	16,216.9	21,862.4	2,698.0	620.8	51,007.4
Legislature	111.8	–	–	–	–	111.8
Judiciary	875.3	–	–	–	–	875.3
Grand Total	\$10,596.4	\$16,216.9	\$21,862.4	\$2,698.0	\$620.8	\$51,994.5

Programs Funded Under Appropriations in Fiscal Year 2024

\$54.450 billion is appropriated for Fiscal Year 2024 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund and the Casino Revenue Fund. \$23.278 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. \$17.709 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. \$10.909 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. \$1.972 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. \$582 million (1%) is appropriated for Debt Service on State General Obligation Bonds.

In Fiscal Year 2024, \$5.971 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 24, 2023. 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 2024, 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 2024 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 2024 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. Fiscal Year 2024 is the last year of the current eight (8) year program.

Debt Service on General Obligation Bonds and State Appropriation Obligations

The total Fiscal Year 2024 appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is \$4.335 billion. Of this amount, \$581.8 million represents principal and interest payments for General Obligation Bonds.

The Fiscal Year 2024 Appropriations Act includes appropriations for debt service on State Appropriation Obligations are in the aggregate amount of \$3.753 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, 2023" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023" due to various budgetary adjustments.

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 2020 through 2022, which are non-budgeted revenues, amounted to \$16,414.2 million, \$20,348.0 million and \$24,103.9 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2023

and for Fiscal Year 2024 are estimated to be \$23,299.1 million and \$25,312.9 million respectively. Such federal aid receipts for Fiscal Year 2024 are composed of \$16,364.7 million for health-related family programs under Titles XIX and XXI, \$1,469.4 million for other human services, \$1,143.7 million for Title I and other education, \$585.0 million for labor, \$1,674.9 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 were 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 as of the enactment of the Fiscal Year 2024 Appropriations Act, all remaining SLFRF balances have been allocated across a variety of, largely one-time, programs. The State will work to ensure that all SLFRF balances are obligated by the December 31, 2024 deadline and the entire \$6.2 billion award is expended by the December 31, 2026 deadline.

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 2020 through 2022.

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		
	2022	2021	2020
<u>General Fund:</u>			
Legislative Branch	\$ 93.2	\$ 89.7	\$ 86.9
Chief Executive's Office	8.2	8.0	8.2
Department of:			
Agriculture	1,219.3	746.7	675.6
Banking and Insurance	80.0	54.5	90.5
Children and Families	2,042.3	1,799.3	1,910.7
Community Affairs	2,799.1	1,466.7	821.3
Corrections	1,229.0	1,149.2	1,169.9
Education	2,272.4	6,961.7	1,766.5
Environmental Protection	708.1	647.9	584.2
Health	2,564.5	2,450.8	2,086.7
Human Services	23,202.8	20,380.1	18,725.4
Labor and Workforce Development	924.7	885.0	788.0
Law and Public Safety	2,110.1	1,843.9	1,476.8
Military and Veterans' Affairs	175.1	157.2	161.1
State	1,760.4	1,732.9	1,366.9
Transportation	3,208.0	2,819.2	3,198.1
Treasury	2,164.8	2,118.1	1,495.2
Miscellaneous Executive Commissions	1.0	0.8	0.7
Interdepartmental Accounts	11,603.0	8,829.9	4,622.2
Judicial Branch	950.7	904.1	901.4
Total General Fund	<u>\$59,116.7</u>	<u>\$55,045.7</u>	<u>\$41,936.3</u>
<u>Property Tax Relief Fund:</u>			
Department of:			
Agriculture	\$ 14.1	\$ 8.6	\$ 5.6
Community Affairs	384.4	363.5	319.8
Corrections	23.9	21.9	21.6
Education	17,867.8	12,832.6	14,217.2
Environmental Protection	5.1	4.8	4.8
Health	—	—	—
Human Services	246.0	220.2	200.0
Law and Public Safety	5.2	4.5	3.0
State	5.0	3.7	3.6
Transportation	301.9	223.4	218.8
Treasury	2,334.8	2,164.8	1,996.8
Interdepartmental	45.4	45.2	39.8
Total Property Tax Relief Fund	<u>\$21,233.6</u>	<u>\$15,893.2</u>	<u>\$17,031.0</u>
<u>Gubernatorial Elections Fund:</u>			
Law and Public Safety	<u>\$ 19.1</u>	<u>\$ 10.6</u>	<u>\$ —</u>
<u>Casino Control Fund:</u>			
Department of:			
Law and Public Safety	\$ 53.6	\$ 49.1	\$ 45.2
Treasury	6.0	5.3	5.3
Total Casino Control Fund	<u>\$ 59.6</u>	<u>\$ 54.4</u>	<u>\$ 50.5</u>
<u>Casino Revenue Fund:</u>			
Department of:			
Health	\$ 0.5	\$ 0.5	\$ 0.5
Human Services	458.2	363.9	259.7
Labor and Workforce Development	2.2	0.8	2.2
Law and Public Safety	0.1	0.1	0.1
Total Casino Revenue Fund	<u>\$ 461.0</u>	<u>\$ 365.3</u>	<u>\$ 262.5</u>
Total Expenditures	<u><u>\$80,890.0</u></u>	<u><u>\$71,369.2</u></u>	<u><u>\$59,280.3</u></u>

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").

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. No TRANs have been issued since Fiscal Year 2020 and the State does not expect to issue TRANs during Fiscal Year 2024.

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 2022 ACFR which is incorporated by specific reference herein. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2022 AND 2021” in the 2022 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 2024 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, 2022 AND 2021” in the 2022 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, 2023 and the estimated Fiscal Year 2024 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2023 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 2022 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, 2023**

Issuer	Type of Agreement	Principal Amount Outstanding⁽¹⁾	Fiscal Year 2024 Debt Service⁽²⁾
General Obligation Bonds	General Obligation	\$ 4,602,325,000	\$ 589,565,510
<i>State Appropriation Bonds by Issuer or Program:</i>			
Garden State Preservation Trust	Contract	358,302,140	97,640,775
New Jersey Building Authority	Lease	32,125,000	7,957,500
New Jersey Economic Development Authority			
Biomedical Research Facilities	Contract	37,590,000	3,465,723
Department of Human Services Programs	Service Contract	646,000	375,673
Liberty State Park Project	Lease	29,175,000	8,115,225
Motor Vehicle Surcharges Revenue	Contract	590,185,000	64,875,506
Motor Vehicle Surcharges Revenue - Special Needs Housing	Contract	103,511,483	32,750,538
Municipal Rehabilitation	Contract	61,095,000	14,228,457
New Jersey Transit Corporation Projects	Lease	1,448,940,000	146,448,338
Offshore Wind Port Project	Lease	160,000,000	21,015,700
School Facilities Construction	Contract	4,812,196,000	928,791,858
State House Project	Lease	301,610,000	23,795,534
State Government Buildings Projects	Lease	341,375,000	24,571,950
State Pension Funding	Contract	1,765,690,700	506,962,677
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	245,370,000	30,271,053
Facilities Trust Fund	Contract	102,215,000	19,692,081
Technology Infrastructure Fund	Contract	16,745,000	3,734,975
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	128,275,000	17,564,213
Hospital Asset Transformation Program	Contract	150,015,000	14,891,250
Marlboro Psychiatric Hospital Project	Contract	60,370,000	3,870,575
New Jersey Sports and Exposition Authority	Contract	54,250,000	22,551,071
New Jersey Transportation Trust Fund Authority			
Transportation Program Bonds	Contract	7,447,380,000	410,328,082
Transportation System Bonds	Contract	7,795,875,716	969,289,562
State-Supported County College Bonds	Statutory	197,126,093	34,614,429
State Equipment Line of Credit	Lease	30,658,111	14,355,773
Master Energy Lease Purchase Agreement	Lease	51,601,268	5,361,046
TOTALS		\$ 30,924,647,512	\$ 4,017,085,071

⁽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, 2023. (See "LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations" herein.)

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**ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2023**

Fiscal Year	General Obligation Bonds		State Appropriation Obligations		Total
	Principal	Interest	Principal ⁽¹⁾	Interest ⁽¹⁾⁽²⁾	
2024	\$ 392,185,000	\$ 197,380,510	\$ 1,867,657,775	\$ 1,559,861,786	\$ 4,017,085,071
2025	410,755,000	178,661,335	1,812,727,975	1,619,991,401	4,022,135,711
2026	430,080,000	159,418,045	1,908,274,645	1,377,604,240	3,875,376,930
2027	450,255,000	139,310,033	1,753,322,509	1,236,194,606	3,579,082,148
2028	451,030,000	117,939,533	1,922,599,594	1,149,169,107	3,640,738,233
2029	444,905,000	96,338,013	1,431,068,136	1,091,401,857	3,063,713,006
2030	466,440,000	75,112,120	783,164,087	965,425,896	2,290,142,103
2031	467,440,000	57,191,330	845,115,265	940,720,276	2,310,466,871
2032	485,550,000	39,145,005	874,128,903	913,000,448	2,311,824,356
2033	120,945,000	21,871,903	948,204,859	859,191,271	1,950,213,033
2034	94,175,000	7,689,288	959,684,860	822,424,985	1,893,974,132
2035	97,490,000	14,631,013	997,226,528	786,962,117	1,896,309,658
2036	60,340,000	11,459,325	874,222,738	866,383,612	1,812,405,676
2037	62,275,000	9,774,250	854,150,824	809,365,165	1,735,565,239
2038	34,460,000	8,011,500	801,498,026	800,769,584	1,644,739,110
2039	36,285,000	6,700,000	806,257,420	854,786,475	1,704,028,895
2040	37,860,000	4,885,750	993,809,782	722,351,228	1,758,906,760
2041	40,040,000	2,992,750	1,218,809,582	390,919,370	1,652,761,702
2042	19,815,000	990,750	781,662,500	209,631,751	1,012,100,001
2043	-	-	668,666,500	173,575,158	842,241,658
2044	-	-	545,385,000	142,131,175	687,516,175
2045	-	-	465,150,000	117,139,481	582,289,481
2046	-	-	441,205,000	97,061,619	538,266,619
2047	-	-	437,180,000	77,352,750	514,532,750
2048	-	-	431,830,000	58,134,113	489,964,113
2049	-	-	423,515,000	39,281,775	462,796,775
2050	-	-	370,475,000	20,673,700	391,148,700
2051	-	-	33,370,000	4,432,250	37,802,250
2052	-	-	35,080,000	2,721,000	37,801,000
2053	-	-	36,880,000	922,000	37,802,000
	<u>\$4,602,325,000</u>	<u>\$1,159,502,450</u>	<u>\$26,322,322,512</u>	<u>\$18,709,580,193</u>	<u>\$50,793,730,155</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, 2023. (See “LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations” herein.)

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New Jersey Debt Defeasance and Prevention Fund

Establishment of Debt Defeasance and Prevention Fund and Deposits

As a result of higher-than-expected revenues during Fiscal Year 2021, at the end of Fiscal Year 2021, the State established the New Jersey Debt Defeasance and Prevention Fund (the “Debt Defeasance and Prevention Fund”). Under the legislation that established the Debt Defeasance and Prevention Fund in Fiscal Year 2021, amounts in the Debt Defeasance and Prevention Fund were available to retire and defease State debt (including General Obligation Bonds and State Appropriation Obligations) and to fund capital projects on a pay-as-you-go basis. At the end of Fiscal Year 2021, the State Legislature 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.

At the end of Fiscal Year 2022, the State Legislature appropriated \$5.15 billion to the Debt Defeasance and Prevention Fund. While the general purposes of the amounts appropriated at the end of Fiscal Year 2022 were consistent with the purposes of the amounts appropriated in Fiscal Year 2021, the State Legislature took a different approach in that it specifically allocated a portion of the appropriated amount and then provided that the unallocated balance would be allocated in the future for either the retirement or defeasance of State debt (including General Obligation Bonds and State Appropriation Obligations) or to fund capital projects on a pay-as-you-go basis. The portion that was specifically allocated included \$1.9 billion to the New Jersey Schools Development Authority for the purpose of funding school facilities projects, emergent needs, and capital maintenance in school districts; \$230 million to the NJDOT for various capital projects and \$814 million to NJ Transit for various capital projects.

The State Legislature made an additional appropriation to the Debt Defeasance and Prevention Fund in an amount equal to \$400 million at the end of Fiscal Year 2023. This amount may be used for the same general purposes - to retire and defease State debt and to fund capital projects on a pay-as-you-go basis. However, the State Legislature designated specific allocations for capital projects from this source, including \$90 million to the Department of Corrections for the design and construction of a new correctional facility; \$120 million to the Department of Law and Public Safety for the design and construction of a State Police Training Center; \$24 million to the South Jersey Port Corporation for the purpose of funding capital projects; and \$137 million for the NJDOT to support the State match required as a condition of receiving federal funds to support various transportation projects. After this deposit and allocations, the unallocated balance in the Debt Defeasance and Prevention Fund was \$2 billion as of June 30, 2023. Pursuant to *L. 2023, c. 68*, amounts in the Debt Defeasance and Prevention Fund may be allocated to the defeasance of State debt as determined by the State Treasurer and may be allocated to capital projects as recommended by the State Treasurer upon the approval of the Joint Budget Oversight Committee.

State Debt Defeased from Debt Defeasance and Prevention Fund

During Fiscal Year 2023, the State defeased the following obligations:

Description and Par Amount of Defeased Obligations

Bond Issue	Par Amount Defeased
NJEDA School Facilities Construction Refunding Bonds, 2018 Series EEE	\$119,515,000
NJEDA School Facilities Construction Bonds, 2016 Series AAA	158,420,000
NJEDA School Facilities Construction Refunding Bonds, 2015 Series WW	336,945,000
NJEDA School Facilities Construction Refunding Bonds, 2017 Series DDD	194,860,000
NJEDA School Facilities Construction Bonds, 2015 Series XX	145,625,000

These Fiscal Year 2023 defeasances are included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023 and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023.” The escrow deposit agreement for each defeasance has been filed with the MSRB in connection with each series of defeased bonds. The State intends to utilize approximately \$500 million from the Debt Defeasance and Prevention Fund to defease additional State debt in Fiscal Year 2024. As

of the date hereof and except as stated above, the State has not allocated any additional amounts from the Debt Defeasance and Prevention Fund.

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, 2023, under these programs, the NJEFA has, in aggregate, approximately \$625,240,000 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, 2023, the NJEDA had outstanding \$60,850,000 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, 2023.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2023

Issuer	Series	Type-Reset Period	Amount Outstanding as of 6/30/23	Index Rate (if applicable)	Interest Rate as of 6/30/23	Maturity Date
NJEDA - School Facilities Construction	2013 Series I	FRN-Weekly	\$60,850,000	SIFMA + 1.25%	5.26%	9/01/25

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, 2023 is \$1,041,651,000. 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, 2023.

BANK LOAN PORTFOLIO

<u>Lender</u>	<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding as of 6/30/23</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	\$ 41,800,000	2.910%	6/15/2024
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
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	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	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	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	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			\$983,861,000		
<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>NJEFA Higher Education Capital Improvement Fund Bonds</u>					
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			\$ 8,770,000		
Grand Total			\$1,041,651,000		

* 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, 2023, 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, 2023 and debt service for Fiscal Year 2024.

	Principal Amount Outstanding	Fiscal Year 2024 Debt Service
South Jersey Port Corporation	\$ 170,960,000	\$ 18,883,020
South Jersey Port Corporation Subordinated	255,000,000	15,640,000
Higher Education Student Assistance Authority.....	1,382,780,000	183,073,167
	<u>\$ 1,808,740,000</u>	<u>\$ 217,596,187</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 2024.

Fiscal Year	Amounts Paid for Debt Service	Amounts Paid for Debt Service (Subordinated)
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
2023.....	15,100,000	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, 2023” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023”.

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, 2023, the aggregate amounts of GARVEE Notes and Refunding Notes outstanding are \$1,360,810,000 and \$851,580,000, 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, 2023, the aggregate amounts of municipal and school district Qualified Bonds outstanding are \$1,003,277,634 and \$20,080,000, 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, 2023, the Corporation had \$2,573,210,000 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 2023 (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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 2023 (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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 2023 (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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties did not reach a mutual agreement and the union filed for interest arbitration in early 2023 for a contract that would commence in Fiscal Year 2020. On June 9, 2023, the arbitrator issued a decision and awarded a four-year contract for Fiscal Years 2020-2023, with percentage increases as follows: 2% effective October 2019; 2% effective July 2021; 2.75% effective December 2021; 2.75% effective July 2022.

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 parties did not reach a mutual agreement. The parties are now in Interest Arbitration for a contract that would commence in Fiscal Year 2020.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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 parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2022-2025 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), 2.75% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2.75% 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, July 1, 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 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), 2.75% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2.75% 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. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

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, which the State has continued in the Fiscal Year 2024 Appropriations Act;
- 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 projects that its annual contributions will increase at a much slower rate than when the State was ramping up to full actuarially recommended contributions, the Pension Plans still face potential risks and uncertainties from State and national economic conditions. Outcomes that differ from assumed investment returns, lottery net proceeds, employer contributions, as well as changes in valuation assumptions and methodologies could impact the financial condition of the Pension Plans. The information presented in this Appendix I reflects reasonable expectations of trends over the next thirty years. Uncertain economic conditions and other factors beyond the control of the State may result in a future change in the assumptions used to generate forward-looking estimates that could ultimately affect the level of State contributions.

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, 2022 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, 2022.

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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, 2024 through June 30, 2053
(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
2024	\$37,843	\$1,376	\$5,677	\$1,116	\$2,613	\$7,785	\$40,840
2025	40,840	1,409	5,761	1,126	2,821	7,964	43,993
2026	43,993	1,443	5,834	1,135	3,038	8,148	47,295
2027	47,295	1,476	5,899	1,147	3,266	8,346	50,737
2028	50,737	1,510	5,951	1,157	3,503	8,549	54,309
2029	54,309	1,545	5,996	1,168	3,749	8,752	58,014
2030	58,014	1,579	6,034	1,190	4,004	8,962	61,860
2031	61,860	1,614	6,056	1,202	4,267	9,185	65,814
2032	65,814	1,650	6,049	1,214	4,538	9,409	69,857
2033	69,857	1,687	6,041	1,226	4,815	9,632	73,994
2034	73,994	1,724	6,031	1,238	5,098	9,860	78,226
2035	78,226	1,762	6,015	1,251	5,388	10,087	82,554
2036	82,554	1,803	6,000	1,263	5,685	10,302	87,003
2037	87,003	1,845	5,987	1,276	5,991	10,506	91,595
2038	91,595	1,888	5,976	1,289	6,307	10,703	96,353
2039	96,353	1,934	5,967	1,302	6,635	10,889	101,303
2040	101,303	1,981	5,960	1,315	6,978	11,060	106,476
2041	106,476	2,031	5,957	1,328	7,337	11,213	111,916
2042	111,916	2,082	5,960	1,341	7,715	11,354	117,660
2043	117,660	2,134	5,967	1,355	8,115	11,495	123,736
2044	123,736	2,187	5,976	1,368	8,537	11,648	130,157
2045	130,157	2,240	5,985	1,382	8,984	11,808	136,941
2046	136,941	2,295	5,995	1,396	9,456	11,970	144,112
2047	144,112	2,352	6,007	1,410	9,955	12,140	151,696
2048	151,696	2,411	6,891	-	10,456	12,314	159,140
2049	159,140	2,472	6,909	-	10,973	12,449	166,996
2050	166,996	2,536	6,064	-	11,497	12,691	174,401
2051	174,401	2,602	3,004	-	11,932	12,879	179,060
2052	179,060	2,672	1,798	-	12,222	13,070	182,681
2053	182,681	2,743	1,774	-	12,471	13,278	186,390

- (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 2024 reflects a (7.90)% rate of return for the Pension Plans in Fiscal Year 2022. It also includes preliminary Lottery Net Proceeds of \$1.103 billion for Fiscal Year 2023. However, more recent unaudited Lottery Net Proceeds for Fiscal Year 2023 of \$1.140 billion are estimated to be \$37 million higher than the preliminary Fiscal Year 2023 Lottery Net Proceeds amount. 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.
- (4) Does not include \$294 million in 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.

(footnotes continue on next page)

- (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. 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. Since Fiscal Year 2022, the State has contributed more than the full 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, 2024, 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, 2024⁽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	6,908.0	108 ⁽⁹⁾
2023.....	6,586.4	6,859.2	104 ⁽¹⁰⁾
2024.....	6,842.6	7,086.9	104 ⁽¹¹⁾

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 2024 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 2024 was determined in the actuarial valuation as of July 1, 2022.
- (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 108%.
- (10) For Fiscal Year 2023, the State made pension contributions of \$5.719 billion. This, when combined with unaudited Lottery Net Proceeds of \$1.140 billion, brings the overall pension contribution to 104% of the actuarially recommended contribution.
- (11) The State’s Fiscal Year 2024 Appropriations Act appropriated \$5.971 billion for pension contributions. This amount includes State contributions of \$294 million for certain local government participants in the Pension Plans. After taking into account projected Lottery Net Proceeds of \$1.116 billion, the State expects that the overall contribution will be 103.6% of the actuarially recommended contribution.

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, 2022, the Pension Plans and their active and retired membership are as follows:

Plan	Membership at June 30, 2022	
	Active	Retired
Public Employees’ Retirement System (“PERS”).....	241,151	191,699
Teachers’ Pension and Annuity Fund (“TPAF”).....	158,156	111,736
Police and Firemen’s Retirement System (“PFRS”)	41,816	48,813
State Police Retirement System (“SPRS”).....	3,059	3,612
Judicial Retirement System (“JRS”)	394	687
Consolidated Police and Firemen’s Pension Fund (“CP&FPF”).....		24
Prison Officers’ Pension Fund (“POPF”).....		42
Total	444,576	356,613

From June 30, 2021 to June 30, 2022, the total number of active members of all of the State-administered plans increased by 3,017, or 0.68%, and the total number of retired members increased by 5,562, or 1.58%.

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, 2022, the State was responsible for the employer contributions for 74,154 active and 62,989 retired PERS members and 6,471 active and 7,371 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 of Benefits within the Department of the Treasury. Each Pension Plan has a board of trustees and related committees in which is vested the general responsibility for the proper operation of the Pension Plan. The Division of Pensions and Benefits is responsible for all administrative and financial functions of the Pension Plans except for the investment of the pension assets, which is the responsibility of the Division of Investment. The rules and regulations governing the operation and administration of the Pension Plans are set forth in State law and regulations.

With respect to PFRS, the State Legislature adopted *L. 2018, c. 55* in July 2018, which transferred management of PFRS from the New Jersey Department of the Treasury, Division of Pensions and Benefits to a twelve-member PFRS Board of Trustees (the "PFRSNJ"). The PFRSNJ, which was established in February 2019 pursuant to the legislation, has more powers and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the PFRSNJ Board will have certain investment authority, in addition to having the authority to adjust current benefit levels and to change member and employer contribution rates. With regard to changes to current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the PFRSNJ Board. 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, 2022, the State's portion of the market value of assets in the Pension Plans is \$41.4 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 that 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, 2022 would have been 40.0% instead of 51.1%. 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, 2022 are applicable to the Fiscal Year ended June 30, 2024. Actuarial valuations for each year are as of July 1, the first day of each fiscal year, and the valuations of assets and liabilities contained in each actuarial valuations are as of June 30 of the prior fiscal year. Thus, the actuarial valuation reports are dated as of July 1, 2022, but the valuations of assets and liabilities contained in the report are as of June 30, 2022.

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 that all Pension Plans conduct an actuarial experience study at least once every three years to examine the demographic and economic assumptions used in actuarial valuations to ensure those assumptions reflect actual Pension Plan experience. The experience study uses long-term assumptions, not solely influenced by short-term fluctuations. Whenever an experience study results in a change to an assumption, it could impact the Pension Plan’s UAAL or the statutory contribution calculation in subsequent actuarial valuations. In the most recent study covering the period from 2018 to 2021, the salary growth assumption, mortality and demographic assumptions changed. The primary driver of the liability increase noted in the experience studies was salary rate increases for active members of the TPAF. Prior assumptions assumed lower increases for Fiscal Year 2022 through Fiscal Year 2026. This assumption was changed to accelerate varying rates of increase by years of service starting from June 30, 2022, instead of June 30, 2026. These changes caused the TPAF UAAL to increase 0.5% by \$381 million and were reflected in the July 1, 2022 actuarial valuation. The Fiscal Year 2024 TPAF actuarially recommended contribution then rose

1.8% by \$71.8 million. Alternatively, the JRS system experienced a decrease of 1.2% or \$10.4 million to the UAAL due to retirement, disability and mortality rate assumptions. As a result, the contribution for JRS dropped by \$1.3 million or 1.8%. The PERS, PFRS and SPRS systems also experienced similar changes to the UAAL due to assumption changes. As a consequence of the experience studies, the total system-wide net increase to the UAAL was 0.3% or \$368.2 million. Likewise, the total system-wide pension contribution rose by \$105.0 million.

The UAAL is partly impacted by the actual rate of return of Pension Plan assets as determined primarily by the performance of the investment portfolio. Actual investment returns for any given fiscal year can vary widely. Investment returns were (7.9)%, 28.63% and 1.21%, for Fiscal Years 2022, 2021 and 2020, 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 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. Each year, the AVA method smooths investment gains and losses for that year to reduce volatility by recognizing only 20% of the difference between the market value of assets that year and the expected AVA that year (this recognition is done on a preliminary basis and before giving effect to various adjustments). 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, 2022, 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 \$41.4 billion, as compared to the State’s portion of the aggregate actuarial value of all assets of the Pension Plans was \$44.7 billion. A portion of the difference between these two asset amounts represents the impact of this smoothing method. This smoothing not only affects asset valuations, it also effects the UAAL, funded ratios and contributions, all numbers computed using the AVA.

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 for the year ended as of July 1, 2010 through the year ended as of July 1, 2022.

HISTORICAL STATUTORY FUNDING STATUS AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾ Actuarial Valuations as of July 1, 2010 through July 1, 2022 (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
2022	57,211.7	111,873.3	54,661.7	51.1	53,907.7

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, 2022 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. It also includes 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, 2023 through the Fiscal Year ended June 30, 2051. 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, 2022.

PROSPECTIVE STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
For the Valuation Year Ending June 30, 2023 through June 30, 2051
(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⁾
2023	\$59,524.1	\$114,181.6	\$54,657.5	52.1%
2024	62,084.1	116,531.0	54,446.9	53.3
2025	64,833.7	118,915.9	54,082.1	54.5
2026	67,760.7	121,333.5	53,572.8	55.8
2027	70,840.9	123,766.9	52,926.0	57.2
2028	74,065.3	126,210.9	52,145.5	58.7
2029	77,439.8	128,665.3	51,235.4	60.2
2030	80,916.0	131,121.8	50,205.8	61.7
2031	84,485.2	133,563.7	49,078.4	63.3
2032	88,137.5	135,987.7	47,850.2	64.8
2033	91,874.0	138,393.2	46,519.2	66.4
2034	95,687.0	140,772.1	45,085.4	68.0
2035	99,583.0	143,123.8	43,540.8	69.6
2036	103,581.1	145,462.0	41,880.9	71.2
2037	107,701.1	147,801.8	40,100.7	72.9
2038	111,961.2	150,155.8	38,194.6	74.6
2039	116,385.1	152,540.2	36,155.1	76.3
2040	121,003.8	154,979.0	33,975.3	78.1
2041	125,858.1	157,504.3	31,646.2	79.9
2042	130,982.1	160,141.7	29,159.5	81.8
2043	136,397.6	162,902.7	26,505.1	83.7
2044	142,112.0	165,784.2	23,672.2	85.7
2045	148,140.3	168,789.7	20,649.3	87.8
2046	154,506.4	171,930.6	17,424.2	89.9
2047	162,016.0	175,209.8	13,193.9	92.5
2048	169,955.6	178,629.9	8,671.3	95.1
2049	177,509.2	182,174.0	4,664.8	97.4
2050	182,516.5	185,852.7	3,336.2	98.2
2051	186,579.8	189,680.9	3,101.1	98.4

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 2023 and all future Fiscal Years. Projections exclude estimates for the CP&FPF and the POPF.

⁽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. The amounts shown in this chart are based on preliminary estimated Fiscal Year 2023 Net Lottery Proceeds of \$1.103 billion. However, more recent unaudited Lottery Net Proceeds are estimated to be \$37 million higher than the preliminary amount, an estimated \$1.140 billion in Fiscal Year 2023. 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. In the most recent GASB 67 report, as of June 30, 2022, 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, 2022 use information from the actuarial valuations of the Pension Plans as of June 30, 2021 subject to these adjustments.

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The results, summarized for the GASB 67 Reports as of June 30, 2022 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, 2022
(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⁾	\$32,568.1	\$70,174.1	\$37,606.0	46.41%
TPAF	24,640.5	76,317.1	51,676.6	32.29%
PFRS ⁽³⁾	30,708.7	48,518.7	17,810.1	63.29%
CP&FPF	2.2	2.2	0.1	96.61%
SPRS	1,947.3	4,222.4	2,275.1	46.12%
JRS	183.0	901.2	718.2	20.31%
POPF	5.0	2.8	(2.1)	175.44%
Total	<u>\$90,054.8</u>	<u>\$200,138.6</u>	<u>\$110,083.9</u>	<u>45.00%</u>

⁽¹⁾ Based on Market Value as of June 30, 2022. Does not take into consideration the contribution of the Lottery Enterprise.

⁽²⁾ Of the total Net Pension Liability of \$37,606.0 million for PERS, \$22,386.8 million is the estimated State portion and \$15,219.2 million is the estimated local portion.

⁽³⁾ Of the total Net Pension Liability of \$17,810.1 million for PFRS, \$4,326.6 million is the estimated State portion and \$13,483.5 million is the estimated local portion.

Informational copies of the July 1, 2022 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>. 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, 2023, each participating employer must recognize their share of the total net pension liability of \$110,083.9 million determined as of measurement date of June 30, 2022. The State's share of the collective net pension liability as of June 30, 2021 has been determined to be \$79,743.2 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2023.

The following chart summarizes the allocation of the net pension liability of \$110,083.9 million as of July 1, 2022, as determined under GASB 68:

GASB STATEMENT NO. 68 DISCLOSURE
Allocation of Fiscal Year 2023 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.....	\$18,780.4	\$127.8	\$18,908.2	\$3,606.4	\$15,091.4	\$37,606.0
TPAF.....	82.2	51,594.4	51,676.6	-	-	51,676.6
PFRS.....	4,117.3	2,050.0	6,167.3	196.4	11,446.4	17,810.1
CP&FPF.....	0.0		0.0			0.0
SPRS.....	2,275.1		2,275.1			2,275.1
JRS.....	718.2		718.2			718.2
POPF.....	(2.1)		(2.1)			(2.1)
Total.....	\$25,971.1	\$53,772.2	\$79,743.3	\$3,802.8	\$26,537.8	\$110,083.9

⁽¹⁾ Audited.

⁽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 \$3,802.8 million as of June 30, 2022, 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 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 2022, the State paid PRM benefits for 161,238 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. The 2020 PRM cost decrease is an anomaly attributable to the pandemic-related decrease in treatments and healthcare utilization. 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 Fiscal Year 2022 expense for PRM benefits increased by 6.6%, or \$117.5 million, to \$1.907 billion. The State spent \$2,149.1 million for PRM costs in Fiscal Year 2023, which is a 12.7% increase over Fiscal Year 2022. The Fiscal Year 2024 Appropriations Act appropriated \$2,339.4 million for PRM, an 8.9% increase over Fiscal Year 2023 PRM expenditures.

AGGREGATE STATE CONTRIBUTIONS FOR OPEB
For the Fiscal Years Ending June 30, 2016 through June 30, 2024

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	1,907.6	117.5	6.6%
2023	2,149.1	242.1	12.7%
2024 ⁽³⁾	2,339.4	190.3	8.9%

⁽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⁾ The Fiscal Year 2024 Appropriations Act included \$2,339.4 million in appropriations 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 that sponsor OPEB plans and became effective for employer fiscal years beginning after June 15, 2017. For the State and local participating employers who report on a fiscal year basis, the GASB 75 reporting and disclosure requirements became effective beginning with the issuance of their financial reports for the fiscal year ending June 30, 2018.

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

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

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

GASB 75 Valuation Results

The State’s portion of the total OPEB liability decreased from \$101.6 billion to \$88.8 billion between the June 30, 2021 and June 30, 2022 GASB 75 actuarial valuations prepared by the State’s health benefits actuarial consultant, Aon. The decrease in the State’s OPEB liabilities is mainly attributable to lower than expected premium and claim experience.

The results of the June 30, 2022 GASB actuarial valuations are summarized in the table below:

**GASB Statement No. 75 Accounting Disclosures
Based on Measurement Date of June 30, 2021
For the Fiscal Year Ending June 30, 2022
(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	\$10,526.0	\$19,955.8	\$8,270.2	\$38,752.0
(b) Active Participants	14,428.1	40,051.9	9,779.8	64,259.7
(c) Total	24,954.1	60,007.7	18,050.0	103,011.7
Plan Fiduciary Net Position	–	–	50.2	50.2
Net OPEB Liability	\$24,954.1	\$60,007.7	\$17,999.8	\$102,961.5

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	\$18,158.4	\$6,795.6	\$24,954.0	–	\$24,954.0
Education	–	60,007.7	60,007.7	–	60,007.7
Local Govt	–	3,861.4	3,861.4	\$14,138.4	17,999.8
Total	\$18,158.4	\$70,664.7	\$88,823.1	\$14,138.4	\$102,961.5

* 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, 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 2.16%, 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 5.65% in Fiscal Year 2021 and gradually decrease to a 4.5% long-term trend after seven (7) years. For post-65 PPO/HMO medical benefits, the trend rate assumption reflects premiums through plan year 2024 and projected increases in Fiscal Year 2025 of 13.79% and 12.93% for PPO premiums of State and education retirees, respectively; and 15.49% and 15.23% for HMO premiums, respectively. The Post-65 PPO/HMO Medical trend rate will gradually decline until it reaches a rate of 4.5% in Fiscal Year 2032 and all future years. It stabilizes at 6.75% for current and future retirees in Fiscal Year 2031 and all future years; and (2) Aon assumed that prescription drug benefits would increase at a rate of 6.75% for current and future retirees in Fiscal Year 2021 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.

An analysis of the Centers for Medicare & Medicaid Services ("CMS") 2024 Medicare Advantage and Part D Rate Announcement suggests a need for possible changes to the assumptions used to generate forward-looking estimates that could ultimately affect the level of State post-retirement medical contributions provided in future State Fiscal Years. CMS announced changes to methodologies that impacts payments to Medicare Advantage plans. The SHBP/SEHBP premiums for Medicare Advantage that have been negotiated for Plan Year 2024 will not change based

on the CMS Announcement and there will be no impact on the post-retirement medical costs paid from Fiscal Year 2024 State budget. But these changes based on the CMS Announcement may impact future Fiscal Years. The State will monitor annual changes in future CMS Announcements to assess the impact on post-retirement costs funded from the State's annual Appropriations Act. Uncertain changes in federal policy and other factors beyond the control of the State may result in future changes of the assumptions used to generate forward-looking estimates of State OPEB liabilities.

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LITIGATION

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

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

On January 28, 2021, the State Defendants (consisting of the Commissioner of Education and the Schools Development Authority (“SDA”)) received a motion in aid of litigants’ rights filed by the Education Law Center (the “ELC”) seeking an order from the New Jersey Supreme Court to compel the State Defendants to seek and secure by June 30, 2021, from the Legislature, school construction funding as is needed and required to manage, undertake, and complete the school facilities projects in the SDA 2019 Statewide Strategic Plan. The motion also seeks for the State Defendants to seek and secure funds from the Legislature by June 30, 2021, for health and safety projects, including those necessary to ensure the safe reopening and operation of school buildings in SDA Districts during the ongoing 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 Supreme Court closed the record on January 30, 2023. The Special Master’s report was issued on March 29, 2023. On May 4, 2023, the Supreme Court denied the motion in aid of litigants’ rights.

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 August 31, 2023. Trial is currently scheduled for November 29, 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. On June 29, 2023, the parties entered into a stipulation of dismissal.

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 Appellate Division granted the New Jersey Business and Industry Association's motion to appear as amicus curiae in support of Plaintiff. Oral argument is scheduled for September 13, 2023. 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 DCPP failed to comply with its own policy and procedure, failed to remove the Plaintiff from the home, negligent training, violation of the New Jersey Child Placement Bill of Rights, and Section 1983 claims. The complaint was filed in State court on February 12, 2015. On March 11, 2015, DCPP removed the case to the U.S. District Court for the District of New Jersey and filed a motion to dismiss the complaint. The State's motion to dismiss the complaint was denied without prejudice on May 8, 2015. The Plaintiff agreed to withdraw the federal claims and the matter was remanded to State court. The State Defendants filed a motion for summary judgment, which was granted on April 24, 2023. The Appellate Division granted Plaintiff's request to file a motion for leave to appeal by May 29, 2023. The State opposed that motion, and the Appellate Division denied that motion on July 13, 2023. Other defendants in the case whose motions for summary judgment were denied filed a motion for leave to appeal, which the Appellate Division denied. On June 20, 2023, those same co-defendants filed a motion for leave to appeal to the Supreme Court, and that motion is still pending decision. Trial against the defendants who are still active in the case is currently scheduled to begin on September 11, 2023. The State is vigorously defending this matter.

In the Matter of Application by Horizon Healthcare Services, Inc., to Form a Mutual Holding Company Pursuant to N.J.S.A. 17:48E-46.1.

On December 12, 2022, New Jersey Citizen Action and Health Professionals and Allied Employees (collectively, the "Appellants"), filed a Notice of Appeal in Superior Court, Appellate Division challenging the Department of Banking and Insurance's ("DOBI") November 1, 2022 order (the "DOBI Order") approving the reorganization application of Horizon Healthcare Services, Inc. ("Horizon") from a health services corporation to a mutual holding company. The Appellants are challenging the DOBI Order which was issued after review of the application submitted by Horizon under *N.J.S.A. 17:48E-46.1* to 46.16. The Appellants claim that DOBI rushed its review of Horizon's application and did not follow the Act's requirements in reviewing the application. Appellants further contend that the DOBI Order failed to follow the statutory mandate that Horizon's plan be found to benefit its policyholders, not treat them inequitably, and not be detrimental to the insurers' safety or soundness. On May 31, 2023, the Appellate Division affirmed the DOBI Order. On June 19, 2023, the Appellants filed a notice of petition for certification with the New Jersey Supreme Court. On July 31, 2023, DOBI filed its opposition to the petition for certification. The State is vigorously defending this matter.

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. Plaintiffs filed a motion for summary judgment on March 31, 2023, which was subsequently denied. 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. Oral argument was held on March 2, 2023. On June 15, 2023, the trial court granted the State Defendants’ motion for summary judgement and denied Plaintiffs’ motion for summary judgement. The Plaintiffs filed a notice of appeal on July 28, 2023. 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. On October 14, 2022, the Tax Court requested additional supplemental briefing. Simultaneous briefs were submitted November 28, 2022. On June 12, 2023, the Tax Court requested additional supplemental briefing from both parties. Lorillard filed its brief on August 15, 2023, and the Division filed its brief on August 17, 2023. The State is vigorously defending this matter.

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

On July 14, 2021, Plaintiff filed a corrected complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against the Administrator of the New Jersey Unclaimed Property Administration (the “Administrator”). Plaintiff challenges the 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. Plaintiff’s first amended complaint 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. The court granted the State’s motion removing Christine Kydd as a plaintiff, and struck certain allegations of the amended complaint. On May 12, 2023, the State filed a motion for summary judgment. The State is vigorously defending this matter.

Sirius XM Radio Inc. v. Director, Division of Taxation

On July 7, 2023, Sirius XM Radio Inc. (“Sirius”) filed a complaint in the New Jersey Tax Court contesting a final determination by the Division of Taxation that denied Sirius’s CBT refund claims for tax years 2015 and 2016. Sirius amended its CBT returns for tax years 2015 and 2016 claiming Research and Development (“R&D”) credit for Sirius’s activities in the field of electronic device technology during tax years 2003 through 2007. Sirius alleges that it is entitled to CBT credit as a result of R&D activities in New Jersey and that the credit can be carried forward for a period of 15 years pursuant to N.J.S.A. 54:10A-5.24b(a). The Division denied the CBT refund request because a taxpayer is not permitted to amend a return to claim credits for carryforward periods that are closed tax years due to the statute of limitations. The Division’s answer to the complaint is due on November 3, 2023. 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. Sixteen audits, which in the aggregate total over \$900 million, 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 I-A
SUMMARY OF CERTAIN STATE TAXES

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**APPENDIX I-A
SUMMARY OF CERTAIN STATE TAXES**

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Summary of Certain State Taxes

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

Alcoholic Beverage Tax

The Alcoholic Beverage Tax applies to the first sale or delivery of beer, liquor, wine and sparkling wine to retailers in New Jersey. This tax is collected from licensed manufacturers, wholesalers and State beverage distributors, based on the number of gallons, or fractions thereof, sold. License fees for manufacturing, distributing, transporting and warehousing alcoholic beverages are also imposed pursuant to this law. Materials used by distilleries to produce hand sanitizer during a public health emergency are exempt. *L. 2020, c. 33.*

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

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

Casino Taxes, Fees, and Surcharges

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

Current Rate: 8% (both taxes).

The Tourism Promotion Fee is applied to each room occupied or possessed by guests, with a rate of \$2 per day for each occupied room in hotels that provide casino gambling. A \$1-per-day rate applies to each occupied room in all other facilities. *L. 1991, c. 376.*

There is also a \$3 per day occupancy fee imposed on occupied rooms in a casino hotel facility. *L. 2003, c. 116.* There is also a minimum daily charge of \$3 per car for the use of casino hotel parking facilities in Atlantic City. *L. 1993, c. 159; L. 2003, c. 116.* The casino has the discretion to either pay the parking fee on behalf of the patron, or to charge the patron the parking fee. *L. 1993, c. 159.* No patron shall be required, upon proof of payment of the \$3 charge, to pay the charge again for the same motor vehicle on the same calendar day, in the same parking facility or any other casino hotel parking facility. *L. 1993, c. 159.*

A Casino Room Occupancy Surcharge is imposed on the casino hotel facility at \$2 per day on occupied rooms in Atlantic City. *L. 2021, c. 497.* The casino has the discretion to pass on the surcharge to the guest.

L. 2013, c. 27 amends and supplements the Casino Control Act and authorizes Internet gaming at Atlantic City casinos under certain circumstances. The law imposes an annual 15% tax on Internet gaming gross revenues, which shall be paid into the Casino Revenue Fund. The 8% tax on casino gross revenues excludes Internet gaming, but the investment alternative tax does apply to those Internet gaming gross revenues at a rate of 5% with the State requiring a partial payment of 2.5% of the estimated taxes. *L. 1984, c. 218; L. 2013, c. 27.*

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

L. 2021, c. 314 temporarily modifies the taxes and credits of casino licensees and permanently redefines promotional gaming credits to include certain coupons and table game wagers.

Cigarette Tax and Tobacco and Vapor Products Tax

The Cigarette Tax is imposed on the sale, use or possession of all cigarettes within New Jersey. This tax is collected from licensed distributors who receive cigarettes directly from out-of-state manufacturers and also on

consumers who possess untaxed cigarettes. Receipts from the sale or use of tobacco products other than cigarettes, by a distributor or wholesaler to a retail dealer or consumer, are subject to the Tobacco Products Wholesale Tax. *L.* 1990, *c.* 39. As of March 1, 2002, the Tobacco Products Wholesale Tax is imposed on the price that a distributor pays to buy products from the manufacturer. *L.* 2001, *c.* 448. The Tobacco Products Wholesale Tax is imposed on liquid nicotine used in electronic cigarettes and similar devices. *L.* 2018, *c.* 50. The Act was renamed the Tobacco and Vapor Products Tax Act and container e-liquid is now subject to the tax. *L.* 2019, *c.* 147.

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

Annually, the sum of \$1 million from Cigarette Tax revenues is deposited into the Cancer Research Fund. *L.* 1982, *c.* 40. After this deposit, the first \$150 million collected annually from the Cigarette Tax and the first \$5 million collected annually from the renamed Tobacco and Vapor Products Tax Act is deposited into the Health Care Subsidy Fund. For fiscal years beginning on or after July 1, 2009, \$241.5 million of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L.* 2009, *c.* 70.

Corporation Business Tax (CBT)

Corporations are subject to mandatory unitary business combined reporting and market sourcing for tax years beginning on and after January 1, 2019. *L.* 2018, *c.* 48. Combined reporting treats the unitary business members of a combined group as one single economic enterprise. *L.* 2020, *c.* 118 amended the combined reporting rules further by adding provisions concerning tax treatment of income of public utilities and New Jersey Subchapter S corporations, and tax treatment for certain allowable net operating loss carryovers, transfers, and deductions. *L.* 2018, *c.* 48. The definition of “unitary business” has been expanded to mean “a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership” and is “construed to the broadest extent permitted under the Constitution of the United States.” *L.* 2018, *c.* 48. Provisions regarding the entire net income tax base and operative dates for combined reporting were amended, a CBT deduction in the amount of a federal deduction claimed on certain foreign related income under 26 U.S.C. § 250 was added, and the tax treatment of certain tax credits awarded by the New Jersey Economic Development Authority (“NJEDA”) was clarified.

In addition, a surtax was imposed with a phase down over four tax years: a 2.5% surtax in Tax Years 2018 and 2019; a 1.5% surtax in Tax Years 2020 and 2021; and no surtax beginning in Tax Year 2022. *L.* 2018, *c.* 131. The 2.5% surtax is now retroactively imposed from January 1, 2020 through December 31, 2023. *L.* 2020, *c.* 95. The Fiscal Year 2024 Appropriations Act contemplates that this 2.5% surtax will no longer be in effect after December 31, 2023.

L. 2023, *c.* 96 made various changes to combined reporting, particularly with respect to: certain statutory provisions concerning unitary businesses; the method for calculating the allocation factor of a taxable member of a combined group; the managerial member duration period; the definition of world-wide basis and world-wide group; water’s-edge groups and affiliated groups, including the calculation of entire net income for non-U.S. corporations that are members of a water’s-edge group or affiliated group; the “captive” versions of investment companies, real estate investment trusts, and regulated investment companies.

L. 2023, *c.* 96 also modifies the treatment of global intangible low-taxed income (“GILTI”) and foreign-derived intangible income (“FDII”) under the Corporate Business Tax Act (“CBT” or the “Act”), by repealing the deduction currently allowed for GILTI and FDII, and by treating GILTI as a dividend, subject to the dividend exclusion rules for privilege periods ending on and after July 31, 2023. *L.* 2023, *c.* 96 adds language clarifying the treatment of the income of non-U.S. corporations that are not members of a world-wide group or a water’s-edge group for purposes of the Act.

L. 2023, *c.* 96 modifies certain statutory requirements concerning installment payments and changes certain provisions concerning the underpayment of an installment payment. It also changes the due date for filing a return under the Act to: (1) the fifteenth day of the month immediately following the month of the original due date for filing

the taxpayer's federal corporate income tax return for the privilege period; or (2) in the case of a taxpayer that received a filing extension for federal tax purposes, the fifteenth day of the month immediately following the month of the extended due date for filing the federal return. *L. 2023, c. 96* also provides certain criteria for determining whether a corporation has "substantial nexus" with the State and will therefore be subject to taxation.

L. 2023, c. 96 provides that with respect to its fiscal or calendar accounting years ending on or after July 31, 2023, any taxpayer with a tax liability of less than \$1,500 shall not be required to make any installment payments other than an installment payment of 50 percent, which shall be paid at the time of filing the annual return. For a combined group, this provision shall apply by taxable member in aggregate for the combined group.

L. 2023, c. 96 provides that for privilege periods ending on and after July 31, 2022, adjustments may be made, by the director or the taxpayer, to net operating losses ("NOL") in privilege periods closed for purposes of the statute of limitations on assessments in order to determine the correct tax liability in privilege periods that remain open to assessment; provided, however, no such NOL adjustments for those closed privilege periods shall be made after ten years.

L. 2017, c. 254 authorizes the establishment of a drug donation program that encourages the donation of over-the-counter drugs, prescription drugs, and administrative supplies by donors, for use by people who are indigent, uninsured, or underinsured. Donors are persons or entities properly licensed and authorized to possess prescription drugs, and which elect to donate over-the-counter drugs, prescription drugs or administration supplies pursuant to the Act. Donors may claim a CBT or Gross Income Tax credit equal to the sum of: the cost of the over-the-counter drugs, prescription drugs and administration supplies; and the verifiable cost incurred to make the donation of the drugs and supplies.

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

NJEDA provides tax credits which can be used to offset CBT as well as the Insurance Premiums Tax ("IPT") through the Urban Transit Hub Tax Credit Act ("UTHTCA"), the Grow New Jersey Assistance Act ("GNJAA"), the New Jersey Economic Stimulus Act of 2009 ("NJESA 2009"), the Public Infrastructure Program ("PIP"), and through Business Employment Incentive Program ("BEIP") grants. Awards for any of these programs are based on actual performance and achievement of job and capital investment requirements. The NJEDA is authorized to implement certain accommodations to businesses due to the COVID-19 public health emergency. *L. 2022, c. 134*. Businesses participating in the GNJAA and UTHTCA programs are permitted by NJEDA to terminate their program agreements any time before December 31, 2023, commencing with the 2020 tax period or any subsequent tax period ending on or before December 31, 2023. *L. 2022, c. 134*. Businesses may also extend the time allowed under current law to suspend its obligations under GNJAA and UTHTCA, for the same period of time. *L. 2022, c. 134*. *L. 2012, c. 35*, amends the UTHTCA to increase the cap on the total amount of tax credits authorized under such Act, for eligible businesses making capital investments in the State. The cap was increased from \$1.5 billion to \$1.75 billion, to be utilized over a ten-year period. The overall cap on PIP credits is \$22 million. There is no overall cap on GNJAA credits. The UTHTCA program is now closed to new applications.

L. 2013, c. 14, known as the "New Jersey Angel Investor Tax Credit Act," provides tax credits against CBT and GIT for qualified investments in New Jersey emerging technology businesses. Subject to certain limitations, tax credits equal 10% of a taxpayer's qualifying investment in an emerging technology company, up to a maximum allowed credit of \$500,000 per year for each qualifying investment. The total cap on the credit is increased to \$35 million per year. *L. 2020, c. 156*. *L. 2017, c. 40*, permits holding companies of eligible New Jersey emerging technology companies to receive investments under the Act. The amount of the CBT and GIT credits that are available for qualified investments increased from 10% to 20% of the qualified investment, and a taxpayer may be allowed a tax credit in an amount equal to 25% of the qualified investment when the emerging technology business is located in a qualified opportunity zone or low-income community, as defined by federal law, or is certified by the State as a minority- or woman-owned business. *L. 2019, c. 145*.

Credits against the CBT and IPT are also available to residential developers, through the Economic Redevelopment and Growth (“ERG”) program, authorized by NJEDA in 2009. The total cap on credits is \$823 million, to be utilized over a ten-year period. *L. 2015, c. 69* provides that mixed use parking project developers are eligible for credits, but did not increase the overall cap. The total tax credits available under the ERG Program were increased by \$25 million and the deadlines by which certain developers may submit a letter of support from the host municipality were extended until December 31, 2022. *L. 2022, c. 75*. Additionally, the requirements for certain mixed-use parking projects undertaken by municipal redevelopers prior to March 9, 2020 under the ERG program were amended so that project costs may include the cost or value of land, demolition, and equity contributions, as well as any particular costs for which the project has received State or local funding. *L. 2022, c. 75*. The redevelopment incentive grants awarded for these projects would equal 100 percent of the total project costs for the parking component, and 40 percent of the total project costs for the non-parking component; the redevelopment incentive grants awarded for these projects would equal 100 percent of the total project costs for the parking component, and 80 percent of the total project costs for the non-parking component if the mixed-use parking project is: (1) constructed upon all or a portion of a project site that was previously awarded tax credits pursuant to the UHTCA or the NJESA 2009, but those tax credits were not issued; (2) built for an entertainment venue with a seating capacity in excess of 5,000; or (3) constructed to be utilized by a visitor center or youth center within or adjacent to a national historic park. *L. 2022, c. 75*.

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

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

In response to the impact of the pandemic on the State’s economy and finances, the Economic Recovery Act of 2020 allowed certain deferrals, adjustments, and the termination of incentive agreements for businesses affected by COVID-19. *L. 2020, c. 156*. The Act authorized the NJEDA that it may request a tax certificate holder, at the holder’s discretion, to defer the application of a currently allowable tax credit pursuant to Grow New Jersey Assistance Act (*L. 2011, c. 149*), to a later tax period. *L. 2020, c. 156*.

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

L. 2018, c. 56, known as the “Garden State Film and Digital Media Jobs Act,” provides a tax credit for qualified film production expenses and digital media content production expenses, against the CBT and the Gross Income Tax (“GIT”). The application for the credits must be submitted to the NJEDA and approved, in order to receive the credits. For qualified film production expenses, the credit is 40% of the expenses for a New Jersey studio partner or New Jersey film-lease production company and 35% of the expenses for a taxpayer that is not a New Jersey studio partner or New Jersey film-lease production company, during a tax year beginning on or after July 1, 2018, but before July 1, 2039. *L. 2023, c. 97*. The same credit is 35% of the expenses in the case of a taxpayer designated as a New Jersey studio partner or New Jersey film-lease production company and 30% of the expenses in the case of a taxpayer other than a New Jersey studio partner or New Jersey film-lease production company, when the expenses are incurred for use at a sound stage or other location that is located in the State within a 30-mile radius of certain locations within Manhattan, New York City. *L. 2023, c. 97*.

In addition, a 30% credit against the CBT and the GIT is available for qualified digital media content production expenses, incurred by a taxpayer for services performed or tangible personal property purchased from New Jersey qualified vendors, subject to certain limitations. *L. 2023, c. 97*. The credit applies to privilege periods beginning

on or after July 1, 2018 but before July 1, 2039. The credit against the CBT and the GIT is 35% for qualified digital media content production expenses, incurred by a taxpayer through vendors whose primary place of business is located in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Mercer, or Salem County, and may be utilized during the same privilege periods. *L. 2023, c. 97.*

L. 2023, c. 97 permits the NJEDA to make available the uncommitted balance of the total value of tax credits authorized for award by the NJEDA pursuant to the “Aspire Program Act” and “Emerge Program Act” and increases the amount of additional tax credits that the NJEDA may decide to make available to New Jersey film-lease production companies annually from \$100 million to \$250 million and also increases the amount of additional tax credits that the NJEDA may decide to make available for New Jersey studio partners from \$350 million to \$400 million each year. *L. 2023, c. 97* also permits the NJEDA to make capital investments in New Jersey film-lease partner facilities in amounts not to exceed \$10 million per project, and appropriates \$30 million to the NJEDA for the purpose of making and administering these capital investments. *L. 2023, c. 97* also removes the 20 percent penalty currently imposed on a New Jersey film-lease partner’s qualified film production expenses that fall below a \$50 million annual average and includes a requirement for a New Jersey studio partner to occupy its production facility for the duration of the studio partner’s commitment period or else risk recapture of awarded tax credits and loss of New Jersey studio partner designation. *L. 2023, c. 97* revises the definitions of “incurred in New Jersey” and “qualified film production expenses,” to include certain payments made to homeowners for the use of their personal residence located in New Jersey. The definition of “qualified film production expenses” is expanded to include, for New Jersey studio partners, certain deferred compensation payments in the calculation of wages and salaries, modifies the limitation on the amount of wages, salaries, and other compensation that New Jersey studio partners and New Jersey film-lease production companies may include as “qualified film production expenses,” and revises the definition of “film” to include a competition or variety show filmed in front of a live audience. *L. 2023, c. 97* revises certain requirements for the diversity plan credit to allow for a four-percent tax credit on qualified expenses if a taxpayer submits a diversity plan that includes the hiring of performers who are: (1) women or members of a minority group; (2) residents of New Jersey for a least 12 months preceding the beginning of filming or recording; and (3) members of a bona fide labor union representing film and television performers.

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

L. 2019, c. 320 creates the “Pass-Through Business Alternative Income Tax Act.” The alternative tax is elected by the entity’s members and calculated by a progressive percentage, 5.675% to 10.9%, depending on the amount of pass-through proceeds. If paid, the members are entitled to a corresponding GIT credit.

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

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

The Economic Recovery Act of 2020 authorized the award of various tax credits, including under the jurisdiction of the NJEDA, through various constituent programs, not to exceed an overall cap of \$11.5 billion. The Act originally awarded the tax credits over six years, with an additional seventh year to award uncommitted tax credits under the constituent programs. *L. 2020, c. 156. L. 2023, c. 98* extends this period by another two years, to March 1, 2029. The Historic Property Reinvestment program provides CBT and IPT tax credits for part of the cost of rehabilitating historic properties in this State. The credit is based on 40 percent of the rehabilitation cost of a qualified property or transformative project, and tax credits under this program are capped at \$50 million annually for the first six years of the nine-year period. *L. 2020, c. 156; L. 2023, c. 98.* The Brownfields Redevelopment Incentive program provides CBT tax credits to compensate developers of redevelopment projects located on brownfield sites for remediation costs, based on 40 percent of the actual remediation costs, or 40 percent of projected remediation costs as set forth in a redevelopment agreement, or \$4,000,000, whichever is least. Tax credits under this program are capped at \$50 million annually for the first six years of the nine-year period. *L. 2020, c. 156; L. 2023, c. 98.* The New Jersey Innovation Evergreen Act, under the jurisdiction of the NJEDA, allows the NJEDA to approve investors to make

special purpose qualified investments and to administer programs that create an innovation ecosystem that supports high growth businesses in the State. *L. 2020, c. 156*. The total value of tax credits annually awarded during each of the first six years of the nine-year period shall not exceed \$60 million, and the total value of tax credits awarded over the entirety of the nine-year period shall not exceed \$300,000,000. *L. 2023, c. 98*. The Food Desert Relief program provides CBT and IPT credits in order to incentivize businesses to establish and retain new supermarkets and grocery stores in food desert communities. *L. 2020, c. 156*, amended by *L. 2021, c. 160* and *L. 2022, c. 47*. The taxpayer may claim 25 percent of the total credit in the taxable year during which the taxpayer establishes and opens the supermarket or grocery store for business and may carryforward any unused credits for 10 years. Tax credits awarded under this program are capped at \$40 million annually for each of the first six years of the nine-year period. *L. 2020, c. 156*. The New Jersey Community-Anchored Development program provides CBT and IPT credits to anchor institutions, which include universities, medical systems, and other non-profits, to incentivize the expansion of targeted industries in the State and the continued development of certain areas of the State. Tax credits under this program are capped at \$200 million annually for the first six years of the nine-year program. *L. 2020, c. 156; L. 2023, c. 98*. Certain restrictions apply to the geographical distribution of these awards. *L. 2023, c. 98*.

The Economic Recovery Act of 2020 also established The New Jersey Aspire Program (“Aspire”) and the Emerge Program (“Emerge”), both under NJEDA authority. *L. 2020, c. 156*. Aspire provides CBT and IPT tax credits to encourage redevelopment projects, including special needs, moderate-income, and low-income redevelopment projects, by covering certain project financing gap costs. *L. 2020, c. 156*. Emerge provides CBT and IPT tax credits to encourage economic development, job creation, and the retention of significant numbers of jobs in imminent danger of leaving the State. Developers may submit an application for an Aspire tax credit for an eligible redevelopment project during the grant period, through March 1, 2029. The tax credits are awarded in the order the applications are received for eligible redevelopment projects submitted during the grant period. *L. 2020, c. 156; L. 2023, c. 98*. *L. 2022, c. 46* amended Aspire to provide that the recipients of tax credits under its program may carry forward unused tax credits during the seven privilege periods following the year in which the credits are awarded. The recipient may also carry forward unused tax credits, including when tax credits exceed the value of eligible tax liabilities against which the tax credits may be claimed. Under Aspire, the holder of a tax credit certificate may apply to the Director to transfer all or part of the tax credit amount for use by the transferee in the tax period for which it was issued, and the transferee may carry forward all or part of the tax credit amount in any of the next five successive tax periods. The amount of tax credits that may be claimed by the transferee in any tax period shall not exceed the total tax credit amount divided by the duration of the eligibility period in years. *L. 2023, c. 98*. Additionally, the NJEDA is no longer required to approve the carry forward of tax credits. *L. 2022, c. 46*. Tax credits under Aspire combined with tax credits under Emerge are capped at \$1.1 billion annually for the first six years of the nine-year period. *L. 2020, c. 156*. The combined \$1.1 billion annual cap for Aspire and Emerge does not apply to annual expenditures for transformative projects under Aspire. Transformative projects under Aspire do not have an annual cap. However, the \$11.5 billion overall cap for all of the constituent programs for the nine-year period includes a \$2.5 billion overall cap for transformative projects. *L. 2020, c. 156; L. 2023, c. 98*.

For privilege periods ending in 2020, 2021, and 2022, a taxpayer, upon approval of an application, shall be allowed a \$10,000 credit for each qualifying new hire (new hires for which the taxpayer is already receiving an incentive under the Emerge Program are not eligible) involved in the manufacture of personal protective equipment in a qualified facility, against Franchise Tax and/or GIT imposed upon the taxpayer, along with other tax credits awarded based upon employment practices at a qualified facility engaged in various economic activity, not to exceed \$500,000 (\$10,000,000 for both Franchise Tax and GIT). *L. 2020, c. 156*. A business entity classified as a partnership or New Jersey S Corporation will not be allowed a tax credit based upon the production of personal protective equipment against GIT, along with other tax credits awarded based upon employment practices at a qualified facility. *L. 2020, c. 156*.

For CBT and GIT purposes, a taxpayer shall not be denied a deduction for ordinary and necessary business expenses paid for with the proceeds of a federal Paycheck Protection Program loan, by reason of the exclusion of the loan from entire net income or because the loan was forgiven pursuant to section 1106 of the federal CARES Act, *Pub. L. 116-136*, or any subsequent expansion of the federal Paycheck Protection Program. *L. 2021, c. 90*.

A taxpayer may apply a credit of up to \$30,000 for a commercial property and \$3,000 for a residential property in a single privilege period toward an imposed CBT or GIT, for the purchase and use of unit concrete products that utilize carbon footprint-reducing technology. *L. 2021, c. 278*. The law establishes a credit value of \$2 per square

foot of qualified unit concrete products when the taxpayer makes a minimum purchase of 100 square feet of qualified unit concrete products. *L. 2021, c. 278.*

L. 2023, c. 4 provides CBT and GIT credits to concrete producers that deliver concrete associated with reduced greenhouse gas emissions, for use in certain State funded projects. The Act also provides CBT and GIT credits to these same producers, for the costs of conducting environmental production declaration analyses of their products. The amount of the tax credits would be capped at 5 percent of the cost of the reduced emission concrete, for "low embodied carbon concrete," and 3 percent of the costs of the reduced emission concrete, for concrete that incorporates "carbon capture, utilization, and storage technology." Concrete that meets both criteria could receive a tax credit of up to 8 percent of the cost of the reduced emission concrete. *L. 2023, c. 4.*

L. 2023, c. 50 decouples the New Jersey CBT Act from 26 U.S.C. 280E, which prohibits deductions and credits for cannabis businesses, and also decouples S Corporation income under the New Jersey GIT Act from 26 U.S.C. 280E, to allow a New Jersey taxpayer to deduct from income all ordinary and necessary business expenses incurred in carrying on a licensed cannabis business. N.J.S.A. 54:10A-1 to -41; N.J.S.A. 54A:5-1 to -18.

L. 2023, c. 96 made various changes to combined reporting, particularly with respect to: certain statutory provisions concerning unitary businesses; the method for calculating the allocation factor of a taxable member of a combined group; the managerial member duration period; the definition of world-wide basis and world-wide group; water's-edge groups and affiliated groups, including the calculation of entire net income for non-U.S. corporations that are members of a water's-edge group or affiliated group; the "captive" versions of investment companies, real estate investment trusts, and regulated investment companies.

L. 2023, c. 96 also modifies the treatment of global intangible low-taxed income (GILTI) and foreign-derived intangible income (FDII) under the CBT by repealing the deduction currently allowed for GILTI and FDII and by treating GILTI as a dividend subject to the dividend exclusion rules for privilege periods ending on and after July 31, 2023 and also adds language clarifying the treatment of the income of non-U.S. corporations that are not members of a world-wide group or a water's-edge group.

L. 2023, c. 96 modifies certain statutory requirements concerning installment payments, changes certain provisions concerning the underpayment of an installment payment and changes the due date for filing a return under the Act to: (1) the fifteenth day of the month immediately following the month of the original due date for filing the taxpayer's federal corporate income tax return for the privilege period; or (2) in the case of a taxpayer that received a filing extension for federal tax purposes, the fifteenth day of the month immediately following the month of the extended due date for filing the federal return. *L. 2023, c. 96* also provides certain criteria for determining whether a corporation has substantial nexus with the State and, therefore, subject to taxation.

L. 2023, c. 96 provides that with respect to its fiscal or calendar accounting years ending on or after July 31, 2023, any taxpayer with a tax liability of less than \$1,500 shall not be required to make any installment payments other than an installment payment of 50 percent, which shall be paid at the time of the annual return and for a combined group, this provision shall apply by taxable member in aggregate for the combined group.

L. 2023, c. 96 provides that for privilege periods ending on and after July 31, 2022, adjustments may be made, by the director or the taxpayer, to net operating losses in privilege periods closed for purposes of the statute of limitations on assessments in order to determine the correct tax liability in privilege periods that remain open to assessment; provided, however, no such adjustments for those privilege periods closed shall be made after ten years.

Energy Tax Receipts

To preserve certain revenues while transitioning to more competitive markets in energy and telecommunications, the law concerning taxation of gas and electric public utilities, and certain telecommunication companies was amended, as were tax laws concerning sales of electricity, natural gas, and energy transportation service. Effective January 1, 1998, the Gross Receipts and Franchise Tax previously collected by electric, gas and telecommunications utilities was eliminated. *L. 1997, c. 162.* In its place, electric, gas, and telecommunications utilities became subject to the CBT, and the retail sale of electricity and natural gas, with certain exceptions, became subject to the State's Sales and Use Tax. *L. 1997, c. 167.*

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

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

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

Gross Income Tax (GIT)

The New Jersey Gross Income Tax ("GIT") is imposed on enumerated categories of gross income of New Jersey resident individuals, estates and trusts. New Jersey source income, except pension and annuity income or other retirement income, such as income from Internal Revenue Code § 401(k), 403, 414, and 457 Plans (*L. 1989, c. 219*), of non-resident individuals, estates and trusts, is also subject to GIT. Gambling winnings of non-residents are subject to the GIT as well. *L. 1993, c. 143*. Non-residents pay GIT based on a statutory calculation which requires non-residents to compute liability as though they are residents and then prorate liability by the proportion of New Jersey source income to total income. *L. 1993, c. 178*. However, the requirement that non-residents must compute their tax liability on a prorated basis may be suspended provided New York State eliminates a similar requirement for its non-resident personal income taxpayers. *L. 1993, c. 320*. *Current Rates:* Beginning in 1996 and thereafter, further rate reductions enacted pursuant to *L. 1995, c. 165* will result in cumulative decreases from the 1993 taxable year levels of 30%, 15% and 9% for certain taxable income levels.

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

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

Beginning in 2004 and thereafter, a GIT rate of 8.97% is imposed on taxpayers with income over \$500,000. *L. 2004, c. 40*.

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

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

The GIT includes many of the same taxable additions as the federal income tax, but allows only certain deductions such as for personal exemptions, medical expenses, alimony payments, property taxes on principal residences and qualified contributions of certain real property interests. Gross income does not include employer-provided commuter transportation benefits for employees who participate in ride-sharing programs beginning

January 1, 1997, \$1,200 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L. 1996, c. 121; L. 2002, c. 162.* Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *L. 1993, c. 210; L. 1998, c. 79.* Discharge of student loan indebtedness is excluded from gross income when it is from the Total and Permanent Disability discharge process of the United States Department of Education, for a taxpayer who is a totally and permanently disabled veteran. *L. 2022, c. 125.*

Military pension and survivor benefits respecting service in the United States Armed Forces are not included in gross income. *L. 2001, c. 84.* However, for taxable years beginning on or after January 1, 2004, *L. 2005, c. 63* excludes from taxable income housing and subsistence allowances received by New Jersey National Guard members on State Active duty, and by members of the U.S. Armed Forces' active and reserve components (effective April 7, 2005). For taxable years beginning on or after January 1, 2021, military combat zone pay excluded under IRC §112 is also excluded from New Jersey gross income. *L. 2020, c. 93.*

Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Better Educational Savings Trust Program ("NJBEST") (*L. 1997, c. 237*) or the New Jersey Achieving a Better Life Experience ("ABLE") Program (*L. 2015, c. 185*); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 U.S.C. 220 (*L. 1997, c. 414*). Distributions from Roth IRAs also receive favorable tax treatment. *L. 1998, c. 57.* For taxable years beginning on or after January 1, 2022, a NJBEST account, when it is initially opened by a taxpayer with gross income of \$75,000 or less, shall be eligible for a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to the account. *L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction not to exceed \$10,000, from the taxpayer's gross income for the taxable year, in the amount of the taxpayer's contribution for the taxable year to an account established pursuant to the NJBEST Program. *L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$2,500, from the taxpayer's gross income for the taxable year, in the amount of principal and interest payments paid on a student loan under the New Jersey College Loans to Assist State Students Loan ("NJCLASS") Program. *L. 1999, c. 46; L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$10,000, from the taxpayer's gross income for the taxable year, in the amount the taxpayer paid to an in-State institution of higher education during the taxable year, for tuition costs related to the taxpayer's enrollment or attendance at the institution of higher education or related to the enrollment or attendance of a spouse or dependent of the taxpayer at the institution. *L. 2021, c. 128.*

Pursuant to *N.J.S.A. 54A:3A-17*, New Jersey resident taxpayers are permitted a deduction of up to \$10,000 from gross income for property taxes. Effective January 1, 2018 and thereafter, the deduction from gross income for property taxes increases to \$15,000. *L. 2018, c. 45.* Married residents filing separately are allowed one-half of the deduction permitted by law on the qualifying homestead. Allowable deductions are subject to certain limitations. The deductions are available in some instances for renters as well. For sales or exchanges of principal residences occurring after May 7, 1997, gains of up to \$500,000 on joint returns and \$250,000 on single returns may be excluded, subject to certain limitations and qualifications. *L. 1998, c. 3.*

The law also provides a State-administered property tax relief program to eligible homeowner and tenant residents pursuant to the Homestead Property Tax Credit Act (the "Act"). *L. 1990, c. 61.* The Act provides minimum statutory benefits and is subject to annual appropriation. *L. 2023, c. 84* clarifies base year income eligibility criteria for the Homestead property tax benefit. *L. 2023, c. 74,* authorizes property tax benefits to eligible residents for Fiscal Year 2024, under the Affordable New Jersey Communities for Homeowners and Renters ("ANCHOR") property tax rebate program. This program includes those who reside in housing that operates under a Payment In Lieu of Taxes ("PILOT") agreement with their municipality. Homeowner residents with gross income in excess of \$150,000 but not in excess of \$250,000 for tax year 2020 are eligible for a benefit in the amount of \$1,000 of property taxes paid; homeowner residents with income of \$150,000 or less are eligible for \$1,500. *L. 2023, c. 75* provides an additional \$250 to eligible homeowner residents age 65 years or older; Tenant residents with gross income in excess of \$150,000 for tax year 2020 are excluded from the program, and tenant residents with gross income not in excess of \$150,000

for tax year 2020 are eligible for a benefit of \$450. *L. 2023, c. 75* provides an additional \$250 to eligible tenant residents age 65 years or older.

L. 2023, c. 75 establishes a new program to provide property tax benefits to senior citizens called the “Stay NJ” property tax credit program. The program is expected to be implemented January 1, 2026. *L. 2023, c. 75*. The Stay NJ property tax credit would provide eligible claimants an annual property tax credit of up to 50 percent of the property taxes they paid on their principal residence in the prior tax year, up to a maximum of \$6,500 per year. An “eligible claimant” is a person who is 65 or more years of age, is the owner of a homestead that is the person’s primary residence, and has a gross annual income that is less than \$500,000. *L. 2023, c. 75*. An applicant seeking property tax relief will be entitled to the greater of: (1) the amount of the Stay NJ property tax credit; or (2) the combined amount of the ANCHOR property tax rebate and the homestead property tax reimbursement. *L. 2023, c. 75*.

The minimum taxable income for gross income tax purposes are amounts in excess of \$10,000 for unmarried individuals, married persons filing separately, estates, and trusts, for tax years commencing January 1, 1999. *L. 1994, c. 8*. With respect to married persons filing joint returns, and individuals filing as head of household or as a surviving spouse for federal income tax purposes pursuant to *N.J.S.A. 54A:2-1*, the minimum taxable income subject to tax are amounts in excess of \$20,000.

L. 2023, c. 96 establishes uniform sourcing rules for the GIT and the CBT, for taxable years beginning on and after January 1, 2023. The sourcing rules provide that a taxpayer’s gross income from a trade, business, partnership, or S Corporation will be sourced in a manner consistent with the CBT, and that any income from salary, wages, tips, fees, commissions, bonuses, and other similar forms of remuneration are to be sourced in a manner consistent with the GIT.

L. 2023, c. 125 establishes that if an employee’s state of residence determines the source of income of nonresidents by a “convenience of the employer test,” and the employee works for a New Jersey employer from a location in the employee’s state of residence for the employee’s own convenience, then the New Jersey employer would be required to include those days as days worked in New Jersey and withhold income tax accordingly. *L. 2023, c. 125*.

L. 2023, c. 125 also provides a refundable GIT credit available to New Jersey resident taxpayers who obtain a favorable final judgment from the tax court or tribunal of another state or jurisdiction, resulting in the resident taxpayer being refunded taxes paid to that state or jurisdiction on income derived from services rendered while the resident taxpayer was within New Jersey. The tax credit would be equal to 50 percent of the amount of the taxes that are owed to New Jersey as a result of the readjustment of New Jersey’s credit for taxes paid to another state or jurisdiction. *L. 2023, c. 125* also establishes a nonrefundable GIT credit of \$2,000 for individuals who seek from their employer and accept a reassignment from an out-of-State location to an in-State location and the amount of tax credits that may be awarded to qualified taxpayers are limited to \$10 million per State fiscal year. *L. 2023, c. 125* provides that NJEDA will provide grants to eligible businesses to assign their New Jersey resident employees to New Jersey locations, and a business is eligible for a grant if the business has 25 or more full-time employees, is principally located in another State, and the sum of all grants awarded in any fiscal year is capped at \$35 million. *L. 2023, c. 125* clarifies that its provisions would not affect any agreements entered into by the Division of Taxation with another state concerning the payment of income taxes by residents and out-of-state workers. *L. 2023, c. 125* limits the time period for which a taxpayer may claim a credit for taxes to other jurisdictions, when another state changes or corrects reportable income, to within one year after the date the taxpayer received notification that the other state’s income tax was due.

L. 2000, c. 80 created an Earned Income Tax Credit (EITC) program in New Jersey. Effective January 1, 2007, an eligible New Jersey resident can claim a credit based upon a percentage of the individual’s federal EITC, which is allowed and applied for, under section 32 of the federal Internal Revenue Code of 1986 (26 *U.S.C.* 32). *L. 2008, c. 109*. The credit percentages for eligible claimants are as follows: 20% from 2003 through 2007, 22.5% in 2008, 25% for 2009, 20% for 2010 through 2014, 30% for 2015 (*L. 2015, c. 73*), 35% for 2016 through 2017 (*L. 2016, c. 57*), 37% for 2018 (*L. 2018, c. 45*), 39% for 2019 (*L. 2018, c. 45*) and 40% for 2020 and thereafter. *L. 2018, c. 45*. For tax years beginning on and after January 1, 2021, eligibility under the EITC program includes taxpayers that are at least 18 years of age and removes the maximum age restriction of 65 years old. *L. 2021, c. 130*.

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

Chapter 55 further requires that no deed for the sale or transfer of real property by a nonresident will be accepted or recorded by the county recording officer without the simultaneous filing of the appropriate forms and the payment of the tax due or proof of payment. The Act became effective on August 1, 2004. *L. 2004, c. 55*. See also summary of *L. 2004, c. 66*, amending the Realty Transfer Tax, below.

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

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

Uncoupled deductions will apply to the other activities described above and that are set forth under the American Jobs Creation Act of 2004, and will apply to qualified production property that was grown or extracted by the taxpayer. *L. 2005, c. 127*.

For taxable years beginning after December 31, 2017, the entire IRC §199 deduction has been repealed for federal and New Jersey purposes by the federal Tax Cuts and Jobs Act. *Pub. L. 115-97; L. 2018, c. 48*.

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

Effective in the tax year beginning on or after January 1, 2023, resident taxpayers with New Jersey taxable income of \$80,000 or less are allowed to claim a refundable child tax credit for each child who has not attained the age of six years as of the close of the taxable year, and for which the taxpayer is allowed a personal exemption deduction. *L. 2023, c. 72*. The taxpayer must use a Social Security number or an Individual Taxpayer Identification Number (ITIN) on their tax forms to be eligible. Income of \$30,000 or under receives a \$1000 credit; income over \$30,000 but not over \$40,000 receives a \$800 credit; income over \$40,000 but not over \$50,000 receives a \$600 credit; income over \$50,000 but not over \$60,000 receives a \$400 credit; and income over \$60,000 but not over \$80,000 receives a \$200 credit.

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

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

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

L. 2009, c. 69 suspends the property tax deduction for tax year 2009 for taxpayers who have gross income for that taxable year of more than \$250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual, and caps the maximum property tax deduction to \$5,000 for taxpayers who have gross income for that taxable year of more than \$150,000, but not exceeding \$250,000, and are not: 65 years of age or older; or allowed a personal exemption as a blind or disabled individual. Chapter 69 also provides that New Jersey State Lottery winnings from prizes exceeding \$10,000 are taxable under the GIT and authorizes the New Jersey State Lottery to withhold a percentage of such winnings for GIT. *L. 2009, c. 69*.

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

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

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

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

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

L. 2019, c. 320 creates the "Pass-Through Business Alternative Income Tax Act." A GIT credit is available in the amount of the individual member's pro rata share of the entity's elected alternative minimum tax.

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

Effective in the tax year beginning on or after January 1, 2023, resident taxpayers with New Jersey taxable income of \$80,000 or less are allowed to claim a refundable child tax credit for each child who has not attained the age of six years as of the close of the taxable year, and for which the taxpayer is allowed a personal exemption deduction. *L. 2023, c. 72*. The taxpayer must use a Social Security number or an Individual Taxpayer Identification Number (ITIN) on their tax forms to be eligible. Income of \$30,000 or under receives a \$1000 credit; income over \$30,000 but not over \$40,000 receives a \$800 credit; income over \$40,000 but not over \$50,000 receives a \$600 credit;

income over \$50,000 but not over \$60,000 receives a \$400 credit; and income over \$60,000 but not over \$80,000 receives a \$200 credit.

Election worker compensation paid for work performed on Primary or General Election Days, or during early voting periods is exempt from the GIT. *L. 2022, c. 71.*

The federal partnership audit regime is adopted and taxpayers are required to pay any additional New Jersey GIT due with respect to final federal adjustments resulting from an audit or other action by the Internal Revenue Service no later than 180 days after the final determination date. *L. 2022, c. 133.* The requirement to affirmatively elect New Jersey S Corporation status was also eliminated. *L. 2022, c. 133.*

L. 2023, c. 96 provides for uniform sourcing rules for the GIT and CBT for taxable years beginning on and after January 1, 2023 and a GIT taxpayer's income from a trade, business, partnership, or S corporation will be sourced in a manner consistent with the CBT and requires that any income from salary, wages, tips, fees, commissions, bonuses, and other similar forms of remuneration are to be sourced pursuant to the provisions of the GIT.

Insurance Premiums Tax (IPT)

The Insurance Premiums Tax is imposed on net premiums collected by every stock, mutual and assessment insurance company transacting business in New Jersey, for insurance contracts covering property and risks in the State. Effective January 1, 1992, health service corporations became subject to tax on their experience-rated health insurance. *L. 1989, c. 295.* A surtax on all automobile insurance premiums, except as exempted by statute, was imposed from June 1, 1990 through May 31, 1992. *L. 1990, c. 8.* There is also a retaliatory tax imposed against foreign insurance companies doing business in New Jersey where the foreign company's state, country, or province (in the event that the foreign country is Canada) imposes an overall tax (including but not limited to fines and penalties) on New Jersey insurance companies doing business in that jurisdiction that is higher than the tax New Jersey imposes on the foreign company doing business in New Jersey. The tax rate is equal to the difference between the two rates.

Current Rates: 1.05% on group accident and health or legal insurance policies; 2.1% on life and non-life insurance companies; 5% on surplus lines coverage; 5.25% on marine insurance companies; 2% on foreign fire insurance companies.

L. 2005, c. 128 modifies the insurance premiums tax treatment of health service corporations. Specifically, Chapter 128 amends the "maximum tax rule," which caps taxable premiums at 12.5% of total New Jersey premiums. The amendment excludes from the maximum tax rule all health service corporations established pursuant to the provisions of *L. 1985, c. 236 (N.J.S.A. 17:48A-1 et seq.)*. Additionally, the Act imposes the Insurance Premiums Tax on all premiums of health services corporations and on any life, accident or health insurance corporation in which a health services corporation owns stock in, controls, or with which it otherwise becomes affiliated *L. 2005, c. 128.* Effective January 1, 2009, accident and health insurance premiums are also excluded from the maximum tax rule. *L. 2009, c. 75.*

L. 2009, c. 75. excludes accident and health insurance premiums from the 12.5% maximum tax rule on a company's total premiums when the ratio of the company's New Jersey business to total business is greater than 12.5%.

L. 2011, c. 25 imposes a new tax rate on captive insurance companies. The annual minimum aggregate tax calculated for both direct premiums and assumed reinsurance premiums to be paid is \$7,500 and the annual maximum aggregate tax is \$200,000. With respect to direct premiums, captive insurers must pay a tax of .38 of 1% on the first \$20 million; .285 of 1% on the next \$20 million; .19 of 1% on the next \$20 million; and .072 of 1% on each dollar thereafter, on the direct premiums collected or contracted for on policies or contracts of insurance written by the company during the year ending December 31. Captive insurers may deduct return premiums including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. No tax is due or payable on considerations received for annuity contracts. With respect to assumed reinsurance premiums, the tax is imposed at the rate of .214 of 1% on the first \$20 million of assumed reinsurance premiums; .143 of 1% on the next \$20 million; .048 of 1% on the next \$20 million and .024 of 1% on each dollar thereafter. The reinsurance premium tax does not apply to premiums for risks or portions of risks, which are subject to taxation on a direct basis. In addition, the

reinsurance premium tax does not apply in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control, when (1) the transaction is part of a plan to discontinue the operations of the other insurer and (2) the intent of the parties to the transaction is to renew or maintain the business with the captive insurance company.

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

Motor Fuels Tax

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

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

Article VIII, Section 2, Paragraph 4 of the State Constitution provides for a dedication of revenue from the Motor Fuels Tax to the Transportation Trust Fund Account for improvements to the State Transportation infrastructure. Effective after the fiscal year beginning July 1, 2015, the dedicated funds shall be an amount equivalent to all revenue derived from collection of the Motor Fuels Tax.

Petroleum Products Gross Receipts Tax

The Petroleum Products Gross Receipts Tax applies to gross receipts from the first sale or use of petroleum products in New Jersey. Exempt sales include home heating oil and propane gas used exclusively for residential heating, certain sales to non-profit or governmental entities, sales to the federal government (*L. 1991, c. 19*) and asphalt. This tax does not apply to the sale of fuel oil used by any utility, co-generation facility or wholesale operation facility to generate electricity.

Current Rate: 7% for petroleum products, \$.124 per gallon for fuel oil effective November 1, 2016. *L. 2016, c.57*. Aviation fuel remains subject to tax at \$.04 per gallon. Effective October 1, 2021, the tax on gasoline and liquefied petroleum will decrease from \$.402 cents to \$.319 cents for gasoline and from \$.442 cents to \$.359 cents for diesel fuel.

In November 2000, the State Constitution was amended to dedicate to the Transportation Trust Fund Account in the General Fund, amounts derived from State revenues collected from the Petroleum Products Gross Receipts Tax. NJ Const. Art. VIII, § 2, Para. 4(b). Amounts so dedicated fund transportation infrastructure improvements, and are not less than \$100 million for Fiscal Year 2001; and not less than \$200 million for Fiscal Year 2002 through Fiscal Year 2016. NJ Const. Art. VIII, § 2, Para. 4(b). For each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the Petroleum Products Gross Receipts Tax shall be dedicated to the Transportation Trust Fund Account. NJ Const. Art. VIII, § 2, Para. 4(b).

Realty Transfer Tax

The Realty Transfer Tax (“RTT”) is imposed on grantors recording deeds or other writings which transfer title to real property located in New Jersey for consideration greater than \$100. Certain transfers of title are exempt from this tax. The Neighborhood Preservation Nonlapsing Revolving Fund is funded by the increase in taxes (\$.75 per \$500) collected on transfers greater than \$150,000. *L. 1985, c. 222*.

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

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

A new general purpose fee is imposed under *N.J.S.A. 46:15-7* in addition to the above-recited RTT on grantors, upon presentation for filing deeds evidencing transfers of real property whose value is more than \$350,000. *L. 2004, c. 66*. The general purpose fee is also being collected by the Counties. The general purpose fee is \$0.90 for each \$500 on the first \$550,000 of the value recited in the deed of transfer; \$1.40 on each \$500 of the value between \$550,000 and \$850,000; \$1.90 on each \$500 of value between \$850,000 and \$1,000,000; and \$2.15 for each \$500 of the value over \$1,000,000. *L. 2004, c. 66*.

In addition, the grantee (buyer) of residentially-zoned real property, whether improved or not, is required to pay a separate fee equal to 1% of the full amount of the consideration, for consideration in excess of \$1,000,000. The fee imposed by subsection a. of *L. 2004, c. 66, § 8 (N.J.S.A. 46:15-7.2)* shall not apply to a deed if the transfer of real property is incidental to a corporate merger or acquisition if the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition. *L. 2006, c. 33*. Pursuant to Section 9 of *L. 2004, c. 66*, the 2004 RTT amendments apply to deeds presented for recording that evidence real property transfers occurring on or after August 1, 2004. Effective February 1, 2005, *L. 2005, c. 19* amended the 1% fee so that it only applies to the purchase of certain types of residentially-zoned property for consideration in excess of \$1,000,000, including real property that: (1) is classified for assessment purposes as Class 2 (residential); (2) includes certain property classified for assessment purposes as Class 3A (farm property (regular)) and other real property sold in conjunction with such property; or (3) that is a cooperative unit; or (4) that is classified pursuant to the requirements of *N.J.A.C. 18:12-2.2* as Class 4A (commercial properties). *L. 2006, c. 33*. If a transfer includes property classified pursuant to the requirements of *N.J.A.C. 18:12-2.2* as Class 4 property of any type, the parties to the transaction shall file affidavits of consideration indicating the consideration, the county and municipality in which the property is situated, and the block and lot description of the real property conveyed.

L. 2006, c. 33 did not alter *L. 2005, c. 19*, which exempts from the fee any transfer to a 26 *U.S.C. 501(c)(3)* charitable organization, and permits a full refund to be provided to a buyer who paid the fee but would not have been required to do so under the amended law.

Sales and Use Tax

The Sales and Use Tax ("SUT") is imposed on the receipts from: (a) the retail sale, rental or use of tangible personal property not specifically exempted by statute; (b) the retail sale of services, except for resale, including producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property and certain advertising services, subject to certain exceptions; (c) sales of food and drink by restaurants and other similar establishments; and (d) the sale, except for resale, of telecommunications. Effective October 1, 2022, sign installation services and signs sold to the end user are subject to SUT. *L. 2022, c. 97*. This tax is also imposed on the rental of hotel and motel rooms, and certain admission charges including those for professional wrestling. Effective July 1, 1992, retail sales of alcoholic beverages are also subject to this tax. *L. 1990, c. 40*. Beginning on October 1, 2018, the rental of a transient accommodation is subject to this tax and to the State Occupancy Tax unless

the keys to the transient accommodation are obtained off-site from a New Jersey real estate broker. *L. 2018, c. 49*. Rentals of hotels, motels, and transient accommodations located in one of the 14 municipalities that participate in the Meadowlands revenue sharing program are subject to an additional 3% Meadowlands regional hotel use assessment. *L. 2018, c. 49; L. 2018, c. 52*. On and after August 9, 2019, transient accommodation taxes and fees are only applicable when the renter obtains the rental unit through a transient space marketplace or when the unit is professionally managed. *L. 2019, c. 235*. In addition, travel agencies and online travel agencies are now considered to be transient space marketplaces and are required to collect the transient accommodation taxes and fees.

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

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

The Sales Tax is also extended as of October 1, 2006, to services, subject to some exemptions, including, but not limited to, furnishing of space for storage; parking, storing or garaging a motor vehicle; tanning services, massage services, tattooing, investigation and security services, information services, limousine services originating within New Jersey; and initiation fees, membership fees or dues for access to the use of property or facilities of a health and fitness, athletic, sporting or shopping club or organization. *L. 2006, c. 44*. The imposition of sales and use tax on limousine transportation services is repealed. *L. 2017, c. 27*.

Qualified businesses engaged in retail sales in a designated Urban Enterprise Zone (“UEZ”) are exempt from sales tax equal to 50% of the tax rate in effect, except on sales of alcoholic beverages, cigarettes, motor vehicles, manufacturing products and energy. *L. 1983, c. 303; L. 1990, c. 40*. Retail sales of tangible personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption by such business within the UEZ were fully exempt from sales tax. *L. 2007, c. 328*. Effective January 1, 2022, *L. 2021, c. 197* limits the sales tax exemption of tangible personal property for qualified businesses to the first \$100,000 of annual purchases. However, retail sales by supermarkets or grocery stores located in a food desert community, or that are located in an Urban Enterprise Zone and have received an annual certificate of eligibility from the Department of Community Affairs have an unlimited sales tax exemption. *L. 2021, c. 197; L. 2022, c. 42*. Receipts from sales of materials, supplies, or services, to a qualified business, for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of the qualified business within the UEZ, were also fully exempt from sales tax. However, *L. 2021, c. 197* limits this exemption to the first \$100,000 of these purchases, effective January 1, 2022. The sales tax exemption is not limited when the purchase is for the exclusive use of erecting new structures or buildings on, or substantially improving, altering or repairing, the real property of the qualified business within the UEZ. *L. 2021, c. 197*.

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

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

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

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

As of July 1, 2014, the State's sales tax collection and remittance requirements extend to remote sellers who solicit New Jersey customers through an agreement with an independent contractor, or other representative, who has a physical presence in the State. The law creates a rebuttable presumption that remote sellers have nexus with the State from those referrals obtained through an Internet website link, or otherwise, and from which the seller derives over \$10,000 in annual taxable sales. *L. 2014, c. 13*.

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

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

Exemptions from the SUT include, but are not limited to: prescription medicines and drugs; enumerated medical equipment and supplies; clothing (except fur clothing) and footwear; household paper products; recycling equipment; certain sales of direct mail advertising materials for distribution to out-of-State recipients and related printing and production costs; certain sales of materials and supplies for contractors' use in constructing, improving or rehabilitating housing projects financed by the New Jersey Housing and Mortgage Financing Agency and other government subsidiaries; sales of telephones, telephone lines, cables, central office equipment or station apparatus or other similar equipment, provided that the sale is made to a service provider subject to the jurisdiction of the Board of Public Utilities or the Federal Communications Commission; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The SUT on receipts from certain retail sales in counties in which there is an entrance to an interstate bridge or tunnel connecting New Jersey with a state which does not impose a sales and use tax or imposes such a tax at a rate at least five percentage points lower than the New Jersey rate, is reduced by 50%. *L. 1993, c. 373*. Sales and leases of new and used boats and other vessels are exempt to the extent of 50% of the tax imposed under the SUT Act, with a cap of \$20,000 on the total tax. *L. 2015, c. 170*. In addition, out-of-state boats operated and registered lawfully can be used in New Jersey in a non-commercial manner for up to 30 days per year without incurring use tax. Sales of materials integral to sand casting processes and operations are exempt from SUT. *L. 2019, c. 98*. Receipts from the sale or use of energy and utility service to or by a recovered materials manufacturing facility or by a recycled materials manufacturing facility for use or consumption directly and primarily in the production of tangible personal property is exempt from SUT for a period of seven years. *L. 2019, c. 437, L. 2021, c. 213*. Receipts from the sales of unit concrete products that utilize carbon footprint-reducing technology are exempt from SUT. *L. 2021, c. 278*. An annual sales tax holiday is established for certain retail sales of

computers, school computer supplies, school supplies, school art supplies, school instructional materials and sport or recreational equipment near the start of each new school year. *L. 2022, c. 21.*

Social Equity Excise Fee

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

Transfer Inheritance and Estate Tax

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

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

For decedents dying after December 31, 2001, but before January 1, 2018, the estate tax is computed in accordance with the federal estate tax as of December 31, 2001 or under a simplified method prescribed by the Director of the Division of Taxation, as the estate representative may elect. *L. 2002, c. 31.* The estate tax is due nine months after the death of the decedent.

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

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

APPENDIX II
BOND RESOLUTION

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NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY
HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM
GENERAL BOND RESOLUTION

Adopted August 10, 1994

**and Amended July 25, 2001, December 19, 2002, December 12, 2013
and July 25, 2023**

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

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HIGHER EDUCATION EQUIPMENT LEASE REVENUE PROGRAM

GENERAL BOND RESOLUTION

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

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

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 101. Definitions. The following terms which are used as defined terms herein shall, unless the context clearly requires otherwise, have the meanings which are set forth below:

“Accountant” means any registered municipal accountant of the State of New Jersey (who may be the accountant or a member of the firm of accountants who regularly audit the books and accounts of the Authority) selected by the Authority from time to time;

“Act” means the New Jersey Educational Facilities Authority Law (being Chapter 72A of Title 18A of the New Jersey statutes, as enacted by Chapter 271 of the Laws of 1967, as amended and supplemented);

“Additional Bonds” shall mean Bonds authenticated and delivered upon original issuance pursuant to Section 314 of this Resolution and includes Refunding Bonds;

“Additional Equipment” shall mean Equipment or Item(s) of Equipment acquired with the proceeds of a Series of Bonds issued pursuant to a Supplemental Resolution;

“Additional Rent” shall mean all amounts payable by a College to the Authority under its Agreement, including but not limited to the annual Trustee’s fee and annual Authority Administrative Expenses allocated to the College as set forth in the respective Agreements, professional fees incurred for any arbitrage calculation, arbitrage rebate expenses, and all direct and indirect costs and expenses incurred by the Authority related to the enforcement of the Agreements and the State Contract, including reasonable attorneys fees related thereto;

“Agreement” or “Agreements” means the Lease Agreement or Lease Agreements, as applicable, by and between the Authority and the Colleges, and any and all modifications, alterations, amendments and supplements thereto which are made in accordance with the provisions of the Agreements and the Resolution;

The definition of “Annual Administrative Fee” in this Section 101 was amended in the Authority’s Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, the definition read as follows:

“Annual Administrative Fee” means the annual fee for the general administrative expenses of the Authority in an amount equal to \$1,500 for each College which has entered into a Lease Agreement with the Authority;

From July 25, 2001 to December 18, 2002, the definition of “Annual Administrative Fee” in this Section 101 read as follows:

“Annual Administrative Fee” means the annual fee for the general administrative expenses of the Authority for each College which has entered into a Lease Agreement with the Authority, in such amount as shall be set forth therein;

The definition of “Annual Administrative Fee” in this Section 101 was amended again in the Authority’s Third Supplemental Bond Resolution adopted December 19, 2002. From and after December 19, 2002, the definition of “Annual Administrative Fee” in this Section 101 reads as follows:

“Annual Administrative Fee” means the annual fee for the general administrative expenses of the Authority, in such amount as shall be determined by the Authority Officer, in a certificate signed by such Authority Officer, for each College which has entered into a Lease Agreement with the Authority;

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

“Authority Administrative Expenses” shall mean the expenses of the Authority and its agents and employees incurred or to be incurred by or on behalf of the Authority in the administration of its responsibilities under this Resolution and the Agreements, including, but not limited to, (i) the Annual Administrative Fee and all fees and expenses, including but not limited to indemnification expenses, if any, incurred in connection with the issuance of any Bonds, (ii) all fees and expenses, including but not limited to indemnification expenses, if any, of counsel, fiduciaries and others, and (iii) any fees and expenses, including but not limited to indemnification expenses, if any, incurred by the Paying Agent, the Bond Registrar or the Trustee in connection with the performance of their respective fiduciary responsibilities under the Resolution and the Agreements, all to the extent not capitalized pursuant to the requirements of this Resolution, which Authority Administrative Expenses shall be paid as Additional Rent by the Colleges participating in the Program, all as set forth in the Agreements;

The definition of “Authority Officer” in this Section 101 was amended in the Authority’s Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, the definition read as follows:

“Authority Officer” means the Chairman, the Vice Chairman, the Treasurer, the Executive Director, Secretary or Assistant Secretary of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document;

From July 25, 2001 to December 18, 2002, the definition of “Authority Officer” in this Section 101 read as follows:

“Authority Officer” means the Chairman, the Vice Chairman, the Treasurer, the Executive Director, or the Director of Project Management of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document;

The definition of “Authority Officer” in this Section 101 was amended again in the Authority’s Third Supplemental Bond Resolution adopted December 19, 2002. From December 19, 2002 to December 11, 2013, the definition read as follows:

“Authority Officer” means the Chairman, the Vice Chairman, the Treasurer, the Executive Director, Deputy Executive Director or the Director of Project Management of the Authority and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document;

The definition of “Authority Officer” in this Section 101 was amended again in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013. From December 12, 2013 to July 24, 2023, the definition of “Authority Officer” in this Section 101 read as follows:

“Authority Officer” means the Chair, Vice Chair, Executive Director, Deputy Executive Director, Director of Project Management, Director of Risk Management, Secretary, any Assistant Secretary, Assistant Treasurer and any such officers designated as “acting” or “interim,” and, when used with reference to an act or a document, also means any other person who shall be authorized by resolution of the Authority to perform such act or to execute such document;

The definition of “Authority Officer” in this Section 101 was amended again in the Authority’s Fifth Supplemental Bond Resolution adopted July 25, 2023, and, from and after such date, the definition reads as follows:

“Authority Officer” shall mean the Chair, Vice Chair, Executive Director, Deputy Executive Director, Treasurer, Director of Project Management, Director of Compliance Management, Secretary, Assistant Treasurer or any Assistant Secretary of the Authority, and any other person authorized by resolution of the Authority and any of such officers designated as “acting” or “interim”;

“Authorized College Representative” means any person or persons who shall be authorized to act on behalf of the College by virtue of a written certificate, duly executed on behalf of the College, which sets forth such authorization and which contains the specimen signature of each such person;

“Authorized Newspaper” means The Bond Buyer or any other newspaper or publication of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the City of Trenton or the City of Newark, State of New Jersey, as designated by the Authority;

“Basic Rent” shall mean each College’s allocable share of the sum of money necessary to amortize 25% of the Debt Service Requirement on the Outstanding Bonds which shall be payable by each College pursuant to the terms of its respective Lease Agreement and as described therein;

“Bond” or “Bonds” means any of the bonds of the Authority which shall be authenticated and delivered under and pursuant to the terms of the Resolution, including Additional Bonds and Refunding Bonds;

“Bondholder” or the term “holder” or any similar term when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bonds;

“Bond Proceeds Fund” means the fund for any Series of Bonds so designated which is herein established and created by the Authority pursuant to the terms of Section 401 hereof;

“Bond Year” shall mean the twelve (12) month period as set forth in a Supplemental Resolution authorizing a Series of Bonds;

The definition of “Business Day” in this Section 101 was amended in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, the definition read as follows:

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

From December 12, 2013 to July 24, 2023, the definition of “Business Day” in this Section 101 read as follows:

“Business Day” or “Business Days” shall mean any day that is not a Saturday, a Sunday or a legal holiday in the State or the State of New York, a day when the New York Stock Exchange is closed or a day on which the Trustee, the Registrar, or any Paying Agent is legally authorized to close.

The definition of “Business Day” in this Section 101 was amended again in the Authority’s Fifth Supplemental Bond Resolution adopted July 25, 2023, and, from and after such date, the definition reads as follows:

“Business Day” shall mean any day that is not a Saturday, a Sunday or a legal holiday or State of Emergency Closure in the State or the State of New York, a day when the New York Stock Exchange is closed or a day on which the Trustee, the Registrar, or any Paying Agent is legally authorized to close;

“Certificate of Authority Officer” means any certificate which is executed by an Authority Officer for any purpose which is provided in the Resolution or in any Supplemental Resolution of the Authority;

“Code” means the Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations promulgated thereunder;

“College” means all Private Colleges of Higher Education and Public Colleges of Higher Education which have entered into Agreements with the Authority pursuant to the terms of this Resolution;

“Cost” or “Costs of a Project” means and shall be deemed to include, together with any other proper item of cost which is not specifically mentioned herein, whether incurred prior to or after the date of adoption of the Resolution (a) costs and expenses of the Authority which are incurred for labor and/or materials and payments to contractors, subcontractors, vendors, suppliers and materialman in connection with the acquisition and installation of any part of any Project for any College; (b) the cost of contract bonds and of insurance of any kind for any component of any Project; (c) the costs and expenses of the Authority for estimates and plans and specifications, if any, for any component of any Project; (d) compensation and expenses of the Trustee, Paying Agent, Registrar, and/or other fiduciaries, financial advisory, legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds; (e) all other costs which the Authority shall be required to pay under the terms of any contract or contracts for the acquisition or installation of the Project; (f) any sums which are required to reimburse the appropriate College or the Authority for advances made by either or any of them for any of the above items, or for any other costs which are properly incurred and for work done by either or both of them, which are properly chargeable to the Project; (g) deposits into the Debt Service Fund for payment of interest on the Bonds and deposits in any other fund or account under the Resolution, all as shall be provided in the Resolution; (h) the payment of any Project Notes or similar evidences of indebtedness of the Authority which have been issued to temporarily finance the payment of any item or items of cost of the Project (including any interest and redemption premiums thereon); (i) the administrative expenses of the Authority incurred in connection with the financing of the Project; and (j) such other expenses which are not specified herein as may be necessary or incidental to the construction, acquisition and installation of any Project, the financing thereof and the placing of the same in use and operation;

“Counsel’s Opinion” means an opinion which shall be signed by an attorney or firm of attorneys of recognized standing (who may be counsel or of counsel to the Authority) which shall be selected by the Authority, and, if such opinion is required to be delivered to the Trustee, which firm shall be satisfactory to the Trustee;

“Debt Service Fund” means the fund for any Series of Bonds so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof;

“Debt Service Requirement” means, for any Series of Bonds for any period as of the date of calculation, an amount which is equal to the sum of:

(1) The amount which is required to pay interest on Outstanding Bonds of such Series on the interest payment dates for such Bonds during such period except to the extent that such interest shall have been provided by payment into the Debt Service Fund out of the Bond proceeds or by payment of investment income which is required or which is permitted to be transferred into the Revenue Fund or the Debt Service Fund; and

(2) The amount which is required to pay the principal of Outstanding Bonds of such Series on the date established for the payment of such principal of the Bonds during such period; provided, however, that, for the purpose of this calculation, the principal amount of Term Bonds shall be reduced by an amount which is equal to the Sinking Fund Installments which have been made prior to the date on which the Term Bonds mature; and

(3) The Sinking Fund Installment, if any, for such Series of Bonds which is required to be made on the date established for the payment of Sinking Fund Installments with respect to such Bonds during such period;

The following definition of “Defeasance Securities” was added to this Section 101 in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013:

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

“DTC” means the Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the Bonds;

“Equipment or Item(s) of Equipment” shall mean the capital equipment described in the Agreements and purchased and acquired with the proceeds of the Bonds which shall be compromised of “Higher Education Equipment” as defined in the Act;

The following definition of “Event of Non-Appropriation” was added to this Section 101 in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013:

“Event of Non-Appropriation” shall mean the failure by the New Jersey Legislature to appropriate funds to the Authority for any Fiscal Year in an amount sufficient to pay when due the Debt Service Requirement on the Bonds coming due in such Fiscal Year.”

“Fiduciary” means the Trustee, the Registrar or the Paying Agent, or any or all of them, as the case may be;

“General Fund” means the fund so designated which is herein established and created by the Authority for a Series of Bonds pursuant to the terms of Section 501 hereof;

“Higher Education Equipment Leasing Fund” means the fund so designated which is herein established and created by the Authority for any Series of Bonds pursuant to the terms of Section 402 hereof;

The following definition of “Investment Agreement” was added to this Section 101 in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013:

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

The definition of “Investment Obligations” in this Section 101 was amended and restated in its entirety in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, the definition read as follows:

“Investment Obligations” shall mean, to the extent permitted by law, (a) any direct and general obligation of, or any obligation fully and unconditionally guaranteed by the United States of America; (b) any bond, debenture, note or participation certificate or other evidence of indebtedness issued by any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank Systems, Federal Land Banks, Export-Import Bank, Tennessee Valley Authority, Federal National Mortgage Association, Government National Mortgage Association, Farmers Home Administration, Federal Financing Bank, Student Loan Marketing Association and the U.S. Postal Service; (c) negotiable or non-negotiable certificates of deposit which are rated not less than “A” or an equivalent by Moody’s Investors Service and Standard & Poor’s Corporation or fully insured by the Federal Deposit Insurance Company and which are issued by any bank, savings and loan association, trust company, national banking association or other banking institution (which may include any Fiduciary), which certificates of deposit, except in the case of certificates of deposit issued by a bank, savings and loan association, trust company,

national banking association or any other banking institution that is located in the State or that has a capital stock and surplus of more than \$50,000,000, shall be continuously secured by obligations described in clauses (a), (b) or (d) of this definition, which shall have a market value (exclusive of accrued interest) which is at all times at least equal to the principal amount of such certificates of deposit and such collateral shall be lodged with the Trustee, as custodian, by the bank, savings and loan association, trust company, national banking association or other banking institution issuing such certificates of deposit; (d) full faith and credit obligations of any State, provided that at the time of purchase such obligations are rated in either of the two highest rating categories by Standard & Poor's Corporation and Moody's Investors Service; (e) deposits in interest bearing accounts in any bank, savings and loan association, trust company, national banking association or other banking institution (which may include any Fiduciary) which are rated not less than "A" or an equivalent by Standard & Poor's Corporation and Moody's Investors Service or fully insured by the Federal Deposit Insurance Company that is located in the State or that has a capital stock and surplus of more than \$50,000,000; (f) shares or beneficial interests in an investment fund or trust whose assets consist of obligations rated "Am" or an equivalent by Standard & Poor's Corporation and Moody's Investors Service which are described in clauses (a) or (b) of this definition; (g) interests in the State Cash Management Fund or other similar common trust fund for which the State Treasurer is the custodian; (h) investment agreements rated "A" or better or an equivalent by Standard & Poor's Corporation and Moody's Investors Service with any bank, trust company or national banking association having a capital stock or surplus of more than \$100,000,000 or investment agreements with any government bond dealer which reports to, trades with and is recognized as a primary dealer by the Federal Reserve Bank of New York or Philadelphia for the purchase of securities described in clauses (a) or (b) above; provided, however, that such investment agreements shall be continuously secured by obligations described in clauses (a) and (b) of this definition which have a market value (exclusive of accrued interest) at all times which is at least equal to the principal amount invested in such investment agreement; and provided further, that such security or collateral is transferred to the Trustee, or is held in trust for its account, as titleholder, and is held in a segregated account by a bank, trust company or national banking association having a capital stock and surplus of more than \$100,000,000; or (i) certificates that evidence ownership of the right to receive payments of principal or interest on obligations described in clause (a) of this definition; provided, however, that such obligations shall be transferred to the Trustee, or held in trust for its account, as titleholder, and held in a segregated account by a bank, trust company or national banking association having a capital stock and surplus of more than \$100,000,000. However, only the obligations described in clause (a) shall be considered to be an Investment Obligation for purposes of Section 1301 hereof;

From and after December 12, 2013, the definition of "Investment Obligations" in this Section 101 reads as follows:

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

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

agency, the obligations (including guarantees) of which are unconditionally guaranteed by the United States;

- (iii) Bonds, debentures notes or other evidences of indebtedness issued by any corporation chartered by the United States, including, but not limited to, Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Resolution Funding Corporation, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;
- (iv) Negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, including a Fiduciary, which certificates of deposit shall be continuously secured or collateralized by obligations described in subparagraphs (i) or (ii) of this definition, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;
- (v) Uncollateralized negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) issued by any bank, trust company or national banking association, the unsecured obligations of which are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;
- (vi) Repurchase agreements collateralized by obligations described in subparagraphs (i), (ii) or (iii) of this definition with any registered broker/dealer subject to the Securities Investors Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated in one of the two highest rating categories, without regard to rating sub-categories, by any 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, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$75,000,000, and the Trustee shall have received written

confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;

- (c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. or a successor provision in such securities is created for the benefit of the Trustee;
 - (d) the repurchase agreement has a term of six months or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation;
 - (e) the repurchase agreement matures or may be drawn upon in full on or before an interest 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 Resolution with respect to any particular bank, trust company, or national association shall not exceed 5% of its capital and surplus; and provided further than any such bank, trust company, or national association shall be rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies;
- (viii) Other obligations of the United States of America or any agency thereof which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;
- (ix) Deposits in the New Jersey Cash Management Fund;
- (x) Obligations of any state, commonwealth or possession of the United States or a political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in either of the two

highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;

- (xi) Commercial paper with a maturity date not in excess of 270 days rated by the Rating Agencies at least equal to the rating assigned by the Rating Agencies to the applicable Series of Bonds and in no event lower than the “A” category established by a Rating Agency (which may include sub-categories indicated by plus or minus or by numbers) at the time of such investment, issued by an entity incorporated under the laws of the United States or any state thereof;
- (xii) Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by each Rating Agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof which has a combined capital and surplus of not less than \$75,000,000;
- (xiii) Investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (viii) above, which contracts have been approved for sale by a national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long term debt is rated in one of the two highest rating categories, without regard to rating sub-categories, by any two Rating Agencies then rating the Bonds;
- (xiv) Investment Agreements; and
- (xv) Any other investment approved in writing by the Treasurer.

“Lease Payment” shall mean the Rental Payment consisting of Basic Rent and, as applicable, Additional Rent payable pursuant to the terms of the Agreements;

“Lease Term” shall mean the period during which each Agreement is in effect as specified in such Agreement;

“Outstanding”, when used with reference to Bonds of any Series and as of any particular date, describes all Bonds of such Series theretofore and thereupon being authenticated and delivered except (a) any Bond of any Series which has been cancelled by the Authority or by the Registrar on or prior to said date, (b) any Bond of such Series for the payment or redemption of which either (i) cash, in an amount which is equal to the principal amount and redemption premium, if any, thereof, as the case may be, with interest accrued and unpaid and interest to accrue to the date of maturity or the redemption date, as the case may be, or (ii) moneys and/or Investment Obligations in the amounts, of the maturities and otherwise conforming with the provisions of Section 1301 hereof, shall have theretofore been deposited with the Trustee in trust whether upon or prior to the maturity date or the redemption date of such Bonds and, except in the case of a Bond to be paid at maturity, of which notice of redemption shall have been given or provided for in

accordance with the terms of Article VIII hereof, and (c) any Bond of such Series in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the provisions of the Resolution;

“Paying Agent” means any paying agent for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1202(a) hereof, and its successor or successors, and any other corporation or association that may at any time be substituted in its place pursuant to the terms of the Resolution;

“Private College of Higher Education” shall mean independent colleges or universities incorporated and located in the State, which by virtue of law or character or license, are nonprofit educational institutions authorized to grant academic degrees and which provide a level of education which is equivalent to the education provided by the State’s public institutions of higher education as attested by the receipt of and continuation of regional accreditation by the Middle States Association of Colleges and Schools, and which are eligible to receive State aid;

“Program” means the Higher Education Equipment Leasing Fund Program established by the Authority pursuant to the terms of the Act;

“Project” or “Projects” means any Equipment or Additional Equipment acquired by the Authority with the proceeds of any Series of Bonds for lease to Colleges for use by such Colleges in furtherance of the Program and pursuant to the terms of the Resolution and the Agreements;

“Project Notes” means any of the project notes of the Authority which are authenticated and delivered under and pursuant to the terms of any Project Note Resolution;

“Project Note Resolution” means a resolution of the Authority providing for temporary financing of any Project;

The definition of “Public College of Higher Education” in this Section 101 was amended and restated in its entirety in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, the definition read as follows:

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

From and after December 12, 2013, the definition of “Public College of Higher Education” in this Section 101 reads as follows:

“Public College of Higher Education” shall mean Rutgers, The State University of New Jersey, the New Jersey Institute of Technology, Kean University, Montclair State University, New Jersey City University, Ramapo College of New Jersey, The Richard Stockton College of New Jersey, Rowan University, The College of New Jersey, Thomas Edison State College, William Paterson University, the county colleges and any other public university or college now or hereinafter established or authorized by law;

“Rebate Fund” means the fund so designated which is herein established and created by the Authority pursuant to the terms of Section 501 hereof;

“Record Date” means with respect to a particular Series of Bonds, (a) the fifteenth (15th) day (whether or not a business day) of the calendar month next preceding each interest payment date, in the event that the interest payment date is the first (1st) day of a month, (b) the first (1st) day (whether or not a business day) of the calendar month next preceding each interest payment date in the event that the interest payment date is the fifteenth (15th) day of the month or, (c) as otherwise provided for a Series of Bonds in a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of such Series of Bonds;

“Redemption Price” means, when used with respect to any Bond, the principal amount of such Bond (or portion thereof) plus the applicable redemption premium, if any, which is payable upon redemption thereof in the manner contemplated in accordance with its terms and in accordance with the terms of the Resolution, together with interest accrued thereon to the date fixed for redemption;

“Refunding Bonds” shall mean the Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 316, and any Refunding Bonds thereafter authenticated and delivered in lieu of or in substitution for such Refunding Bonds;

“Rent, Rental(s) or Rental Payment” shall mean the sum of Basic Rent and Additional Rent described in the Agreements;

“Registered Owner” means the owner of any Bond which is issued in fully registered form, as determined on the Record Date, and as reflected on the registration books of the Authority which shall be kept and maintained on behalf of the Authority by the Registrar;

“Registrar” means the registrar or bond registrar for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1202(b) hereof, and its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to the terms of the Resolution;

“Resolution” means this Higher Education Equipment Leasing Fund Program General Bond Resolution, as such term is defined in Section 106 hereof, as the same may be amended and supplemented from time to time;

“Revenue Fund” means the fund so designated which is herein established and created by the Authority for any Series of Bonds pursuant to the terms of Section 501 hereof;

“Revenues” means (i) all amounts appropriated and paid to the Authority by the State pursuant to the terms of the State Contract, (ii) any other amounts appropriated and paid by the State to the Authority or received from any other source by the Authority and pledged by the Authority as security for the payment of Bonds, and (iii) any investment income which is derived from the investment of any funds which are held by the Trustee and which are deposited in the Revenue Fund pursuant to the terms of the Resolution;

“Series” means all of the Bonds which are authenticated and delivered on original issuance in a simultaneous transaction and which are so designated by the Supplemental Resolution of the Authority authorizing such Series of Bonds, regardless of variations in maturity, interest rate or other provisions, and any Bonds which are thereafter authenticated and delivered in lieu of or in substitution for any of such Bonds pursuant to the terms of the Resolution;

“Serial Bonds” means the Bonds of a Series which shall be stated to mature in annual or semiannual installments;

“Sinking Fund” means the fund so designated which is herein established and created by the Authority for any Series of Bonds pursuant to the terms of Section 501 hereof;

“Sinking Fund Installment” means the amount of money which is required by the terms of a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of any Bonds of a Series to be paid from the Sinking Fund toward the retirement of any Term Bonds of such Series. However, “Term Bonds” does not include any amount which is payable by reason only of a maturity of a Bond;

“State” shall mean the State of New Jersey;

“State Contract” shall mean the contract, as amended and modified from time to time, to provide for the payment of the Debt Service Requirement for each Series of Bonds, by and between the Authority and the Treasurer pursuant to which the Treasurer, subject to available appropriation, shall pay the amount necessary to pay the Debt Service Requirement on all Outstanding Bonds and Project Notes, if any, issued by the Authority under the Resolution;

“Supplemental Resolution” means any resolution of the Authority amending or supplementing the Resolution which is duly adopted and which becomes effective in accordance with the terms of Article IX hereof;

“Term Bonds” shall mean the Bonds of a Series which shall be stated to mature on one date, rather than serially, and which shall be subject to retirement by operation of the Sinking Fund;

“Treasurer” shall mean the Treasurer of the State of New Jersey; and

“Trustee” means the trustee for the Bonds which shall be appointed by the Authority pursuant to the terms of Section 1201 hereof, and its successor or successors, and any other corporation or association which may at any time be substituted in its place pursuant to the terms of the Resolution.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, words importing persons shall include firms, associations, corporations, districts, agencies and bodies, and words of the masculine gender shall mean and include correlative words of the feminine and neuter gender and vice versa. All times referenced herein shall be to prevailing Eastern time unless otherwise specifically noted.

Section 102. Successors and Assigns. Whenever the Authority is named or referred to in the Resolution, such reference shall be deemed to include its successors and assigns whether so

expressed or not. All of the covenants, stipulations, obligations, and agreements by or on behalf of, and other provisions for the benefit of, the Authority which are contained in the Resolution shall bind and inure to the benefit of such successors and assigns and shall bind and inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority, or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of the Resolution or to comply with or fulfill any conditions which are set forth in the Resolution.

Section 103. Parties Interested Herein. Nothing which is contained in the Resolution (expressed or implied) is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Authority, the Trustee, the Treasurer and the holders of the Bonds any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements which are contained in the Resolution and which are to be performed by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Treasurer and the holders of the Bonds.

Section 104. Severability of Invalid Provisions. If any one or more of the covenants or agreements which are contained in the Resolution which are to be performed on the part of the Authority, any Fiduciary or any agent or employee of the Authority should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Resolution or the Bonds.

Section 105. Applicable Law. The Resolution is adopted pursuant to statutes of the State of New Jersey, and the law of said State shall be applicable to its interpretation and construction.

Section 106. Short Title. This Resolution may hereafter be cited by the Authority and is hereinafter sometimes referred to as the “Higher Education Equipment Leasing Fund Program General Bond Resolution”.

ARTICLE II

DETERMINATIONS BY AND OBLIGATIONS OF THE AUTHORITY

Section 201. Authority for Resolution. The Resolution is hereby adopted by virtue of the Act and pursuant to its provisions, and the Authority has ascertained and hereby determines that each and every act, matter, thing or course of conduct for which provision is made in the Resolution is necessary in order to carry out and to effectuate the purposes of the Authority in accordance with the Act and to carry out powers expressly given to the Authority in the Act and to further secure the payment of the principal of, redemption premium, if any, and interest on the Bonds.

Section 202. Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds of a Series by those who shall hold the same from time to time, the provisions of the Resolution shall be deemed to be and shall constitute contracts between the Authority, the Trustee and the holders from time to time of the Bonds of such Series. Any pledge which is made in the Resolution and the covenants and agreements which are set forth herein and which are 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 of such Series 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 Bonds of any Series except as expressly provided in or pursuant to the terms of the Resolution.

Section 203. Obligation of Bonds. The Bonds of any Series shall be special and limited obligations of the Authority and the principal of, redemption premium, if any, and interest on same shall be payable from the Revenues, pledged for such series, as provided in Section 502 hereof. All Bonds and Bondholders shall be entitled to the benefit of the continuing pledge and lien created by the Resolution to secure the full and final payment of the principal of, redemption premium, if any, and interest on the Bonds.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

Section 301. Authorization of Bonds for Program. The Authority is hereby authorized to issue Bonds in one or more Series from time to time to finance any Project constituting part of the Program as determined by resolution of the Authority. The particular amounts and terms of any Series of Bonds for any particular Project or Projects shall be set forth in a Supplemental Resolution.

Section 302 was amended in the Authority's Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, Section 302 read as follows:

Section 302. Particular Terms of the Bonds and Sinking Fund Installments Therefor.
(a) Each Bond shall be entitled "Revenue Bond, Higher Education Equipment Leasing Fund Program Issue, Series ____." The Bonds of a Series shall be dated, shall bear interest at such rate or rates per annum and shall mature on such dates as may be fixed by a Supplemental Resolution of the Authority duly adopted prior to their authentication and delivery. Such resolution or certificate may contain any other terms and provisions with respect to the Bonds of such Series which are not fixed by this Resolution and which are not inconsistent with the terms of this Resolution. The Bonds shall be payable as to principal or redemption premium, if any, at the corporate trust office designated by the Paying Agent. Interest on the Bonds of such Series shall be payable in accordance with the provisions of Section 303 hereof or as otherwise provided by Supplemental Resolution. The Bonds of such Series shall be subject to redemption prior to their stated maturities to the extent, in the order, at the times, upon the terms, at such Redemption Price and subject to all other terms, conditions and provisions (in conformity with the terms of Article VIII hereof) as shall be specified and determined by a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of any Series of Bonds.

(b) Toward the retirement of any Series of Bonds which are Term Bonds, there shall be due and the Authority shall pay Sinking Fund Installments on the particular dates or in such several amounts as shall be specified and determined by a Supplemental Resolution of the Authority adopted prior to the authentication and delivery of such Bonds.

From and after July 25, 2001, Section 302 was amended to add a new paragraph (c) at the end thereof, to reads as follows:

(c) Any dates, terms, conditions, provisions, amounts or other matters which are required by this Section 302 to be fixed, specified or determined by a Supplemental Resolution of the Authority adopted prior to the authentication and delivery of a Series of Bonds may, in lieu thereof, be determined in the manner provided by any such Supplemental Resolution.

Section 303. General Terms of Bonds. All Bonds shall bear such designation or title, including the words "Revenue Bond Higher Education Equipment Leasing Fund Program Issue, Series ____" as may be determined by a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of the Bonds of a Series. Every Bond of such Series shall mature on the date set forth in such Supplemental Resolution, shall be payable with respect to

principal or redemption premium, if any, and interest thereon in any coin or currency of the United States of America which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts, shall be issued in fully registered form payable to the Registered Owner, and shall be in the form set forth and specified in a Supplemental Resolution of the Authority duly adopted prior to their authentication and delivery.

Upon original issuance, interest on each of the Bonds of a Series shall be payable from such date and on such dates set forth in a Supplemental Resolution of the Authority duly adopted prior to their authentication and delivery. All Bonds shall be fully registered in form, shall be issuable in the denomination of \$5,000 each, or any integral multiple thereof, and shall be in the form set forth in the Supplemental Resolution authorizing such Series of Bonds. The Bonds may contain or may have endorsed thereon such provisions, specifications and descriptive words as are (a) not inconsistent with the provisions of the Resolution, (b) necessary or desirable in order to comply with custom or with the rules of any securities exchange or commission or brokerage board, and (c) authorized by a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of such Bonds. Unless otherwise provided by a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of such Bonds, each Bond shall be dated as of the date which is six months preceding the interest payment date next following the date of delivery thereof on original issuance, except that (a) if such date of delivery shall be an interest payment date thereof, said Bond shall be dated as of such date of delivery, or (b) if there shall be no interest payment date thereof preceding such date of delivery, then notwithstanding any of the foregoing provisions of this Section, such Bonds shall be dated as of the date of original issuance of such Bond, or (c) if interest on such Bond shall not have been paid in full in accordance with its terms, then, notwithstanding any of the foregoing provisions of this Section, such Bond shall be dated as of the date to which interest has been paid in full on such Bond. Interest on the Bonds shall be paid by check and shall be mailed to the Registered Owner at the most recent address appearing on the registration books of the Authority which shall be kept and maintained on behalf of the Authority by the Registrar.

Section 304 was amended in its entirety in the Authority's Fifth Supplemental Bond Resolution adopted July 25, 2023. Prior to such amendment, Section 304 read as follows:

Section 304. Execution of Bonds. Each Bond shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Executive Director or Assistant Secretary of the Authority. In the event that any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee upon original issuance, such Bonds may nevertheless be authenticated and delivered as herein provided as if the person who signed, sealed or attested such Bonds had not ceased to be such officer. Any Bonds may be signed, sealed or attested on behalf of the Authority by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of such Bond such person may not have held such office.

From and after July 25, 2023, Section 304 reads as follows:

Section 304. Execution of Bonds. Each Bond shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Chair, Vice Chair or Executive Director and attested by the manual or facsimile signature of an Authority Officer. In the event that any Authority Officer who shall have signed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed or attested shall have been authenticated and delivered by the Trustee upon original issuance, such Bonds may nevertheless be authenticated and delivered as herein provided as if the person who signed or attested such Bonds had not ceased to be such officer. Any Bonds may be signed or attested on behalf of the Authority by any person who, on the date of such act, shall hold the proper office, notwithstanding that such person may not have held such office or may not hold such office on the dated date of such Bond.

Section 305. Authentication of Bonds. The Bonds shall bear thereon a certificate of authentication, substantially in the form set forth in the Supplemental Resolution authorizing such Series of Bonds, which shall be duly executed upon initial issuance by an authorized officer of the Trustee, and thereafter, by an authorized officer of the Registrar. Only such Bonds as shall bear thereon such certificate of authentication, and which have been duly executed, shall be entitled to any right or benefit under the terms of the Resolution. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Trustee or by the Registrar, as the case may be. The certificate of authentication upon any Bond shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under the terms of the Resolution and that the holder thereof is entitled to the benefit of the Resolution.

Section 306. Transfer and Registration of Bonds and Agency Therefor. The Authority shall cause the Registrar to maintain and keep books for the registration and transfer of the Bonds, and, upon presentation thereof for such purpose at the designated office of the Registrar, together with a written instrument of transfer which is satisfactory to the Registrar, and which is duly executed by the Registered Owner thereof or by his attorney duly authorized in writing, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon or to be exchanged, under such reasonable regulations as the Registrar may prescribe, any Bond which shall be entitled to registration, transfer or exchange. The Registrar is hereby appointed by the Authority to serve as its agent for such registration, transfer or exchange of Bonds.

Section 307. Transfer of Bonds. Each Bond shall be transferable only upon the registration books of the Authority at the designated office of the Registrar, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer which is satisfactory to the Registrar and which is duly executed by the Registered Owner or by such duly authorized attorney. Upon the transfer of such Bond, the Authority shall execute, and the Registrar shall authenticate and deliver, a new Bond or Bonds registered in the name of the transferee at the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Bond.

Section 308. Ownership of Bonds and Effect of Registration. As of the Record Date, the Authority and any Fiduciary may treat and consider the person in whose name any Bond is registered as the holder and absolute owner thereof, whether such Bond shall be overdue or not,

for the purpose of receiving payment of the principal of, redemption premium, if any, or interest thereon and for all other purposes whatsoever, and payment of, or on account of, the principal of, redemption premium, if any, or interest on such Bond shall be made only to, or upon the order of, such Registered Owner thereof. However, such registration may be changed or discharged as provided in the Resolution. All payments which are made as provided in this Section shall be valid and effectual to satisfy and discharge the Authority's liability upon the Bonds to the extent of the sum or sums so paid.

Section 309. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any Outstanding Bond shall become mutilated or shall be destroyed, stolen, or lost, the Registrar shall authenticate and deliver a new Bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and in substitution for such mutilated Bond and upon surrender of such mutilated Bond, or in lieu of and in substitution for the Bond which has been destroyed, stolen or lost, upon filing with the Registrar of evidence which is satisfactory to the Authority and the Registrar that such Bond, has been destroyed, stolen or lost. The owner of such Bond shall also provide the Registrar with proof of the ownership thereof, and shall furnish the Authority and the Registrar with indemnification satisfactory to them and shall comply with such other reasonable regulations, as the Authority and the Registrar may prescribe, and the owner of such Bond shall pay such expenses as the Authority and the Registrar may incur in connection therewith. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond which is due and payable, the Authority may pay the amount which is due on such Bond to the owner or holder thereof, provided all of the requirements of this Section have been met.

Section 310. Regulations with Respect to Registrations, Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute and the Registrar shall authenticate new Bonds in accordance with the provisions of the Resolution. For every registration, exchange or transfer of Bonds, the Authority or the Registrar, as the case may be, may charge a sum which is sufficient to reimburse them for any tax or other governmental charge or other fees which are required to be paid, which sum, if not otherwise provided for, shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of effecting such registration, exchange or transfer. During the ten days next preceding any interest payment date of the Bonds, or in the case of any proposed redemption of Bonds, subsequent to the date next preceding the date of the first publication of notice of such redemption, neither the Authority nor the Registrar shall be required to make any registration, transfer or exchange of any Bonds under the provisions of this Article. The Registrar shall, not less than often than quarterly, deliver to the Authority a statement of all Bonds issued in lieu of or in substitution for other Bonds pursuant to the terms of this Article, including a report of the description and disposition of such other Bonds.

Section 311. No Recourse on Bonds. No recourse shall be had for the payment of the principal of, redemption premium, if any, or the interest on the Bonds or for any claim based thereon or on the Resolution against any member or officer of the Authority or any person executing the Bonds, including the Trustee or the Registrar, as the case may be. THE BONDS SHALL NOT, IN ANY WAY, BE A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OR BE OR

CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Section 312. Temporary Bonds. Until Bonds in definitive form are ready for delivery, the Authority may execute, and upon its written request, the Trustee upon original issuance, and thereafter the Registrar, shall authenticate and deliver one or more printed, lithographed or typewritten Bonds in temporary form, substantially of the tenor of the Bonds hereinbefore described, together with any appropriate omissions, variations and insertions. Such Bond or Bonds in temporary form shall be in such authorized denominations as the Authority may determine. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit of the Resolution. The Authority shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form, the Registrar shall authenticate and deliver, in exchange therefor, a Bond or Bonds in definitive form in authorized denominations of the same maturity and for the same aggregate principal amount as the surrendered Bond or Bonds in temporary form. Such exchange shall be made by the Authority without making any charge therefor except that the Authority may require payment of a sum which is sufficient to cover any tax or other governmental charge that may be imposed upon it in connection therewith.

Section 313. Issuance of Each Series of Bonds and Disbursement of Proceeds of Sale and Other Funds. An amount not exceeding the aggregate principal amount of Bonds authorized to be issued under the terms of a Supplemental Resolution in regard to a particular Project or Projects may be executed by or on behalf of the Authority and delivered to the Trustee for authentication by the Trustee upon original issuance, and thereupon the Bonds shall be authenticated by the Trustee. Upon fulfillment of the conditions hereinafter set forth, the Bonds shall be delivered by the Trustee to the Authority or upon its order. The proceeds which are derived from the sale of each Series of Bonds, including accrued interest thereon, together with other funds, if any, which are held by the Authority and which are not pledged or otherwise committed for a specific purpose, shall simultaneously with the issuance of each such Series of Bonds, be paid by the Authority as follows:

(a) To the Trustee, to be deposited in the Debt Service Fund for such Series, a sum equal to the accrued interest on the Series of Bonds from the date of the Bonds to the date of delivery thereof, and the amount, if any, equal to capitalized interest, if any, on the Series of Bonds, as reflected in a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of such Series of Bonds;

(b) To the Trustee under the Project Note Resolution, if any, the amount which is necessary, if any, together with other funds which are held by the Trustee under any Project Note Resolution for such Series, to pay the principal of and interest on all outstanding Project Notes, or any portion thereof, upon maturity in order to defease the lien of the Project Note Resolution;

(c) To the Trustee, to be deposited in the Bond Proceeds Fund, the amount which is estimated to be necessary to pay the costs and expenses incurred or to be incurred by the Authority in connection with the issuance and delivery of the Series of Bonds;

(d) To the Trustee, to be deposited in the Bond Proceeds Fund for such Series, the balance of such proceeds, if any, which are remaining after the foregoing payments have been made.

Section 314. General Provisions for Issuance of Each Series of Bonds. (1) The Trustee shall not deliver to the Authority, or upon its order, any Bonds pursuant to the terms of the Resolution unless theretofore or simultaneously therewith there shall have been delivered or paid to the Trustee the following:

(a) A copy of the General Bond Resolution, and a copy of each amending resolution of the Authority, if any, which has been duly adopted prior to the authentication and delivery of such series of Bonds certified by the Secretary of the Authority;

(b) A copy of the Supplemental Resolution of the Authority, if any, certified by the Secretary of the Authority fixing the rate or rates of interest on such Series of Bonds and all other terms and provisions of such Series of Bonds which are not fixed by the terms of the General Bond Resolution and a copy of each amending resolution of the Authority, if any, which has been duly adopted prior to the authentication and delivery of such Series of Bonds pursuant to and in accordance with the provisions of Section 1108 hereof, each certified by the Secretary of the Authority;

(c) The written order of the Authority as to the delivery of the Series of Bonds, signed by an Authority Officer and stating the amount of the proceeds which have been derived from the sale of the Bonds and the application of such proceeds pursuant to Section 313 hereof;

(d) A Counsel's Opinion stating, in the opinion of the signer, that (i) the General Bond Resolution and each Supplemental Resolution and each amending resolution referred to in subparagraph (b) above have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding on the Authority and are enforceable in accordance with their terms; (ii) the Resolution creates the valid pledge which it purports to create of the Revenues, including payments made to the Authority from the State pursuant to the Act and as provided in the State Contract, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature for such purpose; and (iii) the Bonds of such Series have been duly and validly authorized and issued by the Authority in accordance with the Constitution and the statutes of the State of New Jersey, including Resolution and are entitled to the benefits of the Resolution and the Act and are enforceable in accordance with their terms and the terms of the Resolution; provided, however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization, or other laws affecting creditors' rights generally;

(e) A copy of all executed Agreements in existence at the time of issuance of such Series of Bonds, certified by the Secretary of the Authority;

(f) Certified copies of the authorization proceedings, if any, related to the State Contract and a fully executed copy of the State Contract;

(g) A Counsel's Opinion, stating, in the opinion of the signer, that the Agreements (i) have been duly authorized pursuant to law; (ii) have been properly executed by the

Authority and (iii) are valid and legally binding and enforceable agreements of the Authority, in accordance with their terms; provided, however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency-moratorium; reorganization, or other laws affecting creditors' rights generally;

(h) Duly certified copies of each Colleges resolution approving and authorizing the execution of its Agreement along with duly certified copies of the authorization proceedings related thereto;

(i) The written consent of the Treasurer with respect to the issuance of such Series of Bonds;

(j) The amounts which are required to be delivered to the Trustee pursuant to the terms of Section 313 hereof;

(k) Any additional documents which are required to be executed and delivered pursuant to the terms of any contract which is executed by or on behalf of the Authority in connection with the sale of the Series of Bonds, unless waived by the purchaser of such Series of Bonds.

(2) All of the Bonds of each Series of like maturity shall be identical in all respects, except as to denominations, numbers and letters. After the original issuance of the Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series.

Section 315. Additional Bonds. (1) One or more Series of Additional Bonds may be authenticated and delivered upon original issuance for the purpose of paying for Additional Equipment (i) upon the prior written consent of the Treasurer consenting to such Series of Additional Bonds and confirming that such Additional Bonds will be entitled to the benefits of the State Contract, and (ii) upon compliance with the terms and conditions set forth in Section 314 hereof.

(2) The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Additional Bonds, as provided in the Supplemental Resolution authorizing such Series.

Section 316. Refunding Bonds. (1) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion (as determined by the Authority) of any Outstanding Bonds of one or more Series or one or more maturities within the Series of Bonds upon (i) the prior written consent of the Treasurer consenting to such Series of Refunding Bonds and confirming that such Refunding Bonds will be entitled to the benefits of the State Contract, and (ii) compliance with the terms and conditions set forth in subsection (2) of this Section 316 and in Section 314 hereof.

(2) Prior to or simultaneously with the delivery of each such Series of Refunding Bonds pursuant to subsection 1 of this Section 316, the Trustee shall receive, in addition to the items required by Section 314 hereof:

(a) Irrevocable written instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds, if any, to be redeemed on a redemption date specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding sixty (60) days, irrevocable written instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for in Section 803 to the holders of the Bonds being refunded, except in the case where any Series of Bonds is not by its terms subject to redemption; and

(c) Executed copies of amendments, if required in connection with such Refunding Bonds, to the applicable Agreements certified to by an Authorized Authority Representative and an Authorized College Representative and acknowledged and accepted by the State as being in full force and effect.

(3) The proceeds, including accrued interest, of the Refunding Bonds of such Series shall be applied simultaneously with the delivery of such Refunding Bonds, as provided in the Supplemental Resolution authorizing such Series.

(4) Upon the defeasance of the Bonds being refunded, the refunded Bonds shall no longer be entitled to the benefit of the State Contract.

Section 317 was amended in its entirety in the Authority's Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, Section 317 read as follows:

Section 317. Book-Entry Only System.

(1) With respect to each Series of Bonds for which the authorizing resolution so provides, except as provided in subparagraph (c) of paragraph 3 hereof, the registered Holder of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede") as nominee of DTC. With respect to all Bonds for which Cede shall be the registered Holder, payment of semiannual interest on such Bonds shall be made by wire transfer of New York Clearing House or equivalent next day funds to the account of Cede on the Interest Payment Dates for the Bonds at the address indicated for Cede in the registration books of the Authority kept by the Bond Registrar.

(2) The Bonds shall be initially issued in the form of a separate fully registered bond in the amount of each separate serial or term maturity of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books of the Authority kept by the Bond Registrar in the name of Cede, as nominee of DTC. With respect to Bonds so registered in the name of Cede, the Authority and the Trustee shall have no responsibility or obligation to any DTC participant, indirect DTC participant, or any beneficial owner of such Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede, of any notice with respect to such Bonds, or (iii) the

payment to any DTC participant, indirect DTC participant, beneficial owner or any other person, other than DTC or Cede, of any amount with respect to the principal of, redemption premium, if any, or interest on such Bonds. The Authority and the Trustee may treat as, and deem DTC to be, the absolute registered Holder of each such Bond for the purpose of (i) payment of the principal of, redemptive premium, if any, and interest on each such Bond, (ii) giving notices with respect to such Bonds, (iii) registering transfers with respect to the Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal of, redemptive premium, if any, and interest on such Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal, redemption premium, if any, and interest to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond certificate evidencing the obligation of the Authority to make payments of principal thereof, redemption premium, if any, and interest thereon pursuant to this Resolution. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Resolution shall refer to such new nominee of DTC.

(3) (a) DTC may determine to discontinue providing its services with respect to any Series of 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 terminate the services of DTC with respect to any Series of Bonds, and (ii) shall terminate the services of DTC with respect to such Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds so registered in the name of Cede to the effect, that (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all such Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of such Bonds.

(c) Upon the termination of the services of DTC with respect to all or any portion of such Bonds, or upon the discontinuance or termination of the services of DTC with respect to all or any portion of such Bonds after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, such Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging such Bonds shall designate, in accordance with the provisions of this Resolution. Upon the determination by any party authorized herein that such Bonds (or any portion thereof) shall no longer be limited to book-entry form, the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such Bonds from such book-entry form to a fully registered form.

(4) Notwithstanding any other provision of this Resolution to the contrary, so long as any Series of Bonds is registered in the name of Cede, as nominee of DTC, all payments with

respect to the principal of, redemption premium, if any, and interest on, and all notices with respect to, such Bonds 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 such Bonds.

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

From and after July 25, 2001, Section 317 reads as follows:

Section 317. Book-Entry Only System. The Authority may, by Supplemental Resolution adopted prior to the authentication and delivery of a Series of Bonds, establish provisions to implement a book-entry only system for such Series, which provisions shall be effective as to such Series notwithstanding any inconsistency with any other provisions hereof.

ARTICLE IV

CUSTODY AND APPLICATION OF CERTAIN PROCEEDS OF BONDS

Section 401. Establishment of Bond Proceeds Fund. The Authority hereby establishes and creates a special fund, designated the “Bond Proceeds Fund”. The Trustee shall provide for the payment into such Bond Proceeds Fund of the amount of the proceeds derived from the sale of such Series of Bonds designated by the applicable Supplemental Resolution to be deposited in such Bond Proceeds Fund for disbursement in accordance with the provisions of the Resolution and the applicable Supplemental Resolution (i) to fund the acquisition and installation of Equipment for Colleges pursuant to the Program through deposits to the Higher Education Equipment Leasing Fund; (ii) to pay costs incurred in connection with the issuance of Bonds; and (iii) to pay a portion of the purchase price of Investment Obligations, if any, to be held by the Trustee pursuant to the provisions of this Resolution and the applicable Supplemental Resolution. Amounts which are deposited in the Bond Proceeds Fund shall be held by the Trustee in trust and shall be applied in accordance with and subject to the limitations of this Article, and such moneys are hereby pledged, pending application of such amounts, to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds and such money shall at all times be subject to the lien of such pledge.

Section 402(b) was amended in the Authority’s Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, Section 402 read as follows:

Section 402. Establishment of Higher Education Equipment Leasing Fund. (a) The Authority hereby establishes and creates a special fund, designated the “Higher Education Equipment Leasing Fund” which shall be held by the Trustee, and in which may be deposited any moneys which are received by the Authority from any source for payment of Costs related to the acquisition and installation of any Project. Amounts which are deposited in the Project Fund shall be held by the Trustee in trust and shall be applied (in accordance with and subject to the limitations of this Article) to pay the Cost of the Project, exclusive of costs of issuance, and such moneys are hereby pledged, pending application to the payment of such Cost, to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds and such moneys shall at all times be subject to the lien of such pledge. The Trustee shall establish within the Higher Education Equipment Leasing Fund a separate account for each individual Project identified in any particular Agreement for a College.

(b) Except as otherwise provided in the applicable Supplemental Resolution, the Trustee shall transfer from the Bond Proceeds Fund and deposit to the credit of each separate account within the Higher Education Equipment Leasing Fund the amount as set forth in a Certificate of Authority Officer upon execution of each Agreement with a College and receipt by the Trustee of (i) a certificate signed by an Authority Officer or a duly authorized agent of the Authority approving the acquisition and installation of the Equipment for such College; and (ii) a Counsel’s Opinion to the effect that the Agreement is a valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms. Nothing contained herein shall be construed to prohibit the deposit of moneys or investments in any account from sources other than the proceeds of sale of a Series of Bonds.

From and after July 25, 2001, Section 402 reads as follows:

Section 402. Establishment of Higher Education Equipment Leasing Fund. (a) The Authority hereby establishes and creates a special fund, designated the "Higher Education Equipment Leasing Fund" which shall be held by the Trustee, and in which may be deposited any moneys which are received by the Authority from any source for payment of Costs related to the acquisition and installation of any Project. Amounts which are deposited in the Project Fund shall be held by the Trustee in trust and shall be applied (in accordance with and subject to the limitations of this Article) to pay the Cost of the Project, exclusive of costs of issuance, and such moneys are hereby pledged, pending application to the payment of such Cost, to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds and such moneys shall at all times be subject to the lien of such pledge. The Trustee shall establish within the Higher Education Equipment Leasing Fund a separate account for each individual Project identified in any particular Agreement for a College.

(b) Except as otherwise provided in the applicable Supplemental Resolution, the Trustee shall transfer from the Bond Proceeds Fund and deposit to the credit of each separate account within the Higher Education Equipment Leasing Fund the amount as set forth in a Certificate of Authority Officer upon execution of each Agreement with a College and receipt by the Trustee of (i) a certificate signed by an Authority Officer or a duly authorized agent of the Authority approving the acquisition and installation of the Equipment for such College; and (ii) a certificate of an Authorized College Representative to the effect that the Agreement is a valid and binding obligation of the College enforceable against the College in accordance with its terms. Nothing contained herein shall be construed to prohibit the deposit of moneys or investments in any account from sources other than the proceeds of sale of a Series of Bonds.

Section 403. Purpose of the Higher Education Equipment Leasing Fund. The Trustee shall make payment from the Higher Education Equipment Leasing Fund for the Cost of the individual Items of Equipment constituting a Project in accordance with, and upon satisfaction of the terms of this Article. All payments from the Higher Education Equipment Leasing Fund shall be subject to the provisions of and restrictions set forth in this Article and the Authority shall not cause or permit to be paid from the Higher Education Equipment Leasing Fund any sums except in accordance with such provisions and restrictions.

Section 404 was amended in the Authority's Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, Section 404 read as follows:

Section 404. Payments from Bond Proceeds Fund and Higher Education Equipment Leasing Fund. (1) As soon as practicable after the delivery of each Series of Bonds, the Authority shall direct the Trustee to pay from the Bond Proceeds Fund to the firms, corporations or persons entitled thereto the legal, administrative, financing and incidental expenses of the Authority relating to the issuance of each Series of Bonds.

(2) Except as otherwise provided in this Article IV and any applicable Supplemental Resolution, any moneys deposited in the Higher Education Equipment Leasing Fund shall be used only to pay the costs of each Project, necessary incidental expenses and reimbursement to each College and for such costs and expenses paid by each College in connection with its Project as are approved by the Authority.

(3) Payments pursuant to paragraph (1) of this Section 404 shall be made in accordance with a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Payments pursuant to paragraph (2) of this Section 404 shall be made in accordance with a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment, substantiated by a certificate filed with the Authority describing the reasonable detail the purpose for which such moneys were used and the amount thereof, and further stating the opinion that such purposes constitute a necessary part of the cost of each Project, such substantiating certificate to be signed by an Authorized College Representative. If a College requests a copy of any certificate issued by the Authority under paragraph (3) of this Section 404, the Authority shall comply with such request.

(4) Upon completion of each Project, the Authority shall deliver to the Trustee a certificate signed by an Authorized Officer of the Authority and a College Representative certifying the completion of the Project.

From and after July 25, 2001, Section 404 reads as follows:

Section 404. Payments from Bond Proceeds Fund and Higher Education Equipment Leasing Fund. (1) As soon as practicable after the delivery of each Series of Bonds, the Authority shall direct the Trustee to pay from the Bond Proceeds Fund to the firms, corporations or persons entitled thereto the legal, administrative, financing and incidental expenses of the Authority relating to the issuance of each Series of Bonds.

(2) Except as otherwise provided in this Article IV and any applicable Supplemental Resolution, any moneys deposited in the Higher Education Equipment Leasing Fund shall be used only to pay the costs of each Project, necessary incidental expenses and reimbursement to each College and for such costs and expenses paid by each College in connection with its Project as are approved by the Authority.

(3) Payments pursuant to paragraph (1) of this Section 404 shall be made in accordance with a certificate or certificates signed by the Treasurer or the Director of the Office of Public Finance of the State, stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Payments pursuant to paragraph (2) of this Section 404 shall be made in accordance with a certificate or certificates signed by an Authorized Officer of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment, substantiated by a certificate filed with the Authority describing the reasonable detail the purpose for which such moneys were used and the amount thereof, and further stating the opinion that such purposes constitute a necessary part of the cost of each Project, such substantiating certificate to be signed by an Authorized College Representative. If a College requests a copy of any certificate issued by the Authority under paragraph (3) of this Section 404, the Authority shall comply with such request.

(4) Upon completion of each Project, the Authority shall deliver to the Trustee a certificate signed by an Authorized Officer of the Authority and a College Representative certifying the completion of the Project.

(5) Unless otherwise provided in the Supplemental Resolution authorizing such Series of Bonds, any balance remaining in the Bond Proceeds Fund on the date which is ninety (90) days following the date of issuance of the related Series of Bonds shall be transferred by the Trustee to the Revenue Fund, such amounts to be used to make deposits into the Debt Service Fund for application toward the payment of interest on such Series of Bonds.

Section 405 was amended in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 405 read as follows:

Section 405. Interim Investment of Bond Proceeds Fund and Higher Education Equipment Leasing Fund. Any moneys which are held in the Bond Proceeds Fund and Higher Education Equipment Leasing Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations. Investment income shall be deposited upon receipt into the Revenue Fund and applied in accordance with the terms of Article V hereof.

From and after December 12, 2013, Section 405 reads as follows:

Section 405. Interim Investment of Bond Proceeds Fund and Higher Education Equipment Leasing Fund. Any moneys which are held in the Bond Proceeds Fund and Higher Education Equipment Leasing Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations. Investment income shall be deposited upon receipt in the Bond Proceeds Fund and applied in accordance with the terms of Article IV hereof, unless the Trustee is otherwise directed in writing by the Authority to deposit such investment income in the Revenue Fund.

Section 406(b) was amended in the Authority's Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, Section 406 read as follows:

Section 406. Disposition of Balance in Higher Education Equipment Leasing Fund of any Series. (a) The Trustee, when directed in writing by an Authority Officer, shall apply the balance which is on deposit in the Higher Education Equipment Leasing Fund of a Series of Bonds or, more particularly, in any subaccount maintained for any particular College, as provided in, and upon the terms and conditions set forth herein. Before any such application shall be made, the Authority shall file a Certificate of Authority Officer with the Trustee and such certificate shall state that the portion of the Project for which the funds were deposited in the Higher Education Equipment Leasing Fund or applicable subaccount thereof has been completed and that the sum stated in the certificate is sufficient to pay, and is required to be reserved in the Higher Education Equipment Leasing Fund to pay, all items of Cost of such portion of the Project which, as of the date of such certificate, remain unpaid, including an estimate of the amount of any such items which is not finally determined and all claims against the Authority arising out of the acquisition and installation thereof.

(b) Upon receipt of such Certificate of Authority Officer, the Trustee shall transfer the balance in the Higher Education Equipment Leasing Fund or applicable subaccount thereof, in excess of the amount stated in the certificate referred to in paragraph (a) above, to the Revenue Fund.

From and after July 25, 2001, Section 406(b) was amended to add at the end thereof a new sentence to read as follows:

Such amounts shall be used to make deposits into the Debt Service Fund for application toward the payment of interest on the related Series of Bonds.

ARTICLE V

REVENUES AND FUNDS

Section 501. Establishment of Funds. (1) In addition to the Bond Proceeds Fund and Higher Education Equipment Leasing Fund for a Series of Bonds, the Authority hereby establishes and creates the following special funds for such Series:

- (a) Revenue Fund;
 - (b) Debt Service Fund;
 - (c) Sinking Fund, if applicable;
 - (d) General Fund; and
 - (e) Rebate Fund.
- (2) Each of said funds shall be held by the Trustee.

(3) Other funds may be created by Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of a particular Series of Bonds; provided, however, that prior to the creation of any such fund, the Authority shall deliver a written opinion of Bond Counsel to the Authority and the Trustee stating that, in the opinion of such firm, the creation of such fund will not adversely affect the rights of existing Bondholders.

Section 502. Pledge Security Bonds. The Revenues (except such Revenues consisting of investment earnings that are required to be rebated to the Federal Government pursuant to the provisions of the Code in order to insure that interest on the Bonds is excluded from gross income for Federal income tax purposes), and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds which are established and created under the Resolution (except the Rebate Fund) are hereby pledged to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Projects themselves are not pledged and there is no specific lien on such Projects as security for the Bonds. This pledge shall be valid and binding from and after the date of the first delivery by the Trustee of the first Bond which is authenticated and delivered under the terms of the Resolution. Except to the extent provided above, the Revenues and other moneys, securities and funds which are so pledged and which are thereafter received by the Authority, and any other moneys hereby pledged, shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act. The lien of this pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations issued by the Authority and all other liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

Section 503. Deposit of Revenues. (1) From and after the authentication and delivery of the first Bond to be so authenticated and delivered under the terms of the Resolution, all Revenues shall be collected by the Authority and shall be deposited upon receipt in the name of the Trustee,

with a depository or depositories, each of which shall be fully qualified under the provisions of Section 1205 hereof and shall have been designated by the Authority to receive the same as deposits of moneys held by the Trustee. Statements giving the amount of each such deposit and the name of the depository shall be forwarded promptly to the Trustee by the Authority and by such depository. The Trustee shall be accountable only for moneys which are actually so deposited. All such Revenues shall be deposited by the Trustee into the Revenue Fund unless otherwise provided in the Resolution. Any moneys which are held in the Revenue Fund shall be invested, at the oral direction of an Authority Officer (promptly confirmed in writing), by the Trustee in Investment Obligations.

Section 504. Periodic Withdrawals from Revenue Fund. The Trustee shall, as of the first Business Day prior to the next occurring interest payment date, principal maturity date and/or Sinking Fund Installment due date (in each case, the “Next Payment Date”) make payments out of any moneys which are on deposit in the Revenue Fund into the following several funds, but as to each such fund only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within such limitation into every such fund previously mentioned in the following tabulation:

First: Into the Debt Service Fund, to the extent, if any, needed to increase the amount which is on deposit in the Debt Service Fund so that said amount equals the Debt Service Requirement on the Next Payment Date; provided, however, that for purposes of this Section, “Debt Service Requirement” shall not include any amounts which are payable into the Sinking Fund pursuant to the terms of paragraph Second below;

Second: Into the Sinking Fund, to the extent, if any, needed to increase the amount which is on deposit in the Sinking Fund so that said amount equals the amount of all Sinking Fund Installments which are due and payable on or before the Next Payment Date;

Third: Into the General Fund, to the extent any funds are available.

Section 505 was amended in the Authority’s Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 505 read as follows:

Section 505. Application, Investment and Restoration of Debt Service Fund. (1) Immediately prior to each interest payment date established for the Bonds, the Trustee shall withdraw from the Debt Service Fund an amount which is equal to the interest which is due and payable on the Bonds on such interest payment date, and shall cause the same to be deposited with the Paying Agent who shall apply the same to the payment of said interest when due.

(2) If the withdrawals which are required to be made under the provisions of paragraph (1) of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Debt Service Fund, prior to each principal maturity date Bonds, an amount which is equal to the principal amount of the Bonds, if any, maturing on said day, and shall cause the same to be deposited with the Paying Agent who shall apply such amounts to the payment of the principal of said Bonds when due.

(3) If the withdrawals which are required to be made under the provisions of paragraph (1) and paragraph (2) of this Section with respect to the same and every prior date shall have been

made, the Trustee shall withdraw from time to time from the Debt Service Fund and pay into any account which is maintained in the Sinking Fund the amount which is sufficient to reimburse said account for any amounts which have been theretofore paid from said account for or on account of accrued interest on Bonds which have been purchased in accordance with the provisions of Section 506 hereof.

(4) Any moneys which are on deposit in the Debt Service Fund shall be invested, at the oral direction of an Authority Officer (promptly confirmed in writing), by the Trustee in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay the interest on or the principal of any Bonds. Any investment income which is derived from the investment of moneys which are on deposit in the Debt Service Fund shall be deposited in the Revenue Fund; provided, however, that at the written direction of an Authority Officer, investment income which is derived from the investment of moneys which represent capitalized interest on Bonds and which were deposited in the Debt Service Fund from the proceeds derived from the sale of any Bonds may be deposited in the Bond Proceeds Fund.

(5) No amount shall be withdrawn from or paid out of the Debt Service Fund except as expressly provided in this Section or Section 1106 hereof.

From and after December 12, 2013, Section 505 reads as follows:

Section 505. Application, Investment and Restoration of Debt Service Fund. (1) Immediately prior to each interest payment date established for the Bonds, the Trustee shall withdraw from the Debt Service Fund an amount which is equal to the interest which is due and payable on the Bonds on such interest payment date, and shall cause the same to be deposited with the Paying Agent who shall apply the same to the payment of said interest when due.

(2) If the withdrawals which are required to be made under the provisions of paragraph (1) of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Debt Service Fund, prior to each principal maturity date Bonds, an amount which is equal to the principal amount of the Bonds, if any, maturing on said day, and shall cause the same to be deposited with the Paying Agent who shall apply such amounts to the payment of the principal of said Bonds when due.

(3) If the withdrawals which are required to be made under the provisions of paragraph (1) and paragraph (2) of this Section with respect to the same and every prior date shall have been made, the Trustee shall withdraw from time to time from the Debt Service Fund and pay into any account which is maintained in the Sinking Fund the amount which is sufficient to reimburse said account for any amounts which have been theretofore paid from said account for or on account of accrued interest on Bonds which have been purchased in accordance with the provisions of Section 506 hereof.

(4) As soon as reasonably practicable, the Trustee shall withdraw from the Debt Service Fund the amount of any prior interest, principal or Redemption Price payments which remain unpaid by reason of the occurrence of an Event of Non-Appropriation and cause the same

to be deposited with the Paying Agent who shall apply such amounts to the payment of interest, principal and/or Redemption Price, as applicable, on such Bonds.

(5) Any moneys which are on deposit in the Debt Service Fund shall be invested, at the oral direction of an Authority Officer (promptly confirmed in writing), by the Trustee in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than the time when such funds are needed to be applied to pay the interest on or the principal of any Bonds. Any investment income which is derived from the investment of moneys which are on deposit in the Debt Service Fund shall be deposited in the Revenue Fund; provided, however, that at the written direction of an Authority Officer, investment income which is derived from the investment of moneys which represent capitalized interest on Bonds and which were deposited in the Debt Service Fund from the proceeds derived from the sale of any Bonds may be deposited in the Bond Proceeds Fund.

(6) No amount shall be withdrawn from or paid out of the Debt Service Fund except as expressly provided in this Section or Section 1106 hereof.

Section 506. Application, Investment and Restoration of Sinking Fund (1) The Trustee shall establish and shall maintain in the Sinking Fund a separate account for each Series of Term Bonds for which Sinking Fund Installments are established in accordance with the terms of the Resolution. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 504 hereof shall, upon receipt, be segregated and shall be set aside in such accounts in proportion to the respective amounts of the Sinking Fund Installments which are payable at the next Payment Date with respect to the particular Term Bonds for which each such account is maintained. Moneys which are paid into the Sinking Fund pursuant to the terms of Section 506 hereof shall, upon receipt, be set aside in the account which is maintained therein with respect to which such payment is a reimbursement. Moneys which are paid into the Sinking Fund pursuant to the terms of paragraph (2) of this Section on account of any particular Sinking Fund Installment shall be set aside in the account which is maintained therein for the particular Term Bonds which are entitled to said Sinking Fund Installment. All other moneys which are paid into the Sinking Fund, including any income which is derived from the investment of any moneys which are held therein, shall, upon receipt, be segregated and set aside by the Trustee in such accounts in proportion to the respective principal amount of Term Bonds for which each such account is maintained.

(2) The Trustee shall apply the moneys in any account which has been established in the Sinking Fund, as provided in paragraph (1) of this Section, to the purchase or the redemption of the Bonds for which such account is maintained, in the manner provided in this Section, or to the payment of the principal thereof at maturity, as the case may be. If on any date there shall be moneys in any such account and none of the Term Bonds for which such account was established shall be Outstanding, said account shall be closed and the moneys which are on deposit therein shall (upon the written direction of the Authority) be withdrawn therefrom by the Trustee and (a) shall be segregated and set aside in the other accounts in the Sinking Fund as if and with the same effect as if paid into the Sinking Fund by the Authority on said date pursuant to the terms of Section 504 hereof, or (b) if no other accounts shall be maintained in the Sinking Fund, such amount shall be paid into the Revenue Fund.

(3) The purchase price which shall be paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond which shall be purchased pursuant to the terms of this Section shall not exceed the Redemption Price of such Bond which is applicable upon its redemption through the application of the moneys which are available for such purpose on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. Subject to the limitations hereinbefore set forth or referred to in this Section at the written direction of the Treasurer, the Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its sole discretion may determine and as may be possible with the amount of moneys which are available therefor in the Sinking Fund.

(4) As soon as practicable after the sixtieth (60th) day and before the thirtieth (30th) day prior to the date of each Sinking Fund Installment, the Trustee shall select for redemption on such Sinking Fund Installment due date such amount of Term Bonds of the Series for which the Sinking Fund Installment was established as will exhaust all moneys which are required to have been deposited in the Sinking Fund as of such Sinking Fund Installment due date. Accrued interest on the Bonds which are to be redeemed shall be paid from the Debt Service Fund and all expenses which are incurred by the Trustee in connection with such redemption shall be paid as Additional Rent by the Colleges pursuant to the respective Lease Agreements. All Bonds which are redeemed under the provisions of this Section shall be redeemed in the manner provided in Article VIII of the Resolution, and prior to the date fixed for redemption the Trustee shall withdraw from the Sinking Fund the amount of the Redemption Price of such Bonds, and such amount shall be transferred to the Paying Agent by the Trustee and such amount shall be applied by the Paying Agent to the redemption of such Bonds on the date fixed for redemption.

(5) In lieu of purchasing or redeeming Term Bonds prior to their stated maturity date pursuant to the terms of paragraphs (3) through (5) hereof, the Authority may elect to retain the funds which have been deposited into the Sinking Fund, or any portion thereof, until the stated maturity date of such Bonds, and an Authority Officer may direct the Trustee to invest such funds in Investment Obligations; provided, however, that each such Investment Obligation shall mature not later than the stated maturity date of such Bonds. Such election shall be made, as to all or part of the Term Bonds of such Series, on or prior to the date that such Term Bonds are authenticated and delivered. Funds which are retained in the Sinking Fund at the election of the Treasurer pursuant to the terms of this paragraph shall be invested by the Trustee at the oral direction of the Authority (promptly confirmed in writing). In the event that any Investment Obligations which are purchased pursuant to the terms of this paragraph mature or are redeemed by the issuer thereof prior to the maturity date of the Term Bonds for which the Sinking Fund Installments were made, the Trustee, at the oral direction of the Treasurer (promptly confirmed in writing), shall either (i) reinvest the moneys in accordance with the terms of this paragraph, or (ii) purchase Term Bonds with respect to which the Sinking Fund Installments were made at any time at prices not exceeding the principal amount thereof; or (iii) redeem such Term Bonds in accordance with the provisions of Article VIII hereof authorizing redemption of such Term Bonds at the option of the Treasurer. Moneys which are on deposit in the Sinking Fund shall not be used to pay more than the principal amount of the Bonds which are to be redeemed. The Treasurer shall not make any election which is authorized herein unless, in the opinion of Bond Counsel to the Authority, such election and investment will not cause the interest on the Bonds to become subject to Federal income taxation.

(6) Any moneys which are on deposit in the Sinking Fund shall be invested at the oral direction of an Authority Officer (promptly confirmed in writing) in Investment Obligations; provided, however, that, other than moneys which are invested pursuant to paragraph (6) above, the maturity of every such Investment Obligation shall not be later than the time when such funds are needed for the purpose of the Sinking Fund.

(7) If, immediately prior to the date which is established for the payment of a Sinking Fund Installment, all withdrawals or payments from the Sinking Fund which are required to be made pursuant to any other provision of the Resolution with respect to the same and every prior date shall have been made, and the amount which is on deposit in the Sinking Fund exceeds the aggregate principal amount of all Bonds which are then Outstanding for which Sinking Fund Installments have been established, such excess may be transferred by the Trustee, upon the written direction of the Treasurer, and paid into the Revenue Fund.

(8) No amount, if any, shall be withdrawn from or paid out of the Sinking Fund except as expressly provided in this Section or Section 1106 hereof.

Section 507. Application and Investment of General Fund. (1) Notwithstanding any other provision of the Resolution, whenever at any date in any Bond Year (a) the amount which is on deposit in Debt Service Fund equals or exceeds the Debt Service Requirement, (b) the amount which is on deposit in the Sinking Fund, if any, equals or exceeds the aggregate amount of all Sinking Fund Installments which are due at or before the next succeeding date established for the payment of Sinking Fund Installments for the Bonds, and (c) the Authority is not in default in the payment of the principal of, redemption premium, if any, or interest on any of the Bonds, the Trustee shall, upon receipt of the written direction of the Authority, withdraw from any pay out of the General Fund, free and clear of any lien or pledge created by the terms of the Resolution, any amount which is then on deposit in the General Fund, free and clear of any lien or pledge created by the terms of the Resolution, any amount which is then on deposit in the General Fund in excess of the amount which is then reasonably required, in the opinion of the Authority, to be reserved for the payment or the security of the Bonds and for any current or anticipated Project. All amounts which are so withdrawn by the Trustee from the General Fund shall forthwith upon withdrawal be paid to the Treasurer. Unless otherwise specifically provided by the Treasurer, all amounts which are so paid to the Treasurer shall, upon withdrawal, be forever free and clear of any lien or pledge created by the terms of the Resolution. Any amounts which are so withdrawn may be redeposited by the Trustee in the Revenue Fund at the written direction of the Treasurer.

(2) Any moneys which are on deposit in the General Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations; provided, however, that the maturity of every such Investment Obligation shall not be later than three (3) years from the date of such investment. All income which is derived from the investment of moneys which are on deposit in the General Fund shall be deposited in the Revenue Fund.

(3) No amount shall be withdrawn from or paid out of the General Fund except as expressly provided in this Section or as provided in Section 1106 hereof.

Section 508 was amended and restated in its entirety in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 508 read as follows:

Section 508. Application and Investment of Rebate Fund. (a) All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code shall be deposited in the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States Government in accordance with the terms of this Section 508. All income from such Investment Obligations shall be held within the Rebate Fund.

The rebate amount shall be paid to the United States of America in installments which shall be made at least once every five (5) years from the date of issuance of the Series of Bonds to which such payment relates. The first such installment shall be payable to the United States of America on behalf of the Authority not later than thirty (30) days subsequent to the end of the fifth (5th) year following the date of issuance of the Series of Bonds to which such payment relates and shall be in an amount which ensures that at least ninety percent (90%) of the amount described above with respect to such Series of Bonds is paid. Each subsequent payment shall be made not later than five (5) years after the date the preceding payment was due. Within sixty (60) days after the payment of the Bonds, the Authority shall direct the Trustee, in writing, to pay to the United States on behalf of the Authority one hundred percent (100%) of the aggregate amount due with respect to such Series of Bonds which has not been theretofore paid.

At the (i) maturity of the Bonds, (ii) if the Bonds are redeemed prior to maturity, the date on which the Bonds are redeemed, (iii) each year, on the anniversary date of the issuance of the Series of Bonds to which such payment relates, and (iv) any other date that may be required by the Code (the "Computation Date"), the Authority shall determine the amount of the rebate which shall be payable to the United States on behalf of the Authority and shall promptly deliver written notice of such amount and the detailed basis of calculation therefore to the Trustee. On each Computation Date, if such rebate amount exceeds the amount which is then on deposit in the Rebate Fund, such rebate amount shall be transferred by the Trustee at the written direction of the Authority to the Rebate Fund until such amount is paid as a rebate to the United States of America. If there is not a sufficient amount in the Rebate Fund for such transfer, the Authority shall promptly pay to the Trustee, from other sources, the amount which is necessary to make up such deficiency.

From and after December 12, 2013, Section 508 reads as follows:

The Authority and the Trustee shall deposit amounts in the Rebate Fund, and the Trustee shall apply such amounts to make payments to the United States pursuant to Section 148 of the Code, all as provided in the arbitrage and tax certificate or similar certificates delivered in connection with the issuance of each Series of Bonds or as otherwise advised in writing by Bond Counsel. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee, at the oral direction of an Authority Officer (promptly confirmed in writing), in Investment Obligations; provided, however, that such investments shall mature in such amounts and at such times as will permit funds to be available when needed to make payments to the United States in accordance

with the terms of this Section 508. All income from such Investment Obligations shall be held within the Rebate Fund. The Trustee shall, upon receipt of the written direction of the Authority, withdraw from and pay out of the Rebate Fund, any amount which is then on deposit in the Rebate Fund in excess of the amount which is then reasonably required, in the opinion of the Authority, to be reserved for the payment to the United States pursuant to Section 148 of the Code. All amounts which are so withdrawn by the Trustee from the Rebate Fund shall forthwith upon withdrawal be paid and/or deposited in accordance with the written direction of the Authority.

Section 509. Funds Held for Payment of Bonds. The amounts which are held by the Trustee or which are applied by the Paying Agent for the payment of the principal of, redemption premium, if any, or interest which is due on any date with respect to particular Bonds shall, subsequent to the payment date and pending such payment, be set aside and held in trust for the holders of the Bonds, who are entitled to such payment, and for the purposes of the Resolution, such principal, redemption premium, if any, and interest after the date fixed for the payment thereof, shall no longer be considered to be unpaid.

Section 510. Cancellation of Bonds. All Bonds, which are purchased, redeemed or paid shall, if surrendered to the Authority or to any Paying Agent, shall be cancelled and delivered to the Registrar; or if such Bonds shall be surrendered to the Registrar, shall be cancelled by it. Such Bonds shall not be deemed to be Outstanding under the terms of the Resolution and no Bonds shall be issued in lieu thereof. All such Bonds shall be cancelled by the Registrar and may be destroyed or returned and a certificate thereof shall be delivered by the Registrar to the Authority.

Section 511. Assignment of State Contract. All rights of the Authority to receive payments from the State under the provisions of the State Contract are hereby pledged for the benefit and security of the holders of the Bonds in order to secure the punctual performance by the Authority of all of its obligations under the terms and provisions of the Resolution with respect to such Bonds and, for said purpose, such rights are hereby assigned by the Authority to the Trustee. All payments which are to be received by the Authority pursuant to the terms of the State Contract are to be paid directly to the Trustee. Prior to or simultaneously with the delivery of the Bonds, or any Series thereof, an Authority Officer shall deliver notification of such assignment to the Treasurer.

ARTICLE VI

AGREEMENT WITH COLLEGES

Section 601. Terms and Conditions for Agreements. The Authority shall lease the Equipment to the Colleges and shall enter into Agreements with each of the Colleges, in the manner, on the terms and conditions and upon submission of the documents required by this Article VI.

Section 602. Delivery of Documents in Connection with Agreements. Prior to or at the execution and delivery of the Agreements with each of the Colleges, the Authority and the Trustee shall have received the following documents from the Colleges:

- (i) counterparts of each Agreement executed by each of the Colleges;
- (ii) copies of the resolutions adopted by each College authorizing the execution and delivery of the Agreement and related applicable matters, certified by an Authorized College Representative;
- (iii) evidence satisfactory to Bond Counsel to the Authority that the Basic Rent payments under each College's Agreement will, assuming the Basic Rent is timely paid by the Colleges, be sufficient to pay 25% of such College's allocable share of the Debt Service on the Series of Bonds issued; and
- (iv) such other certificates, documents, opinions and information as the Authority may reasonably require in connection with the execution, delivery and implementation of the Agreement and the issuance of each Series of Bonds.

All opinions and certificates required under this Section 603 shall be addressed to the Authority, and the Trustee for each Series of Bonds.

Section 603. Default Under Agreements. The Trustee shall, by 3:00 p.m. of the second Business Day after Basic Rent is due under the Agreements, immediately notify the Authority, the Treasurer and the nonpaying College of the Trustee's failure to receive a Basic Rent payment from any College and of any other event of default under the Agreement known to the Trustee.

Notwithstanding the above, the failure of the Trustee to receive any Basic Rent payment from any College on any Agreement Payment Date shall not cause an Event of Default for the purposes of Article XI of this Resolution or the acceleration of any of the Bonds then Outstanding.

Section 604. The Trustee's Obligations. The Trustee shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms and conditions of the Agreements with the Colleges, including (without limitation) the prompt payment of all Basic Rent and Additional Rent, and all other amounts due to the Trustee thereunder, and the observance and performance of all duties, covenants, obligations and agreements thereunder. The Trustee shall not release the duties, covenants, obligations or agreements of the Colleges under the Agreements and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Authority, the State and the Holders under or with respect

to each Agreement; provided, however, that this provision shall not be construed to prevent the Trustee (with the written consent of the Authority and the State) from settling a default under the Agreements on such terms as the Trustee shall determine to be in the best interests of the Authority and the Holders. The Authority hereby appoints the Trustee its agent and attorney-in-fact for purposes of enforcing all rights, title and interests of the Authority under the Agreements, subject to the provisions of this Section.

Section 605. Termination of Agreements. Upon the payment in full by the Colleges of all amounts due under the Agreements, the Trustee shall, at the written direction of the Authority, undertake such actions as shall be required to effectuate the provisions of the Agreement, including (without limitation) the execution of all relevant documents in connection with such actions.

Section 606. Files. After the execution and delivery of the Agreements, the Trustee shall retain all the documents received by it pursuant to this Article VI in connection with the Agreements of the Colleges in a file pertaining to each College, in which file the Trustee shall from time to time add all records and other documents pertaining to Rental Payments and other amounts received by the Trustee under the Agreements and all communications from or received by the Trustee with respect to the Colleges. Such file shall be kept at the principal corporate trust office of the Trustee and shall be available for inspection by the Authority and the State at reasonable times and under reasonable circumstances.

Section 607(a) was amended in its entirety in the Authority's Second Supplemental Bond Resolution adopted July 25, 2001. Prior to such amendment, Section 607 read as follows:

Section 607. Lease Agreements. (a) The Agreements shall provide that each College shall pay on each Agreement Payment Date during the Bond Year, Basic Rent which will equal 25% of the Debt Service Requirement on the Bonds attributable to such College on the next succeeding Interest Payment Date and Principal Installment Date, as applicable under each Agreement during each Bond Year. Unless otherwise set forth in the Agreements, each Basic Rent payment due under each Agreement shall be on deposit with the Trustee not later than August 1 of each Bond Year.

(b) Not later than 3:00 p.m. of the second Business Day after any date which Basic Rent is due pursuant to the terms of the Agreements, the Trustee shall determine which, if any, College has not made a Basic Rent payment, and the Trustee shall, in writing notify the Authority, the Treasurer and the College of such deficiency, which notice shall demand such Basic Rent payment from such College with directions to make such payment not later than two (2) Business Days from such demand.

From and after July 25, 2001, Section 607 reads as follows:

Section 607. Lease Agreements. (a) Each Agreement shall provide that the College shall pay, on or before the first day of the calendar month next preceding the month in which any payment of principal, interest or Sinking Fund Installment on the related Series of Bonds is due, Basic Rent which shall equal 25% of such College's allocable share of such principal, interest or

Sinking Fund Installment. Upon receipt of Basic Rent from the College, the Trustee shall immediately remit such Basic Rent to the Treasurer.

(b) Not later than 3:00 p.m. of the second Business Day after any date which Basic Rent is due pursuant to the terms of the Agreements, the Trustee shall determine which, if any, College has not made a Basic Rent payment, and the Trustee shall, in writing notify the Authority, the Treasurer and the College of such deficiency, which notice shall demand such Basic Rent payment from such College with directions to make such payment not later than two (2) Business Days from such demand.

ARTICLE VII

PARTICULAR COVENANTS OF AUTHORITY

Section 701. General. The Authority hereby particularly covenants and agrees with the Trustee and with the holders of the Bonds, and makes provisions which shall be a part of its contract with such holders, to the effect and with the purpose set forth in the following provisions and Sections of this Article.

Section 702. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid the principal of, redemption premium, if any, and the interest on every Bond, on the dates, at the place and in the manner provided for in the Bonds according to the true intent and meaning thereof.

Section 703. Offices for Servicing Bonds. The Authority shall, at all times, maintain an office or agency in the State of New Jersey and may maintain one or more such agencies in any other state or states, where Bonds may be presented for registration, transfer of exchange, and where Bonds may be presented for payment or redemption. The Authority hereby irrevocably appoints the Registrar as its agent to maintain such office for the registration, transfer or exchange of Bonds. The Authority shall appoint one or more Paying Agents as its agent to maintain such office for the payment or redemption of Bonds.

Section 704. Powers as to Projects and as to Collection of Rents. The Authority has, and will have as long as any Bonds remain Outstanding, good right and lawful authority to undertake the financing of all Projects and to cause the appropriate Colleges to maintain the Projects. The Authority has the power to demand and to collect all Rents which are due or which are becoming due to it for the use of the Projects, subject, however, to the paramount powers of the State of New Jersey or the United States of America.

Section 705. Completion of Projects. The Authority shall, with all practicable dispatch and in a sound and economical manner, complete all Projects it undertakes to finance.

Section 706. Compliance with Agreements and State Contract and Enforcement of Revenues. The Authority shall so plan, schedule and prosecute all acquisition and installation on or about any Project as to entitle it to make, impose and collect, fees and charges pursuant to the terms of the Act and to collect payments from the appropriate College in accordance with the terms of the Act and the terms of the Agreements and from the State in accordance with the terms of the State Contract. The Authority shall not release or modify the obligations of any College under the terms of the Agreement or the obligations of the State under the terms of the State Contract which would in any manner adversely affect the respective obligations of the appropriate College or the State to make payments thereunder. Any modification of the Agreements shall be accompanied by a Counsel's Opinion which states that such modification is in compliance with the provisions of this Section. The Authority shall take all reasonable measures which are permitted by the Act, the Agreements, the State Contract or otherwise by law, to enforce prompt payment to it of all Rents and Revenues, and shall at all times, to the extent permitted by the Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the Authority, the Trustee, and of the Bondholders under or with respect to the Agreements or the State Contract.

Section 707. Insurance. The Authority shall cause the appropriate College to continuously maintain, with responsible insurers, all such insurance as is required under the terms of the Agreements. Such insurance shall protect the Authority and the College against loss or damage and against public and other liability to the extent reasonably necessary to protect the interests of the Bondholders. If any useful part of any Project shall be damaged or destroyed, the Authority shall cause the College as expeditiously as may be possible, to commence and diligently prosecute the repair or replacement of the damaged property in order to restore the same to use. The proceeds of any such insurance shall be applied to the necessary Costs involved in such repair and replacement.

Section 708. Sale or Encumbrance. No part of any Project shall be sold, mortgaged, pledged, encumbered or otherwise disposed of.

Section 709. Creation of Liens. The Authority shall not issue any bonds, notes, or other evidences of indebtedness, other than the Bonds, which are secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts which are held by the Trustee or by any Paying Agent under the terms of the Resolution; provided, however, that neither this Section nor any other provision of the Resolution shall prevent the Authority from issuing bonds or notes or other obligations for the purposes of the Authority which are payable out of, or which are secured by a pledge of Revenues which are to be derived on and after such date as the pledge of such Revenues which is provided in the Resolution shall be discharged and satisfied as provided in Section 1301 hereof.

Section 710 was deleted in its entirety in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 710 read as follows:

Section 710. Arbitrage and Tax Provisions. (1) The Authority hereby particularly covenants and agrees with the holders of the Bonds that (a) no part of the proceeds which are derived from the sale of any Series of the Bonds shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond", as such term is defined in Section 103 of the Code (an "Arbitrage Bond"), and (b) it will not take any actions which, if taken, would cause the Bonds to be an Arbitrage Bond.

(2) The Authority will not take any actions which, if taken, will cause the interest on the Bonds to be subject to Federal income taxation as gross income under the provisions of the Code.

From and after December 12, 2012, Section 710 reads as follows:

Section 710. Reserved.

Section 711. Accounts and Audits. The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to the Projects which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Trustee or any holder of a Bond or his representative duly authorized in writing. The Authority shall cause such books

and accounts to be audited annually within ninety (90) days after the end of its fiscal year by a nationally recognized independent public accountant selected by the Authority. Annually within thirty (30) days after receipt by the Authority of the report of such audit, a signed copy of such report shall be furnished to the Trustee. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of this Resolution; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution and any Supplemental Resolution were obtained, or if knowledge of any such default was obtained, a statement thereof.

Section 712. Further Assurances. The Authority shall, so far as it may be authorized by law, 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 better assuring, conveying, granting, assigning and confirming all and singular rights, revenues and other funds which are hereby pledged or assigned, or which are intended to be so pledged or assigned, or which the Authority may hereafter become bound to pledge or assign, or as may be reasonable and as may be required to carry out the purposes of the Resolution and to comply with the terms of the Act. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect (i) the pledge of the Revenues and the other funds which are pledged hereunder, and (ii) the rights of the Bondholders provided hereunder against all claims and demands of all persons whomsoever.

Section 713. Conditions Precedent. On the date of issuance of any Series of Bonds, all conditions, acts and things which are required by the Constitution or by the statutes of the State of New Jersey or by the Resolution to exist, to have happened and to have been performed precedent to or in the issuance of any Series of Bonds shall exist, shall have happened and shall have been performed, and such Series of Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

ARTICLE VIII

REDEMPTION OF BONDS

Section 801. Privilege of Redemption and Redemption Prices. The Bonds of any Series which are subject to redemption prior to maturity at the option of the Authority shall be subject to redemption by or on behalf of the Authority upon published notice as provided in this Article, to such extent, through application of such moneys, at such time or times, in such order, and on such other terms and conditions as shall be provided by the terms of a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of such Series of Bonds and as shall be provided in said Bonds. In all such cases, the Bonds shall be redeemed at the Redemption Prices set forth in said Bonds and which are applicable upon such redemption. If less than all of the Bonds of such Series of like maturity which are then Outstanding are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in the manner set forth below.

Section 802. Selection of Bonds to be Redeemed by Lot. In the event of redemption by lot of Bonds of like Series and maturity, the Trustee shall assign to each Bond of such Series and maturity which is then Outstanding a distinctive number for each \$5,000 of the principal amount of such Bond and shall select by lot, using such method of selection as it shall deem proper in its discretion and from the numbers of all Bonds of such Series to be redeemed, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be those Bonds whose numbers were so selected; provided, however, that only so much of the principal amount of each such Bond (of a denomination of more than \$5,000) shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

Section 803. Notice of Redemption. When the Trustee shall be required or shall be authorized, or shall receive notice from the Authority of its election to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and the provisions of the Resolution, select the Bonds to be redeemed and the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds. Such notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts which are due and payable upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed, and, in the case of a Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable with respect to each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portion of the principal amount thereof (in the case of a Bond to be redeemed in part only) and such notice shall also state that from and after such date interest on such Bond, or portion thereof, shall cease to accrue and be payable. Such notice shall be given by publication thereof in an Authorized Newspaper of the Authority, at least once not less than thirty (30) days or more than sixty (60) days prior to such redemption date. The Trustee shall also mail a copy of such notice, postage prepaid, not less than twenty-five (25) days prior to such redemption date, to the Registered Owner of any Bond all or a portion of which is to be redeemed, at his last address, if any, appearing upon the registration books of the Authority which are kept and maintained on behalf of the Authority by the Registrar.

Section 804. Authority's Election to Redeem. The Authority shall give written notice to the Trustee of its election to redeem Bonds and of the redemption date, which notice shall be given at least sixty-five (65) days prior to the redemption date or at such later date as shall be acceptable to the Trustee. In the event that the required notice of redemption shall have been given, the Authority shall, and hereby covenants that it will pay to the Trustee an amount in cash which, in addition to any other moneys which are available therefor and which are held by the Trustee, will be sufficient to redeem, at the Redemption Price thereof, all of the Bonds which have been selected for redemption.

Section 805. Payment of Redeemed Bonds. If notice has been given by publication (in the manner provided in Section 803 hereof), the Bonds, or portions thereof, which have been called for redemption and which have been specified in said notice shall become due and payable on the redemption date specified in said notice at the Redemption Prices thereof which are applicable on such date, and, upon presentation and surrender thereof at the place or places specified in said notice together with a written instrument of transfer which is duly executed by the Registered Owner thereof or by his attorney duly authorized in writing. If less than all of a Bond has been selected for redemption, the Authority shall execute and the Registrar shall authenticate a new Bond in an amount which is equal to the unredeemed balance of the principal amount of the Bond so surrendered, upon the presentation and surrender of such Bond, to be delivered without charge to the owner thereof. The Authority shall cause the Registrar to issue and to deliver the Bonds of like Series, designation, interest rates and maturities in any authorized denomination. If, on such redemption date, moneys for the redemption of all of the Bonds (or portions thereof) of any like Series and maturity which are to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee or the Paying Agent so as to be available therefor on such date and if a notice of redemption thereof shall have been published as aforesaid, then from and after such redemption date, interest on the Bonds (or portions thereof) of such Series and maturity which have been called for redemption shall cease to accrue and become payable, and said Bonds shall no longer be considered to be Outstanding hereunder. All moneys which are held by or on behalf of the Trustee or the Paying Agent for the redemption of particular Bonds shall be held in trust for the account of the holders of the Bonds to be redeemed.

Section 806. Alternate Redemption Provisions. The Authority may provide for alternate redemption features to be applicable to a particular Series of Bonds by Supplemental Resolution of the Authority, duly adopted prior to the authentication and delivery of such Series of Bonds, provided that such features are not inconsistent with and do not impair the rights of holders of Bonds of such Series.

ARTICLE IX

SUPPLEMENTAL RESOLUTIONS

Section 901. Supplemental Resolutions Effective upon Filing. For any one or more of the following purposes and at any time or from time to time, a resolution of the Authority supplementing the Resolution may be adopted, which resolution, upon the filing with the Trustee of a copy thereof, certified by the Secretary of the Authority, shall be fully effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions (in addition to the limitations and restrictions contained in the Resolution) on the issuance in the future of Bonds, or of project notes, bonds, obligations or other evidences of indebtedness;

(2) To add other covenants or agreements to be observed by the Authority to the covenants or agreements of the Authority which are contained in the Resolution; provided, however, that such other covenants and agreements are not contrary to or inconsistent with the terms of the Resolution as theretofore in effect;

(3) To add other limitations or restrictions to be observed by the Authority to the limitations or restrictions which are contained in the Resolution; provided, however, that such other limitations or restrictions are not contrary to or inconsistent with the terms of the Resolution as theretofore in effect;

(4) To surrender any right, power or privilege which is reserved to or conferred upon the Authority by the terms of the Resolution;

(5) To confirm, as further assurance, any pledge which is created under, and the subjection to any lien or pledge created or to be created by, the terms of the Resolution, of the Revenues or of any other moneys, securities or funds;

(6) To specify, determine or authorize any and all matters and things relative to the Bonds or the proceeds which are derived or which are to be derived from the sale thereof which are not contrary to or inconsistent with the terms of the Resolution;

(7) To authorize Bonds to finance any Project constituting a part of the Program, or, in connection therewith, to specify, determine or authorize the matters and things which are mentioned or which are referred to in Article III hereof and any other matters and things relative to such Bonds or to the proceeds derived from the sale thereof which are not contrary to or inconsistent with the terms of the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the authentication and delivery of the Bonds; and

(8) To make any other change in the Resolution that in the opinion of Bond Counsel to the Authority does not adversely affect the rights of the holders of any of the Bonds.

Notwithstanding anything above to the contrary, no such Supplemental Resolution, or any provision thereof, shall modify any of the rights or obligations of any Fiduciary without its prior written consent thereto.

Section 902. Supplemental Resolutions Effective upon Consent of Trustee. For any one or more of the following purposes and at any time or from time to time, a resolution of the Authority amending or supplementing the Resolution may be adopted which resolution upon the (a) filing with the Trustee of a copy thereof, certified by the Secretary of the Authority, and (b) filing with the Trustee and with the Authority of a written instrument of the Trustee consenting to such resolution, 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 Resolution; and

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

Section 903. Supplemental Resolutions Effective with Consent of Bondholders. (a) At any time or from time to time, a resolution of the Authority amending or supplementing the Resolution may be adopted modifying any of the provisions of the Resolution or releasing the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions which are contained therein, but no such resolution shall be effective until after the filing with the Trustee of a copy thereof, certified by the Secretary of the Authority, and unless (1) no Bonds which have been authenticated and delivered by the Trustee upon original issuance, or thereafter by the Registrar, prior to the adoption of such resolution remain Outstanding at the time such resolution becomes effective, or (2) such resolution is consented to by or on behalf of Bondholders in accordance with and subject to the provisions of Article X hereof.

(b) The provisions of paragraph (a) of this Section shall not be applicable to resolutions of the Authority which are adopted and which become effective in accordance with the provisions of Section 901 or Section 902 hereof.

Section 904. Restriction on Amendments. The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and the provisions of Article X hereof. The provisions of paragraph (a) of Section 903 hereof are in all respects subject to and subordinate to the provisions, restrictions, exceptions and limitations which are set forth in Article X hereof. Nothing contained in this Article or in Article X hereof shall affect or limit the right or obligation of the Authority to pass, make, do, execute, acknowledge or deliver any resolution, act, deed, conveyance, assignment, transfer or assurance pursuant to the provisions of Section 712 hereof or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which the Authority is required to deliver to said Fiduciary.

Section 905. Adoption and Filing of Supplemental Resolutions. Any resolution of the Authority which is referred to and which is permitted or authorized by the terms of Sections 901, 902 or 903(a)(1) hereof may be adopted by the Authority without the vote or consent of any of the

Bondholders, but such resolution shall become effective only on the conditions, to the extent and at the time provided in said Sections. Every such resolution which shall become effective shall thereupon form a part of the Resolution. A copy of every such resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion to the effect that such resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the provisions of the Resolution and when effective, will be valid and binding upon the Authority and will be enforceable in accordance with its terms.

Section 906. Authorization to Trustee. The Trustee is hereby authorized to accept the delivery of a certified copy of any resolution of the Authority which is referred to and which is permitted or authorized by the terms of Sections 901, 902, 903 or 1002 hereof and the Trustee is authorized to consent to such resolution, if required, and to make all further agreements and stipulations which may be contained therein. The Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such resolution is authorized or permitted by the provisions of the Resolution and that such resolution does not contain any provision which is contrary to or which is inconsistent with the terms of the Resolution as theretofore in effect and does not adversely affect the interests of the Bondholders, and that upon enactment it will be valid and binding upon the Authority in accordance with its terms.

ARTICLE X

AMENDMENTS

Section 1001. Mailing and Publication; Application of Article. (1) Any provision which is contained in this Article for the mailing of a notice or other reports or records to Bondholders shall be fully complied with if it is mailed, postage prepaid, only (a) to each Registered Owner of Bonds which are then Outstanding at the most recent address, if any, appearing upon the registration books of the Authority which shall be kept and maintained on behalf of the Authority at the principal corporate trust office of the Registrar, and (b) to the Trustee.

(2) Any provision which is contained in this Article for publication of a notice or other matter shall require the publication thereof only in Authorized Newspapers of the Authority.

Section 1002. Powers of Amendment. Any modification or amendment of the provisions of the Resolution or of any resolution amendatory thereof or supplemental thereto and of the rights and obligations of the Authority and of the holders of the Bonds may be made by resolution of the Authority, as hereinafter specified, with the written consent given (as hereinafter provided in Section 1003 hereof) of the holders of at least two-thirds in aggregate principal amount of the Bonds which are then Outstanding, or, if said resolution affects only the holders of a certain Series of Bonds, the holders of at least two-thirds in aggregate principal amount of the Bonds of such Series which are Outstanding at the time such consent is given, but no such modification or amendment shall permit a change in the maturity or terms of redemption 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 or any security therefor without the consent of the holder of such Bond. Further, no such modification or amendment shall reduce the percentages or otherwise affect the description of Bonds the consent of the holders of which is required to effect any such modification or amendment. The Trustee may in its sole discretion, or upon reliance on an opinion of counsel, determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity, or any particular holder, would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and on all holders of Bonds when such determination is delivered in writing to the Authority by the Trustee. Notwithstanding the foregoing, any provision of the Resolution may be amended without the consent of Bondholders if it is determined by the Authority and consented to by the Trustee that such amendment does not adversely affect the interests of such Bondholders.

Section 1003. Consent of Bondholders. The Authority may at any time adopt a resolution making a modification or amendment permitted by the provisions of Section 1002 hereof, to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Secretary of the Authority, shall be delivered to and shall be held by the Trustee for the inspection of the Bondholders. A copy of such resolution (or summary thereof or reference thereto in a form which is satisfactory to the Trustee) together with a request to Bondholders for their consent thereto, where applicable, in a form which is satisfactory to the Trustee, shall be mailed by the Authority to each of the Bondholders and shall be published at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of the

resolution when consented to as provided in this Section). Such resolution shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of the holders of the percentages of Outstanding Bonds which is specified in Section 1002 hereof, or the resolution of the Authority and consent of the Trustee in the case of an amendment that does not require the consent of the Bondholders, and (ii) a Counsel's Opinion stating that such resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of the terms of the Resolution, is authorized or permitted by the Resolution, and will be valid and binding upon the Authority and will be enforceable in accordance with its terms upon its becoming effective as provided in this Section, and (b) where Bondholder consent is required, a notice shall have been published as hereinafter provided in this Section. 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. A certificate or certificates executed by the Trustee and filed in its office stating that it has examined such proof and that such proof is sufficient under the provisions of Section 1303 hereof 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 upon any subsequent holder of such Bonds and upon the holders of any Bonds which are issued in exchange therefor (whether or not such subsequent holder has notice thereof); provided, however, that, notwithstanding the provisions of Section 1303 hereof, such consent may be subsequently revoked by the holder of such Bonds giving such consent or by a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter 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. The fact that a consent has not been revoked may likewise be proved by a certificate executed by the Trustee and filed in its office to the effect that no revocation thereof is on file with the Trustee. At any time after the holders of the required percentages of Bonds shall have filed their consents to the resolution, the Trustee shall make and shall file with the Authority and in its office 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 a notice, stating in substance that the resolution (which may be referred to as a resolution adopted by the Authority on a stated date a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to Bondholders by the Authority by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such resolution from becoming effective and binding as provided in this Section) and by publishing the same in Authorized Newspapers at least once not more than ninety (90) days after the holders of the required percentages of Bonds shall have filed their consents to the resolution and the written statement of the Trustee hereinabove provided for is filed. The Authority shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers which are required or which are permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed to be conclusively binding upon the Authority, the Trustee and the holders of all Bonds at the expiration of forty (40) days after filing with the Trustee of the proof of the first publication of such last-mentioned notice, except in the event that a final decree of a court of competent jurisdiction setting aside such resolution in a legal action or equitable proceeding for such purpose was commenced within such forty (40) day period, of which decree timely notice shall have been given to the Trustee; provided, however, that the

Trustee and the Authority during the 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 resolutions, as they may deem expedient.

Section 1004. Modification by Unanimous Action. Notwithstanding anything which is contained in the foregoing provisions of this Article or in Article IX hereof, the terms and provisions of the Resolution or of any resolution amendatory thereof or supplemental thereto and the rights and obligations of the Authority and of the holders of the Bonds may be modified or amended in any respect upon the adoption by the Authority and upon the filing with the Trustee of a resolution to that effect and the consent of the holders of all the Bonds which are then Outstanding, such consent to be 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 in the form permitted by Section 1303 hereof. No notice to Bondholders, either by mailing or by publication shall be required.

Section 1005. Exclusion of Bonds. Bonds which are owned or which are held by or for the account of the Authority shall not be deemed to be Outstanding and shall be excluded for the purpose of consent or other action or for the purpose of any calculation of Outstanding Bonds which is provided for in this Article. The Authority shall not be entitled to give any consent or take any other action provided for in this Article with respect to such Bonds. At the time of any consent or other action which is taken under the terms of this Article, the Authority shall furnish the Trustee with a Certificate of Authority Officer, upon which the Trustee may rely, describing all of the Bonds to be so excluded.

Section 1006. Notation on Bonds. Bonds which have been authenticated and delivered after the effective date of any action which has been taken pursuant to the terms of either Article IX hereof or this Article may, and if the Trustee so determines, shall, bear a notation, by endorsement or otherwise, in a form approved by the Authority and the Trustee, as to such action, and in such case, upon the demand of the holder of any Bond which is Outstanding at such effective date and upon presentation of his Bond for such purpose at the principal corporate trust office of the Registrar, suitable notation as to any such action shall be made on such Bond by the Registrar. If the Authority or the Registrar shall so determine, new Bonds which shall bear such notation as is required in the opinion of the Registrar and the Authority to conform to such action shall be prepared, authenticated by the Registrar and delivered, and upon demand of the holder of any Bond which is then Outstanding such Bond shall be exchanged without cost to such Bondholder, for Bonds then Outstanding, upon the surrender of such Bonds.

Section 1007. Contracts or Indentures. The Authority, to the extent permitted by law, may, and if requested by the Trustee shall, enter into a contract or an indenture with the Trustee giving effect to any modification or amendment of the Resolution or any resolution which is amendatory thereof or supplemental thereto as provided in Article IX or as provided in this Article.

Section 1008. Amendment Prior to Issuance of Bonds. Prior to the issuance of any of the Bonds and notwithstanding anything contained in this Article, the Authority may, by resolution, modify or amend any of the terms or provisions of the Bonds or of the Resolution in

any respect or for any purpose. A copy of each such resolution, certified by the Secretary of the Authority, shall be filed with the Trustee and in the office of the Treasurer.

Section 1009. No Modification of Fiduciary's Duties and Obligations. Notwithstanding the provisions of this Article, no modification or amendment of the Resolution shall change or modify any of the rights or obligations of any Fiduciary without its prior written consent thereto.

ARTICLE XI

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 1101 was amended in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 1101 read as follows:

Section 1101. Events of Default. The occurrence of any of the following events is hereby defined as and is declared to be and to constitute an "Event of Default":

- (a) Default in the due and punctual payment of any interest on any Bond; or
- (b) Default in the due and punctual payment of the principal or redemption premium, if any, of any Bond, whether at the stated maturity thereof; or
- (c) Subject to the provisions of Section 1111 hereof, failure by the Authority to observe and to perform any covenant, condition or agreement on the part of the Authority which is provided by Resolution or in the Bonds and the continuance of such failure for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or
- (d) The filing of a petition by the Authority seeking a composition of indebtedness under the Federal Bankruptcy Laws or under any other applicable law or statute of the United States of America or of the State of New Jersey.

From and after December 12, 2013, Section 1101 reads as follows:

Section 1101. Events of Default. The occurrence of any of the following events is hereby defined as and is declared to be and to constitute an "Event of Default":

- (a) Default in the due and punctual payment of any interest on any Bond; or
- (b) Default in the due and punctual payment of the principal or redemption premium, if any, of any Bond, whether at the stated maturity thereof; or
- (c) Subject to the provisions of Section 1111 hereof, failure by the Authority to observe and to perform any covenant, condition or agreement on the part of the Authority which is provided by Resolution or in the Bonds and the continuance of such failure for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or
- (d) The filing of a petition by the Authority seeking a composition of indebtedness under the Federal Bankruptcy Laws or under any other applicable law or statute of the United States of America or of the State of New Jersey.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 1101 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY WHEN DUE ANY PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON ANY BONDS REQUIRED TO BE MADE

UNDER THIS RESOLUTION OR THE BONDS, OR A FAILURE BY THE AUTHORITY TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS RESOLUTION OR THE BONDS, RESULTING FROM THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS SECTION 1101.

Section 1102 was amended and restated in its entirety in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 1102 read as follows:

Section 1102. Acceleration. Upon the occurrence of an Event of Default which is identified in Section 1101(a), (b) or (d) and such Event of Default continues without remedy for a period of thirty (30) days, the Trustee may and, upon the written request of the holders of not less than a majority in aggregate principal amount of Bonds which are then Outstanding, shall declare the principal of all Bonds which are then Outstanding and the interest which has accrued thereon to the date of such acceleration to be immediately due and payable by written notice delivered to the Authority. Upon the occurrence of an Event of Default which is identified in Section 1101(c), the Trustee may and, upon written request of the owners of not less than a majority in aggregate principal amount of Bonds which are then Outstanding, shall declare the principal of all Bonds which are then Outstanding and the interest which has accrued thereon to the date of such acceleration immediately due and payable by written notice delivered to the Authority. Upon any such declaration, the principal of and such interest on all Bonds which are then Outstanding shall become immediately due and payable.

From and after December 12, 2013, Section 1102 reads as follows:

Section 1102. Remedies. 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 Resolution or the Bonds.

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

Section 1103 was amended in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 1103 read as follows:

Section 1103. Other Remedies. Upon the occurrence of an Event of Default, of which the Trustee has actual knowledge, the Trustee may pursue any remedy which is available to it at law or in equity or by statute.

No remedy which is conferred upon or reserved to the Trustee or to the Bondholders by the terms of this Resolution is intended to be exclusive of any other remedy, but each and every

such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder 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 the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such occurrence of any Event of Default or the acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

From and after December 12, 2013, Section 1103 reads as follows:

Section 1103. Other Remedies. No remedy which is conferred upon or reserved to the Trustee or to the Bondholders by the terms of this Resolution is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder 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 the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such occurrence of any Event of Default or the acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

Section 1104. Rights of Bondholders. If an Event of Default shall have occurred and shall be continuing and if requested to do so by the holders of not less than a majority in aggregate principal amount of the Bonds which are then Outstanding and if indemnified as provided in the Resolution, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee shall deem to be in the interests of the Bondholders and which are not contrary to law.

Section 1105. Rights of Bondholders to Direct Proceedings. Anything in this Resolution to the contrary notwithstanding, the owners of a majority in aggregate principal amount of the Bonds which are then Outstanding shall have the right, at any time, by a written instrument or instruments which shall be duly executed and delivered to the Trustee, and upon providing the Trustee with the indemnification which is provided in the Resolution, to direct the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and the conditions of this Resolution or for the appointment of a receiver or any other proceeding hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and the provisions of this Resolution.

Section 1106 was amended and restated in its entirety in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 1106 read as follows:

Section 1106. Application of Moneys. All moneys which are received by the Trustee pursuant to any right which is given for any action which is taken under the provisions of this Article shall be deposited into the Debt Service Fund after payment of all costs and the expenses of the proceedings resulting in the collection of such moneys and after payment of the fees, expenses, liabilities and advances which have been incurred or made by the Trustee, including legal fees, and all moneys which are on deposit in the various funds (except the Rebate Fund) established under the terms of the Resolution after payment of all costs and expenses of the Trustee, including counsel fees shall be applied as follows:

(a) Unless the principal of all of the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons who are entitled thereto of all installments of interest which are then due on the Bonds in the order of the maturity of the installments of such interest and, if the amount which is available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amount due on such installment, to the persons who are entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons who are entitled thereto of the unpaid principal of any of the Bonds that shall have become due (other than principal of Bonds with respect to the payment of which moneys are held pursuant to the provisions of the Resolution), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and, if the amount which is available shall not be sufficient to pay in full the Bonds which are due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons who are entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and the interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts which are due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of subparagraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared to be due and payable, the moneys shall be applied in accordance with the provisions of subparagraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys which are available for application and the likelihood of

additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and on such date, interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the owner of any Bond until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the principal of, the redemption premium, if any, and the interest on all Bonds have been paid under the provisions of this Section and all fees, expenses, including legal fees, and charges of the Trustee have been paid, any balance which is remaining in the Debt Service Fund shall be paid to the Authority.

From and after December 12, 2013, Section 1106 reads as follows:

Section 1106. Application of Moneys after Event of Default; Application of Moneys after Event of Non-Appropriation.

(a) Application of Moneys after Event of Default. (i) If an Event of Default has occurred and is continuing, all moneys which are received by the Trustee pursuant to any right which is given or any action which is taken under the provisions of this Article shall be deposited into the Debt Service Fund after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and after payment of the fees and expenses which have been incurred or made by the Trustee, including legal fees, and all moneys which are on deposit in the various funds (except the Rebate Fund) established under the terms of the Resolution after payment of all costs and expenses of the Trustee, including counsel fee shall be applied as follows:

First: To the payment to the persons who are entitled thereto of all installments of interest which are then due on the Bonds in the order of the maturity of the installments of such interest and, if the amount which is available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amount due on such installment, to the persons who are entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons who are entitled thereto of the unpaid principal or Redemption Price of any of the Bonds that shall have become due (other than principal of Bonds with respect to the payment of which moneys are held pursuant to the provisions of the Resolution), in the order of their due dates and, if the amount which is available shall not be sufficient to pay in full the Bonds which are due on any particular date, then to the payment ratably, according to the amount of principal or Redemption Price due on such date, to the persons who are entitled thereto without any discrimination or privilege.

(ii) Whenever all overdue installments of principal or Redemption Price of and the interest on all Bonds have been paid under the provisions of this Section and all fees and expenses, including legal fees and charges of the Trustee have been paid, any balance which is remaining in the Debt Service Fund shall be deposited into the General Fund under the Resolution and thereafter paid to the Treasurer.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine having due regard to the amount of such moneys which are available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and on such date, interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the holder of any Bond until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

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 the Trustee have been paid or provision deemed to be adequate by the Trustee for such cure or payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights with respect to Bonds under this Resolution. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(b) Application of Moneys after Event of Non-Appropriation. From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and be continuing an Event of Default, all moneys which are received by the Trustee pursuant to any right which is given or any action which is taken under the provisions of this Article shall be deposited into the Debt Service Fund after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and after payment of the fees and expenses which have been incurred or made by the Trustee, including legal fees, and all moneys which are on deposit in the various funds (except the Rebate Fund) established under the terms of the Resolution after payment of all costs and expenses of the Trustee, including counsel fee shall be applied as follows:

(i) To the payment of the interest and principal amount or Redemption Price then due on the Bonds as follows:

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

Second: To the payment of the unpaid principal amount or Redemption Price of any Bonds 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 due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond, without priority or preference of any Bond over any other.

(ii) If any amounts remain after all payments under paragraph (i) above have been made, the balance shall be deposited into the General Fund under the Resolution and thereafter paid to the Treasurer.

If and whenever all amounts due and payable to the Bondholders and the Trustee as a result of the Event of Non-Appropriation have been paid or provision deemed to be adequate by the Trustee for such payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights with respect to Bonds under this Resolution. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Non-Appropriation or impair any right consequent thereon.

Section 1107. Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of the Outstanding Bonds.

Section 1108. Rights and Remedies of Bondholders. No owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the provisions of the Resolution, for the execution of any trust thereof or for the appointment of a receiver or to enforce any other remedy hereunder, unless (1) a default has occurred of which an authorized officer of the Trustee has been notified as provided in the Resolution; (2) such default shall have become an Event of Default and the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds which are then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers which were hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) such Bondowners have provided the Trustee with the indemnification which is provided in the Resolution; and (4) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its name. Such notification, request and offer of indemnification are hereby declared in every case (at the option of the Trustee) to be conditions precedent to the execution of the powers and the trusts of the Resolution and to any action or cause of action for the enforcement of the Resolution or for the appointment of a receiver or for any other right or remedy hereunder. No one or more owners of the Bonds shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of the Resolution by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds which are then Outstanding. Nothing contained in this Resolution shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, redemption premium, if any, and the interest on any Bond at and after the maturity thereof or the redemption date set therefor, or the obligation of the Authority to pay the principal of, the redemption premium, if any, and the interest on each of the Bonds which are issued hereunder to the respective owners thereof at the time, at the place, from the sources and in the manner expressed in the Bonds.

Section 1109. Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under the terms of the Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then in every such case the Authority and the Trustee shall be restored to their former respective positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 1110. Waivers of Defaults. The Trustee may in its discretion waive any Event of Default hereunder, and the consequences specified in Sections 1102 and 1103, and rescind any declaration of maturity of principal and shall do so upon the written request of the owners of: (1) a majority in aggregate principal amount of all Bonds which are then Outstanding with respect to which an Event of Default in the payment of principal or interest exists; or (2) a majority in aggregate principal amount of all Bonds which are then Outstanding in the case of any other default; provided, however, that there shall not be waived (a) any event of Default with respect to the payment of the principal of any Bond at its maturity date or the redemption date prior to maturity, or (b) any Event of Default with respect to the payment of the interest on any Bond, unless prior to such waiver or rescission, all arrears of principal (due otherwise than by declaration) and interest, with interest (to the extent permitted by law) at the rate borne by the Bonds with respect to which such default shall have occurred on overdue installments of interest and all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default, including legal fees, shall have been paid or provided for and, in case any such waiver or rescission or in case any proceedings taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 1111. Notice of Events of Defaults; Opportunity of the Authority to Cure Defaults. No Event of Default which is specified in Section 1101(c) hereof shall constitute an Event of Default hereunder until notice of such Event of Default shall be given by the Trustee or by the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds which are then Outstanding to the Authority, by registered or certified mail, and the Authority shall have had thirty (30) days after receipt of such notice to correct such Event of Default or cause such Event of Default to be corrected and shall not have corrected such Event of Default or caused such Event of Default to be corrected within the applicable period; provided, however, that if such Event of Default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default hereunder if corrective action which is designed to remedy such Event of Default is instituted by the Authority or the owner within the applicable period and diligently pursued until such Event of Default is corrected.

ARTICLE XII

TRUSTEE, PAYING AGENT AND REGISTRAR

Section 1201. Appointment of Trustee. Such bank, trust company, national banking association or other banking institution doing business and having its principal office in the State of New Jersey and having trust powers as shall be named in a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of any of the Bonds on original issuance, or, as may be designated in a Certificate of Authority Officer, as the case may be, shall be and hereby is appointed to serve as Trustee. A copy of such Supplemental Resolution or Certificate of Authority Officer shall be certified by the Secretary of the Authority and delivered to such bank, trust company, national banking association or other banking institution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Resolution by executing the certificate of authentication endorsed upon the Bonds upon original issuance and by delivering a written acceptance thereof to the Authority. By executing such certificate of authentication upon any Bond, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Bond so authenticated, but also with respect to all the Bonds to be issued thereafter, but only, however, upon the terms and conditions set forth in the Resolution.

Section 1202. Appointment of Paying Agents and Registrar. (a) The Authority shall appoint one or more Paying Agents for the Bonds. Such Paying Agents shall be appointed pursuant to a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of the Bonds, or shall be designated in a Certificate of Authority Officer, as the case may be, and the Authority may at any time or from time to time by Supplemental Resolution or by a Certificate of Authority Officer appoint one or more other Paying Agents for such Bonds. Each Paying Agent shall be a bank, trust company, national banking association or other banking institution doing business and having an office in the State of New Jersey and having trust powers if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed upon it by the terms of the Resolution. Each Paying Agent shall signify its acceptance of the duties and obligation imposed upon it by the terms of the Resolution by executing and delivering a written acceptance thereof to the Authority and to the Trustee. The Trustee may be appointed and may serve as a Paying Agent for the Bonds.

(b) The Authority shall appoint a Registrar for each Series of Bonds which are issued in registered form by a Supplemental Resolution of the Authority duly adopted prior to the authentication and delivery of such Bonds, or, by a Certificate of Authority Officer, as the case may be. Such Registrar shall be a bank, trust company, national banking association or other banking institution doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York, if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all of the duties which are imposed upon it by the terms of the Resolution. The Registrar shall signify its acceptance of the duties and obligations imposed upon it by the terms of the Resolution by executing and delivering a written acceptance thereof to the Authority and to the Trustee. The Trustee or the Paying Agent may be appointed and may serve as a Registrar for the Bonds.

Section 1203. Responsibilities of Fiduciaries. The recitals of which fact are contained in the Resolution and in the Bonds shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bond which is issued thereunder or with respect to the security afforded by terms of the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee or the Registrar, as the case may be, shall however, be responsible for the representation which is contained in its certificate of authentication which appears on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds which are derived from the sale thereof except that the Trustee shall be responsible for such application to the extent that such proceeds are paid to the Trustee in accordance with the provisions of Section 313 hereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense, loss or liability or to institute or defend any action or suit with respect to the terms of the Resolution or the Bonds, or to advance any of its own moneys, unless properly indemnified by the Authority or by the Bondholders. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall be wholly protected as action taken or omitted in good faith in reliance on such advice. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own gross negligence, willful misconduct or default.

Except as expressly set forth herein, the Trustee shall not be required to ascertain or inquire as to the performance or otherwise of any covenants to be performed or observed by the Authority or the College under the terms of the Agreement.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default, of which the Trustee has actual notice, has occurred (which has not been remedied) the Trustee shall exercise such of the rights and powers which are vested in it by the terms of the Resolution, and shall use the same degree of care and skill in the exercise of such powers as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Resolution which relates to actions which have been taken or which are to be taken by the Trustee or which relates to the evidence upon which the Trustee may rely shall be subject to the provisions of this Section 1203.

Notwithstanding any of the foregoing, the Trustee, at least annually and as often as may be reasonably requested by the Authority (but not more frequently than monthly), shall be responsible for delivering a written report to the Authority and the Treasurer which details, among other things (a) the Bonds, if any, which have been purchased or redeemed by it pursuant to the terms of Section 506 hereof, (b) the report of the Registrar stating any new Bonds which have been issued in lieu of or in substitution for the Bonds pursuant to the terms of Section 307, Section 308, Section 805 or Section 1006 hereof, and (c) the balances as of said dates, together with investment income, if any, which has been earned thereon, which are on deposit in each of the funds of the Authority which have been established and created by Sections 401, 402 and 501 hereof or which have been otherwise created and which are held by the Trustee pursuant to the terms thereof.

Section 1204. Property Held in Trust. All moneys and securities which are held by any Fiduciary at any time pursuant to the terms of the Resolution shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purpose and under the terms and conditions set forth in the Resolution.

Section 1205. Deposit and Security of Funds. To the extent permitted by law, all moneys (not including securities) which are held by any Fiduciary pursuant to the terms of the Resolution, may, subject to the provisions of this Section, be deposited by it, on demand or time deposit, in its banking department or with such other banks, trust companies, national banking associations or other banking institutions, each having its principal office in the State of New Jersey, as may be designated by the Authority and approved by the Trustee. No such moneys shall be deposited with any bank, trust company, national banking association or other banking institution other than the Trustee in excess of \$100,000 and in an amount exceeding fifty per centum (50%) of the amount which an authorized officer of such bank, trust company, national banking association or other banking institution shall certify to the Trustee and to the Authority and the Treasurer as the combined capital and surplus of such bank, trust company, national banking institution. In lieu of receiving such certificate, the Trustee may rely upon the information contained in the most recent financial report of such financial institution. Each Fiduciary shall allow and shall credit interest on any such moneys which are held by it at such rate as it customarily allows upon similar funds of similar size under similar conditions or as is required by law. Unless otherwise provided under the terms of the Resolution, interest with respect to moneys or securities which are on deposit in any fund or account shall be credited in each case to the fund or account in which such moneys or securities are held.

Section 1206. Evidence Supporting Action. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document which it believes to be genuine and which it believes has 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 with respect to any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action under the Resolution, such fact or matter (unless other evidence with respect thereto is specifically prescribed herein) may be deemed to be conclusively proved and established by a Certificate of Authority Officer stating the same and such certificate shall be full warrant for any action taken or suffered by any Fiduciary upon the faith thereof under the provisions of the Resolution; provided, however, that in its discretion a 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. Except as otherwise expressly provided herein, any request, order, notice or other direction which is required or permitted to be furnished pursuant to any provision hereof by or on behalf of the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authority Officer.

Section 1207. Compensation. Unless otherwise provided for by the terms of a contract with the Fiduciary, the Authority shall pay reasonable compensation from time to time to each Fiduciary for all services rendered by it hereunder, and the Authority shall also reimburse any Fiduciary for all of its reasonable expenses, charges, counsel fees and other disbursements and

those of its attorneys, agents, and employees which are incurred in and about the performance of its powers and duties hereunder, and each Fiduciary shall have the first lien therefor on any and all funds and other property which shall at any time be held by it hereunder. The Authority shall indemnify and shall save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its gross negligence, willful misconduct or default.

Section 1208. Certain Permitted Acts. Any Fiduciary may become the owner of or may deal in the Bonds as fully and with the same rights as it would have had if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as a 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 the effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not such committee shall represent the holders of a majority in principal amount of the Bonds which are then Outstanding. Notwithstanding any provision of the Resolution, nothing contained herein shall restrict any Fiduciary from entering into any contract, agreement or other relationship relating to the provisions of banking, financial or other services to the Authority, the State, or any College or any agencies of any of the foregoing.

Section 1209. Resignation of Fiduciary. A Fiduciary, or any successor thereof, may at any time resign and shall be discharged of its duties and obligations created by the Resolution by giving not less than (60) days' written notice to the Authority and by publishing notice thereof. Such notice shall specify the date when such resignation shall take effect and shall be published at least once in the Authorized Newspapers of the Authority within twenty (20) days after the giving of such written notice. Such resignation shall take effect on the day specified in such notice unless a successor shall have been previously appointed by the Authority or by the Bondholders, as herein provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

Section 1210. Removal. A Fiduciary, or any successor thereof, may be removed at any time by the Authority upon a showing of cause and upon appointment of a successor or by the holders of majority in the principal amount of the Bonds which are then Outstanding, excluding any Bonds which are held by or for the account of the Authority, upon forty-five (45) days' written notice, by a written instrument or concurrent written instruments signed and duly acknowledged by the Authority or by such Bondholders or by their attorneys duly authorized in writing and delivered to the Authority. Such removal shall take effect upon the expiration of said forty-five (45) day period. Copies of each such instrument shall be delivered by the Authority to each of the other Fiduciaries and to any successor thereof.

Section 1211. Appointment of Successor Fiduciary. In case any Fiduciary, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of such Fiduciary or of its property shall be appointed, or if any public officer shall take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the holders of a majority in principal amount of the Bonds which are then Outstanding, excluding any Bonds which are held by or for the account of the Authority, by a written instrument or concurrent written instruments signed by such Bondholders, or by their attorneys, duly authorized in writing and delivered to such successor

Fiduciary, and thereafter, notification thereof shall be given to the Authority, the predecessor Fiduciary and any other Fiduciaries. Pending such appointment, the Authority shall forthwith appoint a successor Fiduciary to fill such vacancy until a successor Fiduciary shall be appointed by the Bondholders as herein authorized. The Authority shall publish notice of any such appointment in an Authorized Newspaper of the Authority within (twenty) 20 days after such appointment. Any successor Fiduciary appointed by the Authority shall, immediately and without further act, be superseded by a Fiduciary appointment by the Bondholders. If in a proper case no appointment of a successor Fiduciary shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiduciary shall have given written notice to the Authority as provided in Section 1209 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Fiduciary or any other Fiduciary or any Bondholder may apply to any court of competent jurisdiction to appoint such successor. Said court may thereupon, after such notice, if any, as such court may deem proper and may prescribe, appoint such successor Fiduciary. Any successor Fiduciary appointed under the provisions of this Section shall be a bank, trust company, national banking association or other banking institution doing business and having its principal office located in the State of New Jersey or (in the case of a Paying Agent or Registrar, in the State of New Jersey or in the Borough of Manhattan, City and State of New York) having the qualifications which are prescribed by this Article, if there be such a bank, trust company, national banking association or other banking institution willing and able to accept the appointment on reasonable and customary terms and which is authorized by law to perform all duties which are imposed upon it by the terms of the Resolution.

Section 1212. Transfer of Rights and Property to Successor Fiduciary. Any successor Fiduciary which is appointed under the provisions of Section 1211 hereof shall execute, acknowledge and deliver to its predecessor Fiduciary, and also to the Authority, a written instrument accepting such appointment, and thereupon such successor Fiduciary, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Fiduciary, with the like effect as if named herein as such Fiduciary. The Fiduciary ceasing to act shall nevertheless, on the written request of the Authority or of the successor Fiduciary, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required to more fully and certainly vest and confirm in such successor Fiduciary all the right, title and interest of the predecessor Fiduciary in and to any property held by it under the terms of the Resolution. The predecessor Fiduciary shall pay over, assign and deliver to the successor Fiduciary any moneys or other property which is subject to the trusts and conditions herein set forth. Should any deed, conveyance or written instrument be required from the Authority by such successor Fiduciary to more fully and certainly vest in and confirm to such successor Fiduciary any moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and written instruments shall, upon request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Fiduciary shall promptly notify the other Fiduciaries of its appointment as such Fiduciary.

Section 1213. 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 such Fiduciary may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be a bank, trust company, national banking association or other banking

institution which is qualified to be a successor to such Fiduciary under the provisions of Section 1211 hereof, and which shall be authorized by law to perform all the duties imposed upon it by the terms of the Resolution) shall be the successor to such Fiduciary without the execution or filing of any paper, or the performance of any further act, deed or conveyance.

Section 1214. Adoption of Authentication. In case any of the Bonds which are contemplated to be issued under the terms of the Resolution shall have been authenticated but not delivered, any successor Trustee or Registrar, as the case may be, may adopt the certificate of authentication of any predecessor Trustee or Registrar so authenticating such Bonds and may deliver such Bonds so authenticated. In any case where any Bonds shall have not been authenticated, any successor Trustee or Registrar may authenticate such Bonds in the name of the predecessor Trustee or Registrar, as the case may be, or in the name of the successor Trustee or Registrar, and in all such cases such certificate of an authentication shall have the full force and effect which is provided in said Bonds or in the Resolution.

ARTICLE XIII

MISCELLANEOUS

Section 1301(2) was amended in the Authority's Fourth Supplemental Bond Resolution adopted December 12, 2013. Prior to such amendment, Section 1301 read as follows:

Section 1301. Defeasance. (1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Bonds the principle of, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues, and other moneys and securities which are pledged under the terms of the Resolution, and all covenants, agreements and other obligations of the Authority to the Bondholders, shall thereupon cease, terminate and become void and shall be discharged and satisfied. In such event, the Trustee shall cause an accounting to be prepared and filed with the Authority for such period or periods as shall be requested by the Authority, and, upon the request of the Authority, the Trustee shall execute and deliver to the Authority, all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agent shall pay over or deliver to the Authority all moneys or securities which are held by them pursuant to the terms of the Resolution which are not required for the payment of the principal of, redemption premium, if any, and interest which is due or which is to become due on the Bonds. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Outstanding Bonds of a particular Series or maturity within a Series the principle of, redemption premium, if any, and interest, which is due or which is to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Authority to the holders of such Bonds shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(2) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of this Section. All Outstanding Bonds of any Series or of any maturity within a Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee (in a form which is satisfactory to the Trustee) irrevocable written instructions to publish notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (which are not redeemable at the option of the issuer) the principle of and the interest on which when due will provide moneys which, together with the moneys, if any, which have been deposited with the Trustee at the same time shall be sufficient to pay when due the principle of, redemption premium, if any, and the interest which is due and which is to become due on said Bonds on and 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 (in a form which is satisfactory to the Trustee) irrevocable written instructions to publish, as soon as practical, at least twice, at an interval of not less than seven (7) days between publications, in Authorized Newspapers of the Authority, a notice to the holders of

such Bonds that the deposit required by clause (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the terms of this Section and such notice shall state such maturity or redemption date upon which moneys are to be available for the payment of the principal of, redemption premium, if any, and interest on said Bonds. To the extent that the moneys or the principal of and interest on the Investment Obligations referred to above are sufficient to provide for the defeasance of all Outstanding Bonds, any additional moneys which are generated or which are available may be paid over to the Treasurer by the Trustee and may be used by the treasurer for any lawful purpose, free and clear of any trust, lien or pledge. Any deficiency in the amounts which are on deposit with the Trustee which are necessary to accomplish a defeasance of the Bonds in accordance with the terms of this Section shall be deposited promptly by the Authority with the Trustee for the purposes of accomplishing said defeasance.

From and after December 12, 2013, all references to the term “Investment Securities” in Section 1301(2) are replaced with the term “Defeasance Securities.”

Section 1302. Unclaimed Funds. Anything in the Resolution to the contrary notwithstanding, any moneys which are held by the Trustee or by any Paying Agent in trust for the payment of the principal of, redemption premium, if any, and interest on any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after said date when such Bonds shall become due and payable, such moneys shall, at the written request of the Treasurer, be repaid by the treasurer by the Trustee or the Paying Agent, as the case may be, as its absolute property and such moneys shall be free from the trusts created by the terms of the Resolution. The Fiduciary shall thereupon be released and discharged with respect to such moneys and the Bondholders shall look only to the Treasurer for the payment of such Bonds provided, however, that before being required to make any such payment to the Treasurer, the Trustee or the Paying Agent, as the case may be, 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 the Authorized Newspapers of the Authority, 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 Treasurer.

Section 1303. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument which the Resolution may require or may 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 duly authorized in writing. Proof of (1) the execution of any such instrument, or of an instrument appointing any such attorney, or (2) the holding by any person of the Bonds shall be sufficient for any purpose of the Resolution (except as otherwise expressly provided herein) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same to be desirable:

The fact and date of the execution by any Bondholder or by his attorney of such instrument may be proved by the certificate (which need not be acknowledged or verified) of an officer of a bank, trust company, national banking association or other banking institution (which is satisfactory to the Trustee) or of any notary public or other officer who is authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary.

Section 1304. Execution of Payment Documents. Every requisition, certificate or request of the Authority which is to be delivered to or filed with the Trustee under the provisions of the Resolution shall be signed by an Authority Officer.

Section 1305. Approval of State Treasurer. Notwithstanding anything contained in the Resolution to the contrary, the Authority agrees that it will not, without the prior written consent of the Treasurer, take any of the following actions with respect to any of the Bonds: (i) the exercise of any option to redeem Bonds; (ii) the purchase of any Bonds; (iii) the defeasance of any Bonds; (iv) the refunding of any Bonds; (v) the adoption of any Supplemental Resolution; (vi) the removal of the Trustee or any other Fiduciary appointed under the Resolution or the appointment of any successor Trustee or other successor Fiduciary under the Resolution; and (vii) any amendment or modification of the terms of any Agreement.

Section 1306. Preservation and Inspection of Documents. All requisitions, requests, certificates, opinions and other documents which are received by the Trustee under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Accountant, any Bondholder and their agents and their representatives, any of whom may make copies thereof but any such reports, certificates, statements or other documents may, at the election of the Trustee, be destroyed or otherwise disposed of at any time which is at least six (6) years after such date as the pledge of the Revenues created by the Resolution shall be discharged as provided in Section 1301 hereof.

Section 1307. Regulations Regarding Investment of Funds. Obligations which are purchased as an investment of moneys in any fund which has been established under the terms of the Resolution shall be deemed at all times to be a part of such fund, and, except as may be otherwise expressly provided in other Sections of the Resolution, the interest thereon and any profit arising on the sale thereof shall be credited to such fund, and any loss resulting from the sale thereof shall be charged to such fund. In computing the amount in any such fund for any purpose hereunder, obligations so purchased if due within one (1) year after such date shall be valued at the face value (exclusive of accrued interests) or, if not due within one (1) year after such date shall be valued at the lower of cost or market price thereof (exclusive of accrued interest) and may be so valued as of any time within four (4) days prior to such date. The Trustee shall sell any obligations which are so purchased (at the best available price) whenever it shall be necessary to

do so in order to provide moneys to make any withdrawal or payment from such fund, and the Trustee shall not be liable or responsible for any loss which results from any such investment which is made in accordance with the terms of the Resolution. For the purposes of any such investment, obligations shall be deemed to mature at the earliest date on which the issuer thereof is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations.

Section 1308. Form of Bonds and Certificate of Authentication. Subject to the provisions of the Resolution, the forms of any Series of the Bonds, the certificate of authentication to be executed by the Trustee or the Registrar, as the case may be, and the provisions for registration to be endorsed thereon shall be set forth in each Supplemental Resolution authorizing each Series of Bonds which shall be consistent with the terms of the Resolution and which are necessary or appropriate to conform to the rules and requirements of any governmental authority or any usage or requirement of law with respect thereto.

Section 1309. Effective Date. This Resolution shall take effect immediately.

APPENDIX III
STATE CONTRACT

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AMENDED AND RESTATED CONTRACT

by and between the

TREASURER OF THE STATE OF NEW JERSEY

and the

NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY

Dated As Of: September 1, 2001

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**AMENDED AND RESTATED CONTRACT WITH RESPECT TO
HIGHER EDUCATION EQUIPMENT LEASING FUND PROGRAM**

THIS AMENDED AND RESTATED CONTRACT, is made as of the 1st day of September, 2001, by and between the Treasurer of the State of New Jersey (the "Treasurer"), acting on behalf of the State of New Jersey (the "State"), and the New Jersey Educational Facilities Authority (the "Authority"), a public body corporate and politic of the State.

WITNESSETH:

WHEREAS, pursuant to the provisions of the Higher Education Equipment Leasing Fund Act (P.L. 1993, c. 136) (the "Equipment Leasing Fund Act"), the New Jersey Educational Facilities Authority Law, constituting Chapter 72A of Title 18A, Education, of the New Jersey Statutes, as enacted by Chapter 271 of the Public Laws of 1967 was amended and supplemented to provide within the Authority a higher education equipment leasing fund to finance the purchase of higher education equipment at participating public and private institutions of higher education (the "Colleges") within the State; and

WHEREAS, the Authority is authorized, pursuant to the Equipment Leasing Fund Act, to issue bonds to finance the purchase of such higher education equipment for lease to the Colleges provided that the total outstanding principal amount of the bonds shall not exceed \$100,000,000 and the term of any bond issued shall not exceed ten (10) years; and

WHEREAS, in order to provide funds to pay the costs of acquiring and installing such higher education equipment, the Authority has heretofore issued its Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 1994 A (the "Series 1994 A Bonds"), and secured the same under the terms and provisions of the Higher Education Equipment Leasing Fund Program General Bond Resolution (the "Bond Resolution") adopted by the Authority on August 10, 1994, and the First Supplemental Higher Education Equipment Leasing Fund Program Resolution adopted by the Authority on August 10, 1994 (the "First Supplemental Resolution"); and

WHEREAS, pursuant to the Equipment Leasing Fund Act and in order to provide for the payment of debt service on the Series 1994 A Bonds and Additional Bonds issued pursuant to the Bond Resolution, the Authority has heretofore entered into a Contract With Respect to Higher Education Equipment Leasing Fund Program, dated as of August 17, 1994 (the "Original Contract"), with the Treasurer providing for the payment, subject to available annual appropriations, of debt service on the Series 1994 A Bonds and any other Additional Bonds issued pursuant to the Bond Resolution; and

WHEREAS, as of September 1, 2000 all of the Series 1994 A Bonds have been retired, such that no Series 1994 A Bonds remain outstanding under the Bond Resolution; and

WHEREAS, the Authority, by resolution duly adopted on July 25, 2001, has determined to proceed with one or more additional series of bonds under the higher education equipment leasing

fund program to provide financing to Colleges for the acquisition and installation of such higher education equipment; and

WHEREAS, in order to provide funds to pay the costs of acquiring and installing such higher education equipment, the Authority proposes to issue its Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 2001 A (the "Series 2001 A Bonds") as a Series of Additional Bonds under the Bond Resolution, and to secure the same under the terms and provisions of the Bond Resolution, as heretofore amended and supplemented, and the Second Supplemental Higher Education Equipment Leasing Fund Program Resolution adopted by the Authority on July 26, 2001 (the "Second Supplemental Resolution"); and

WHEREAS, the Authority and the Treasurer propose to amend and restate the Original Contract in order to provide for the payment of debt service on the Series 2001 A Bonds and subsequent Additional Bonds issued pursuant to the Bond Resolution;

NOW, THEREFORE, in consideration of the mutual covenants, undertakings and agreements set forth herein, and intending to be legally bound, the Authority and the Treasurer hereby covenant and agree that the Original Contract is hereby amended and restated in its entirety, and hereby covenant and agree as follows:

ARTICLE I. DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein shall have the meanings set forth below or, where not so defined, in the Bond Resolution.

"Bonds" or "Bonds" means any of the bonds of the Authority which shall be authenticated and delivered under and pursuant to the terms of the Bond Resolution, including Additional Bonds and Refunding Bonds;

"Bond Resolution" means the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund Program General Bond Resolution adopted by the Authority on August 10, 1994, as the same may be amended and supplemented from time to time;

"Business Day" means any day that is not a Saturday, Sunday or legal holiday in the State or a day on which banking institutions chartered by the State or the United States are legally authorized to close;

"Code" means the Internal Revenue Code of 1986, as amended;

"Debt Service" means, for any period, as of any date of calculation and with respect to any Bonds, an amount equal to the sum of (i) the interest payable during such period on such Series of Bonds except to the extent such interest is to be paid from deposits made from Bond proceeds, and (ii) the amount payable in respect of the principal and premium, if any, and Sinking Fund Installments, if any, on such Series of Bonds during such period;

"Fiscal Year" means the fiscal year of the State, being the twelve (12) month period beginning on July 1 of each year and ending on June 30 of the succeeding year;

"Series 2001 A Bonds" means the \$87,385,000 aggregate principal amount of Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 2001 A, issued by the Authority pursuant to the Equipment Leasing Fund Act, the Resolution and the Second Supplemental Resolution;

"State" means the State of New Jersey;

"State Treasurer's Contract" or "Contract" means this amended and restated agreement which is to be entered into by and between the Treasurer and the Authority, pursuant to Section 5a of the Equipment Leasing Fund Act, together with any and all amendments and supplements thereto;

"Treasurer" means the Treasurer of the State; and

"Trustee" means The Bank of New York, West Paterson, New Jersey, the trustee for the Series 2001 A Bonds appointed under the Second Supplemental Resolution, or any successor thereto.

ARTICLE II.
ESTABLISHMENT OF FUNDS

Section 2.01. Revenue Fund. The Authority shall establish and maintain with the Trustee, in accordance with the Bond Resolution, the Revenue Fund.

Section 2.02. Funds and Accounts. The Authority shall establish and maintain with the Trustee the funds and accounts required by the Bond Resolution. Such funds and accounts shall be invested in accordance with the provisions of the Bond Resolution.

ARTICLE III.
ISSUANCE OF BONDS; APPROVALS OF STATE TREASURER

Section 3.01. Issuance of Bonds. The issuance of the Series 2001 A Bonds and any other Series of Bonds issued pursuant to the Bond Resolution shall be subject to the prior written consent of the Treasurer.

Section 3.02. Consents. The Authority agrees that it shall not, without the prior written consent of the Treasurer, take any of the following actions with respect to any of the Bonds:

- (a) the exercise of any option to redeem Bonds;
- (b) the purchase of any Bonds;
- (c) the defeasance of any Bonds;
- (d) the refunding of any Bonds;
- (e) the adoption of any Supplemental Resolution;
- (f) the removal of the Trustee or any other fiduciary appointed under the Bond Resolution or the appointment of any successor trustee or other successor fiduciary under the Bond Resolution; and
- (g) any amendment or modification of the terms of any lease agreement with a participating College.

Section 3.03. Approvals. The Authority agrees to use its best efforts to take whatever action the Treasurer deems necessary or desirable to effectuate the purposes and provisions of the Equipment Leasing Fund Act and to request from the Treasurer any approval which is required to be obtained by the Authority under the Bond Resolution. The Treasurer further agrees, upon the request of the Authority, to deliver to the Authority, the State's enacted General Appropriation Act as soon as practicable after such act is available.

Section 3.04. Disposition of Funds. When provision has been made for the payment of all outstanding Bonds in accordance with the Bond Resolution, the Authority agrees to direct the Trustee to pay over to the State any available balances in the funds held under the Bond Resolution.

ARTICLE IV.
REPRESENTATIONS IN RESPECT OF FEDERAL TAX LAWS

Section 4.01. Representations in Respect of Federal Tax Laws. (a) The Treasurer represents that he will not take any action, or fail to take any action that would adversely affect the exclusion from gross income of the holders of the Bonds of the interest on the Bonds. The Treasurer represents that he or she will not take any action or fail to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and that the Treasurer will comply with all applicable requirements of Section 148 of the Code.

(b) The Treasurer and Authority agree that a change in the State Contract shall be permitted when necessary to assure continued compliance with Section 148(f) of the Code. The Treasurer and Authority are empowered to amend certain provisions of the State Contract to assure compliance with such Code Section; provided that, the Treasurer and Authority obtain and deliver to the Trustee an opinion of nationally recognized bond counsel to the effect that such change is necessary to assure compliance with the Code. The obligations of the Treasurer and the Authority with respect to the federal tax laws shall survive the payment, redemption or defeasance of the Bonds until the expiration of all statutes of limitation applicable to the Authority with respect to the Bonds and Section 148 of the Code.

ARTICLE V, **PAYMENTS**

Section 5.01. Transfer from Revenue Fund. The Authority shall cause the Trustee to transfer from the Revenue Fund for deposit to the appropriate Funds and Accounts established under the Bond Resolution all amounts on deposit in the Revenue Fund.

Section 5.02. Pledge of Funds and Accounts. The Authority and the Treasurer agree that from and after the date of issuance of the Series 2001 A Bonds and so long thereafter as any Bonds shall be Outstanding, the Revenue Fund and all other Funds and Accounts provided for in the Bond Resolution shall be maintained by the Trustee and shall be pledged and applied as provided therein for the benefit and security of the Holders of the Bonds (except the Rebate Fund).

Section 5.03. Obligation to Pay Bonds. The Treasurer, acting under this Contract on behalf of the State, hereby agrees to pay, solely from amounts appropriated by the State Legislature, the principal and interest on the Bonds as they become due and payable based on each "Schedule of Payments" delivered to the Treasurer by the Authority promptly after the issuance of any Bonds. Each "Schedule of Payments", shall identify the Bonds and their date of issuance, shall set forth the amounts and dates of principal and interest payments and state the date of approval of the issuance of the Bonds by the Treasurer. The Treasurer, at the sole option of the State, may prepay any such payments in amounts and subject to conditions determined by the Treasurer.

Section 5.04. Manner of Payment of Bonds. The Treasurer shall transfer the amounts required to pay principal and interest on the Bonds to the Trustee in immediately available funds at least one business day prior to the due date of such payments. Standing payment instructions shall be provided to the Treasurer by the Authority. All such amounts shall be deposited in the appropriate account of the Revenue Fund. The Authority will maintain that fund, and the appropriate accounts in the fund, with the Trustee until all Bonds have been "paid" (as such term is used in the Resolution).

Section 5.05. Appropriation as Sole Source of Payment of Bonds. It is expressly understood that the payment obligations of the Treasurer under this Contract are subject to and dependent upon appropriations being made from time to time by the State Legislature for the purposes of paying principal of and interest on the Bonds.

Section 5.06. Payments Under Lease Agreements. In accordance with Section 5 of the Equipment Leasing Fund Act, the Authority agrees to include in its lease agreements with the participating Colleges provisions requiring that each College shall pay an amount equal to 25% of the amount necessary to pay principal and interest on the Bonds issued by the Authority to finance the purchase of Equipment at that College. The Authority agrees to remit immediately to the Treasurer any such amounts received from the Colleges. The Authority shall also include in those lease agreements, an agreement of the College permitting the Treasurer to retain from State aid or an appropriation payable to the College an amount sufficient to satisfy any amount a College fails or is unable to pay under its lease agreement, which acknowledges that any such retention shall not obligate the State to make, nor entitle the College to receive, any additional appropriation or apportionment.

Section 5.07. No Set Off Against Appropriations. The Treasurer and the Authority acknowledge that the only source of payment for the Bonds are amounts appropriated by the State Legislature and that amounts appropriated by the State Legislature for the payment of principal of and interest on the Bonds shall be paid, solely from appropriations, in amounts sufficient to meet such principal and interest on the Bonds without set off, counterclaim or other reduction in amounts, including, without limitation, reductions in amounts for failure of an institution to make payments required to be made under any lease agreement.

ARTICLE VI.
SECURITY FOR BONDS

Section 6.01. Assignment of State Contract. The parties hereto acknowledge that the Authority intends (a) to pledge and assign this Amended and Restated Contract to the Trustee for the benefit and security of the Bonds; and (b) to require the Trustee to covenant with the holders of the Bonds to enforce the provisions of this Amended and Restated Contract. The Treasurer consents to such pledge and assignment and acknowledges the obligation of the Trustee to enforce the provisions of this Amended and Restated Contract.

ARTICLE VII.
STATE OBLIGATION SUBJECT TO APPROPRIATIONS

Section 7.01. Obligation of State. It is expressly understood and agreed by the parties hereto that the incurrence of any obligation by the State or the Treasurer under this Contract shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes set forth herein and in the Equipment Leasing Fund Act. The obligation of the State or the Treasurer to pay the amounts provided for herein shall not constitute a debt or liability of the State within the meaning of any constitutional or statutory provision or a pledge of the faith and credit of the State and shall be deemed executory only to the extent of moneys appropriated, and no liability shall be incurred by the State or the Treasurer beyond the moneys then appropriated. For all purposes of this Contract, the references to the State shall include, without limitation, the present and all future Legislatures of the State and the members thereof.

Section 7.02. Appropriations. (a) The Treasurer agrees in each Fiscal Year at such time as will be sufficient for it to be included in the Governor's budget message to the Legislature for the ensuing Fiscal Year, to request that the Governor include in such budget message an appropriation of all amounts necessary to pay Debt Service on all Bonds then outstanding as contemplated by this Amended and Restated Contract and provided for in the Equipment Leasing Fund Act.

(b) The Treasurer further agrees to give to the Authority and the Trustee prompt written notice of any failure by the Legislature to include in the enacted General Appropriations Act of the State for such ensuing Fiscal Year an appropriation of an amount equal to all amounts contemplated by this Amended and Restated Contract and provided for in the Equipment Leasing Fund Act.

(c) The Treasurer further agrees that in the event an appropriation has not been made as provided in this Section 7.02 above, the Treasurer shall request the Governor to ask the Legislature for a supplemental appropriation of all such amounts.

(d) The Treasurer shall promptly give written notice to the Authority and the Trustee of the passage of any such supplemental appropriation.

ARTICLE VIII.
MISCELLANEOUS

Section 8.01. Amendments. This Amended and Restated Contract maybe amended or supplemented, from time to time, to implement further the provisions of the Equipment Leasing Fund Act without the approval of owners of the Bonds, provided that no such amendment or supplement to this Amended and Restated Contract shall adversely affect the interests of the owners of the Bonds. No amendment or waiver of the provisions of the Resolution shall be effective without the prior written consent of the Treasurer other than amendments or waivers that have no effect on the amounts payable by the Treasurer pursuant to this Amended and Restated Contract.

Section 8.02. Notices. Any notice to, or other instrument to be filed with, or demand upon the Trustee may be served, presented or made by being hand-delivered or sent by registered or certified United States mail or overnight courier service addressed to the Corporate Trust Department of the Trustee at 385 Rifle Camp Road, West Paterson, New Jersey 07424, or such other address as may be filed in writing by the Trustee with the Authority and the Treasurer. Any notice to, or other instrument to be filed with, or demand upon the Authority shall be deemed to have been sufficiently given or served, presented or made by the Trustee or others for all purposes by being hand-delivered or sent by registered or certified United States mail or overnight courier service addressed to the Authority at 101 College Road East, Princeton, New Jersey 08540, or at such other address as may be filed in writing by the Authority with the Trustee and the Treasurer. Any notice to, or other instrument to be filed with, or demand upon the Treasurer shall be deemed to have been sufficiently given or served, presented for all purposes by being hand-delivered or sent by registered or certified United States mail or overnight courier service addressed to the Treasurer in care of the Office of Public Finance at 50 West State Street, 5th Floor, P.O. Box 002, Trenton, New Jersey 08625, or at such other address as may be filed in writing by the Treasurer with the Trustee and the Authority; except that service of process upon the Treasurer shall be made upon the Attorney General of New Jersey pursuant to New Jersey Court Rule 4:4-4(f).

Section 8.03. Effective Date of Agreement. This Amended and Restated Contract shall become effective immediately upon its execution and delivery by the Treasurer and the Authority.

Section 8.04. Termination of Agreement. This Amended and Restated Contract shall not terminate unless (i) the Treasurer shall have paid or made provision for payment of all Bonds secured by this Amended and Restated Contract and (ii) the Treasurer shall deliver a written notice to the Authority to the effect that this Amended and Restated Contract has been terminated. When all Bonds have been paid (within the meaning of the Resolution) and fees and expenses required to be paid under the Resolution have been paid or provided for, all other available funds shall be turned over to the Treasurer.

Section 8.05. Signatories. None of the signatories to this Amended and Restated Contract shall have any personal liability or accountability as a result of their execution of this Amended and Restated Contract.

Section 8.06. Construction. This Amended and Restated Contract shall be construed and governed in accordance with the laws of the State of New Jersey.


Section 8.07. Statutory Debt Limitation. The aggregate Outstanding principal amount of bonds, notes or other obligations outstanding at any one time, exclusive of Refunding Bonds, pursuant to the Program and under the provisions of the Equipment Leasing Fund Act may not exceed \$100,000,000.

Section 8.08. Severability of Invalid Provisions. If any one or more of the covenants, representations or agreements provided in this Amended and Restated Contract to be performed on the part of the Authority or the Treasurer shall be determined to be contrary to law, then such covenant or covenants, representation or representations, or agreement or agreements shall be deemed severable from the remaining covenants, representations, or agreements contained herein and shall not in any way affect the validity of the other provisions of this Amended and Restated Contract.


Section 8.09. Counterparts. This Amended and Restated Contract may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Treasurer by its duly authorized deputy and the Authority by its duly authorized officer, each acting in their official capacities, have caused this Amended and Restated Contract to be executed and delivered as of September 1, 2001.

TREASURER OF THE STATE OF NEW
JERSEY

By: 
Peter R. Lawrance
Acting Treasurer

NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY

By: 
Victor Cantillo
Executive Director

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APPENDIX IV

FORM OF THE CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) is made as of the ___ day of October, 2023, by and among the TREASURER OF THE STATE OF NEW JERSEY (the “Treasurer”), the NEW JERSEY EDUCATIONAL FACILITIES AUTHORITY (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), and THE BANK OF NEW YORK MELLON, as Dissemination Agent (the “Dissemination Agent”), in its capacity as trustee under the Higher Education Equipment Leasing Fund Program General Bond Resolution adopted by the Authority on August 10, 1994 (the “General Bond Resolution”), as amended and supplemented, including by the Fifth Supplemental Higher Education Equipment Leasing Fund Program Resolution adopted by the Authority on July 25, 2023, and a Series Certificate of the Authority, dated as of September ___, 2023 (collectively, the “Resolution”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s \$_____ Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 2023A (the “Series 2023 Bonds”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Series 2023 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 Series 2023 Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Continuing Disclosure Information**” shall mean, collectively, (i) the Treasurer’s Annual Report, (ii) any notice required to be filed with the MSRB pursuant to Section 3(c) of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed with the MSRB pursuant to Section 5(c) of this Disclosure Agreement.

“**Listed Event**” or “**Listed Events**” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Obligated Person**” shall have the meaning given to such term in the Rule.

“**Opinion of Counsel**” shall mean a written opinion of counsel expert in federal securities law acceptable to the Treasurer and the Authority, which may be counsel or bond counsel to the Authority.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Series 2023 Bonds.

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

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

(a) The Treasurer shall, (a) by not later than March 15, 2024 and (b) by not later than March 15 of each year thereafter during which any of the Series 2023 Bonds remain Outstanding, provide to the Dissemination Agent the Treasurer’s Annual Report prepared for the fiscal year of the State ending the immediately preceding June 30 (or if the fiscal year of the State shall end on any date other than June 30, the Treasurer shall provide the Treasurer’s Annual Report to the Dissemination Agent not later than the fifteenth day of the ninth month next following the end of such other fiscal year); provided, however, that the audited financial statements of the State may be submitted separately from the Treasurer’s Annual Report and later than the date required herein for the filing of the Treasurer’s Annual Report if such audited financial statements are not available by such date, but only if the unaudited financial statements are included in such respective Treasurer’s Annual Report. Each Treasurer’s Annual Report provided to the Dissemination Agent by the Treasurer shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package. Each Treasurer’s Annual Report may cross-reference other information which is available to the public on the MSRB’s internet website or which has been filed with the SEC and, if the document incorporated by reference is a final official statement, it must be available from the MSRB. Unless otherwise required by law, any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in an electronic format as shall be prescribed by MSRB Rule G-32, and shall be accompanied by such identifying information as shall be prescribed by MSRB Rule G-32.

(b) The Dissemination Agent, promptly on receiving the Treasurer’s Annual Report, and, in any event, not later than April 1 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the first day of the tenth month next following the end of such other fiscal year), shall submit such Treasurer’s Annual Report received by it to the MSRB in accordance with the Rule.

(c) If the Treasurer fails to submit the Treasurer’s Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Treasurer and the Authority advising of such failure. Whether or not such notice is given or received, if the Treasurer thereafter fails to submit the Treasurer’s Annual Report to the Dissemination Agent or to submit it directly to the MSRB as provided in subsection (d) of this Section 3 by the last Business Day of the month in which such Treasurer’s Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

(d) (i) Notwithstanding anything to the contrary contained in this Disclosure Agreement, in order to expedite the transmission of the Treasurer’s Annual Report to the MSRB, as set forth in subsections (a), (b) and (c) of this Section 3, the Treasurer shall have the option, but shall not be obligated, to submit the Treasurer’s Annual Report directly to the MSRB by not later than March 15 in each year during which any of the Series 2023 Bonds remain Outstanding (or if the fiscal year of the State shall end on any date other than June 30, not

later than the fifteenth day of the ninth month next following the end of such other fiscal year). In the event that the Treasurer elects to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall, at the same time, submit the Treasurer's Annual Report to the Dissemination Agent together with evidence that such Treasurer's Annual Report has been forwarded by the Treasurer to the MSRB, upon which evidence the Dissemination Agent may rely. In the event that the Treasurer elects not to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent within the time period specified in subsection (a) of this Section 3.

(ii) If the Dissemination Agent does not receive notice that the Treasurer has submitted the Treasurer's Annual Report directly to the MSRB as provided in subsection (d)(i) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

SECTION 4. Contents of the Treasurer's Annual Report.

(a) Treasurer's Annual Report means (i) information pertaining to the finances and operating data of the State substantially of the type captioned as follows in Appendix I to the Official Statement of the Authority circulated in connection with the issuance of the Series 2023 Bonds: "STATE FINANCES," "FINANCIAL RESULTS AND ESTIMATES," "CASH MANAGEMENT," "TAX AND REVENUE ANTICIPATION NOTES," "LONG-TERM OBLIGATIONS," "MORAL OBLIGATIONS," "STATE EMPLOYEES," "STATE FUNDING OF PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) the State's Annual Comprehensive Financial Report, being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, all such financial information included in clause (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

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

SECTION 5. Reporting of Listed Events.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2023 Bonds, or other material events affecting the tax status of the Series 2023 Bonds;
- (7) Modifications to rights of Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances of the Series 2023 Bonds;
- (10) Release, substitution or sale of property securing repayment of the Series 2023 Bonds, if material;
- (11) Rating changes relating to the Series 2023 Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;¹
- (13) The consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee for the Series 2023 Bonds or the change of name of a trustee for the Series 2023 Bonds, if material;
- (15) Incurrence of a Financial Obligation (as defined below) of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a

¹ For the purposes of the event identified in paragraph (a)(12) of this Section 5, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

Financial Obligation of the Obligated Person, any of which affect Holders, if material; and

- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

With respect to events (15) and (16), “Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B), but shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Treasurer shall in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. The Authority shall promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events notify the Treasurer in writing of the occurrence of such event, but shall not be required to give any such notice to the Dissemination Agent. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Treasurer and the Authority may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Treasurer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Listed Event. In addition, notice of Listed Events described in subsections (a)(8) and (9) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the affected Series 2023 Bonds pursuant to the Resolution.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event), directly with the MSRB, copying the Dissemination Agent on any such notice.

(e) Each notice of a Listed Event relating to the Series 2023 Bonds shall include the CUSIP numbers of the Series 2023 Bonds to which such notice relates or, if the notice relates to all bond issues of the Authority, including the Series 2023 Bonds, such notice need only include the base CUSIP number of the Authority.

SECTION 6. Termination of Reporting Obligation. The respective obligations of the Treasurer and the Authority under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2023 Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Authority and the Treasurer may amend this Disclosure Agreement,

and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Treasurer, the Authority and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Treasurer or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Treasurer's Annual Report or notice of occurrence of a Listed Event, as the case may be, in addition to that which is required by this Disclosure Agreement. If the Treasurer or the Authority chooses to include any information in any Treasurer's Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update or continue to provide such information or include it in any future Treasurer's Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default.

(a) In the event of a failure of the Treasurer or the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Holders of at least 25% in aggregate principal amount of Outstanding Series 2023 Bonds affected by such failure shall), or any Holder may take such actions as may be necessary and appropriate to cause the Treasurer or the Authority to comply with its obligations under this Disclosure Agreement; provided, however, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Notwithstanding the foregoing, the right of any Holder to challenge the adequacy of information provided pursuant to this Disclosure Agreement shall be limited in the same manner as enforcement rights are limited under the General Bond Resolution. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Treasurer or the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

(b) For purposes of this Disclosure Agreement, in making determinations under applicable securities law, the Treasurer or the Authority may, but shall not be required to, rely on an Opinion of Counsel with respect to matters of a legal nature.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent and the Holders, and each Holder is hereby declared to be a third-party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

SECTION 11. Reimbursement of the Dissemination Agent. The provisions of Section 1207 of the General Bond Resolution relating to reimbursement of a Fiduciary shall

apply to the performance by the Dissemination Agent of its obligations as Dissemination Agent under this Disclosure Agreement.

SECTION 12. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

New Jersey Educational Facilities Authority
103 College Road East, 2nd Floor
Princeton, New Jersey 08540
Attn: Executive Director

(ii) If to the Treasurer:

New Jersey Department of the Treasury
c/o Office of Public Finance
50 West State Street, 5th Floor
P.O. Box 005
Trenton, New Jersey 08625
Attn: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

The Bank of New York Mellon
385 Rifle Camp Road
Woodland Park, New Jersey 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. The parties hereto agree that the Authority, the Treasurer or the State may be sued, pursuant to Section 9 hereof, only in a State court in the County of Mercer in the State.

SECTION 18. Compliance with L. 2005, c. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Disclosure Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 19. Compliance with L. 2005, c. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Disclosure Agreement or any subcontract awarded under this Disclosure Agreement shall be performed within the United States of America.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Disclosure Agreement to be executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREASURER, STATE OF NEW JERSEY

By: _____
Elizabeth Maher Muoio
State Treasurer

**NEW JERSEY EDUCATIONAL FACILITIES
AUTHORITY**

By: _____
Sheryl A. Stitt
Executive Director

**THE BANK OF NEW YORK MELLON,
as Dissemination Agent**

By: _____
Authorized officer

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: New Jersey Educational Facilities Authority

Name of Bond Issue affected: \$_____ Revenue Bonds, Higher Education
Equipment Leasing Fund Program Issue, Series
2023A (the “Series 2023 Bonds”)

Date of Issuance of affected Bond Issue: October __, 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 October __, 2023 by and among the Treasurer, the New Jersey Educational Facilities Authority and the Dissemination Agent.

[TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE – The Treasurer anticipates that the specified Treasurer’s Annual Report will be filed by _____.]

Dated: _____

**THE BANK OF NEW YORK MELLON,
as Dissemination Agent**

By: _____
Name:
Title:

cc: State Treasurer
New Jersey Educational Facilities Authority

APPENDIX V

FORM OF OPINION OF BOND COUNSEL

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[UPON DELIVERY OF THE SERIES 2023 BONDS, CHIESA SHAHINIAN & GIANTOMASI PC, BOND COUNSEL, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[CLOSING DATE]

New Jersey Educational Facilities Authority
Princeton, New Jersey 08540

The Honorable Elizabeth Maher Muoio
Treasurer, State of New Jersey
Trenton, New Jersey

Re: New Jersey Educational Facilities Authority
Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue,
Series 2023 A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the New Jersey Educational Facilities Authority (the “Authority”) of its \$_____ Revenue Bonds, Higher Education Equipment Leasing Fund Program Issue, Series 2023 A (the “Series 2023 Bonds”).

The Series 2023 Bonds are being issued under and pursuant to the Higher Education Equipment Leasing Fund Act, being Chapter 136 of the Public Laws of 1993, as amended and supplemented (the “ELF Act”), which amended and supplemented the New Jersey Educational Facilities Authority Law, being Chapter 72A of Title 18A of the Public Laws of 1967, as amended and supplemented (the “Authority Law” and, together with the ELF Act, the “Act”), and under and pursuant to the Authority’s Higher Education Equipment Leasing Fund General Bond Resolution adopted on August 10, 1994, as amended and supplemented to date (the “General Bond Resolution”), including as supplemented by the Fifth Supplemental Higher Education Equipment Leasing Fund Program Resolution adopted on July 25, 2023 (the “Fifth Supplemental Resolution”) and a certificate executed by an Authorized Officer of the Authority dated the date of sale of the Series 2023 Bonds (the “Series Certificate”). The General Bond Resolution, as heretofore amended and supplemented, including as supplemented by the Fifth Supplemental Resolution and the Series Certificate, is referred to collectively herein as the “Resolution.” The Bank of New York Mellon, Woodland Park, New Jersey, is acting as trustee (the “Trustee”) under the Resolution. Capitalized terms used herein and not otherwise defined herein have the meaning given to such terms in the Resolution or the Act.

The Act, among other things, empowers the Authority to issue its obligations to obtain funds to finance the cost of acquiring and installing scientific, engineering, technical, computer, communications, and instructional equipment (collectively, the “Higher Education Equipment

Projects”) at Public Institutions of Higher Education and Private Institutions of Higher Education within the State.

The Series 2023 Bonds are being issued for the purpose of (i) providing funds to finance the cost of acquiring and installing Higher Education Equipment Projects at Public Institutions of Higher Education and Private Institutions of Higher Education within the State in accordance with the ELF Act, and (ii) paying the costs of issuing the Series 2023 Bonds.

In connection with the issuance of the Series 2023 Bonds, the Authority will enter into lease agreements, as lessor (each, a “Lease” and collectively, the “Leases”), with Public Institutions of Higher Education and Private Institutions of Higher Education in the State (each an “ELF Grantee” and collectively, the “ELF Grantees”) that finance the acquisition of Higher Education Equipment with the proceeds of the Series 2023 Bonds.

The Series 2023 Bonds are dated and bear interest from their date of delivery. Interest on the Series 2023 Bonds will be payable semi-annually on each March 1 and September 1, commencing March 1, 2024. The Series 2023 Bonds bear interest at the respective rates per annum, mature on the dates and in the principal amounts, and will be subject to redemption prior to maturity, all as set forth in the Resolution.

The Series 2023 Bonds are being issued in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2023 Bonds. Purchases of the Series 2023 Bonds will be in book-entry only form in authorized denominations as provided for in the Resolution.

As required by the Act and in order to provide for payments relating to the Series 2023 Bonds and any other bonds issued under the Resolution, the Treasurer of the State of New Jersey (the “State Treasurer”) and the Authority have entered into a Contract With Respect to Higher Education Equipment Leasing Fund Program, dated as of August 17, 1994, as amended and restated by the Amended and Restated Contract With Respect to Higher Education Equipment Leasing Fund Program, dated as of September 1, 2001 (collectively, the “State Contract”), pursuant to which the State Treasurer has agreed to make payments solely from amounts appropriated by the New Jersey State Legislature (the “State Legislature”) in amounts sufficient to pay the principal of and interest on the Series 2023 Bonds, and any other bonds issued under the Resolution, subject to and dependent upon appropriations being made from time to time by the State Legislature. Pursuant to the Resolution, the pledge securing the payment of the principal of, or redemption price, if any, and interest on the Series 2023 Bonds and any other bonds issued under the Resolution consists of the Revenues (except such Revenues consisting of investment earnings that are required to be rebated to the Federal Government) and all moneys, securities and funds which are held or set aside or which are to be held or set aside pursuant to the terms of the Resolution or which are held in any funds (except the Rebate Fund) established and created under the Resolution (collectively, the “Pledged Property”).

Neither the State of New Jersey (the “State”) nor any political subdivision thereof is obligated to pay, and neither the faith and credit nor the taxing power of the State or any political

subdivision thereof is pledged to the payment of the principal or redemption price of and interest on the Series 2023 Bonds. The Series 2023 Bonds are special and limited obligations of the Authority, payable solely out of the Revenues or other receipts, funds or moneys of the Authority pledged under the Resolution and from any amounts otherwise available under the Resolution for payment of the Series 2023 Bonds. The Series 2023 Bonds do not now and will never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings related to the authorization and issuance of the Series 2023 Bonds, including, among other things: (a) certified copies of the Resolution, the State Contract, and the forms of the Series 2023 Bonds, (b) such matters of law, including, *inter alia*, the Act, (c) various documents and certificates executed by the Authority, the State Treasurer, and the ELF Grantees, and (d) such other opinions, agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Series 2023 Bonds, as we have deemed necessary or appropriate. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to matters of fact, we have relied upon the genuineness, accuracy and completeness of all the documents and other instruments which we have examined.

The Internal Revenue Code of 1986, as amended (the “Code”), together with the Treasury Regulations promulgated thereunder (the “Treasury Regulations”), imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Series 2023 Bonds in order for interest on the Series 2023 Bonds to be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. Such requirements include, but are not limited to, requirements relating to the use and investment of the proceeds of the Series 2023 Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis.

The sale date of the Series 2023 Bonds is within fourteen (14) days of the sale date of the Authority’s \$_____ Revenue Bonds, Higher Education Capital Improvement Fund Issue, Series 2023 A (the “CIF Bonds”). The CIF Bonds are being issued under and pursuant to the Higher Education Capital Improvement Fund Act, being Chapter 217 of the Public Laws of 1999, as amended and supplemented (the “CIF Act”) and under and pursuant to a separate bond resolution from the Series 2023 Bonds. The CIF Bonds are secured pursuant to a separate contract with the State Treasurer and are being sold pursuant to a separate official statement from the Series 2023 Bonds. The CIF Bonds are being issued for the purpose of (i) providing funds to finance the cost of the renewal, renovation, improvement, expansion, construction and reconstruction of facilities and technology infrastructure at instructional, laboratory, communication, research, administrative, and student-support facilities (collectively, the “Higher Education Capital Improvement Projects”) at Public Institutions of Higher Education and Private Institutions of Higher Education within the State in accordance with the CIF Act, and (ii) paying the costs of issuance of the CIF Bonds. In connection with the issuance of the CIF Bonds, the Authority is entering into grant agreements (each, a “CIF Grant Agreement” and collectively, the “CIF Grant Agreements”) with the Public Institutions of Higher Education and Private

Institutions of Higher Education that are receiving Grants funded with proceeds of the CIF Bonds (each a “CIF Grantee” and collectively, the “CIF Grantees”).

Pursuant to Treasury Regulations Section 1.150-1(c)(1), in general, if two or more bond issues are sold at substantially the same time, pursuant to a common plan of finance, and are reasonably expected to be paid from the same source of funds for federal income tax purposes, then such bonds will be treated as part of the same issue for federal income tax purposes. The effect of being treated as one issue for federal income tax purposes is that the failure of one of the bond issues to comply with the requirements of the Code and Treasury Regulations applicable to such bond issue could cause interest on such bond issue to be includable in gross income of the holders of the bonds of such bond issue retroactive to the date of issuance of such bond issue, and could also cause interest on such other bond issue to be includable in gross income of the holders of the bonds of such other bond issue retroactive to the date of issuance of such other bond issue.

Pursuant to Treasury Regulations Section 1.150-1(c)(3), an issuer may, subject to certain requirements and restrictions, elect to treat bonds that would otherwise be treated as one issue for federal income tax purposes as separate issues for certain purposes of the Code, if each such separate issue independently qualifies as a tax-exempt bond issue. However, bonds may not be treated as separate issues for certain provisions of the Code, including provisions relating to arbitrage and arbitrage rebate and private activity limitations.

Accordingly, the Series 2023 Bonds and the CIF Bonds as being treated as one issue for certain purposes of the Code. However, for certain purposes under the Code, the Authority is electing to treat the portion of the Series 2023 Bonds and the portion of the CIF Bonds being used to finance grants to Public Institutions of Higher Education as traditional governmental bonds, and is electing to treat the portion of the Series 2023 Bonds and the portion of the CIF Bonds being used to finance grants to Private Institutions of Higher Education as qualified 501(c)(3) bonds, within the meaning of the Code.

As such, a failure by the Authority, the Public Institutions of Higher Education, or the Private Institutions of Higher Education to comply with certain requirements and restrictions under the Code, whether with respect to the Series 2023 Bonds or the CIF Bonds, could cause the interest on the Series 2023 Bonds to be includable in gross income of the holders of the Series 2023 Bonds retroactive to the date of issuance of the Series 2023 Bonds.

In connection with the issuance of the Series 2023 Bonds and the CIF Bonds, the Authority is delivering its tax certificate (the “Authority Tax Certificate”), the ELF Grantees are each delivering their respective tax certificates (each, an “ELF Grantee Tax Certificate” and collectively, the “ELF Grantee Tax Certificates”), and the CIF Grantees are each delivering their respective tax certificates (each, a “CIF Grantee Tax Certificate” and collectively, the “CIF Grantee Tax Certificates”). The Authority Tax Certificate, the ELF Grantee Tax Certificates, and the CIF Grantee Tax Certificates (collectively, the “Tax Certificates”) each contain representations, provisions and procedures as to compliance with the requirements of the Code and Treasury Regulations relating to the exclusion of interest from gross income for federal income tax purposes.

The Authority, by an Authorized Officer of the Authority responsible for issuing the Series 2023 Bonds, and authorized officers of each of the Grantees (as such term is hereinafter defined), have each executed their respective Tax Certificates stating their respective reasonable expectations on the date of issuance of the Series 2023 Bonds as to future events that are material pursuant to the requirements of the Code in order for interest on the Series 2023 Bonds to be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. In addition, the Authority has represented in the Authority Tax Certificate that it expects and intends to comply, and to the extent permitted by law, will comply, with the requirements set forth in the Authority Tax Certificate, and the ELF Grantees and the CIF Grantees have represented and covenanted in their respective ELF Grantee Tax Certificates and CIF Grantee Tax Certificates to comply with such applicable requirements.

Each of the ELF Grantees and each of the CIF Grantees (each, a “Grantee” and collectively, the “Grantees”) has covenanted that, throughout the term of the Series 2023 Bonds or CIF Bonds, as applicable, allocable to such Grantee, such Grantee will not carry on or permit to be carried on in any property now or hereafter owned by it any trade or business, nor will it take any action or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if the conduct of such trade or business or such other action or circumstance would cause all or a portion of the interest paid by the Authority on the Series 2023 Bonds, or any portion thereof, to be includible in gross income for federal income tax purposes.

Each of the ELF Grantees and each of the CIF Grantees constituting a Private Institution of Higher Education (each, a “Private Grantee” and collectively, the “Private Grantees”) has represented that it is an organization described in Section 501(c)(3) of the Code, is not a “private foundation” within the meaning of Section 509(a) of the Code, and is exempt from federal income tax under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code.

For purposes of rendering the opinions set forth below, we have assumed, with your permission, (i) the accuracy and genuineness of all representations made by the Authority in the Resolution, (ii) the accuracy and genuineness of all representations made by the Authority and the State Treasurer in the State Contract, (iii) the genuineness of the signatures of all persons and the authenticity of all documents submitted to us as copies and the legal capacity of all natural persons, and (iv) the proper authorization and due execution and delivery by, and enforceability against, all parties, other than the Authority and the State Treasurer, of the documents and other instruments which we have examined. We have also relied upon opinions of counsel to each of the Private Grantees, of even date herewith, that (a) each such Private Grantee (I) has been determined to be and is exempt from federal income taxes under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code, and (II) is not a “private foundation” as defined in Section 509(a) of the Code, and (b) to the knowledge of such counsel, after due inquiry of responsible officers of such Private Grantee, such Private Grantee has made all filings necessary to maintain its status as an exempt organization and has done nothing to impair its status as an exempt organization described in Section 501(c)(3) of the Code, and (c)

the projects of such Private Grantee financed with the proceeds of the respective grants will be, if used as described in the Private Grantee's grant agreement or lease agreement, as applicable, and related applications, used in furtherance of such Private Grantee's exempt purpose under the Code, will not be used in an unrelated business activity within the meaning of Section 513 of the Code and will not adversely impact such Private Grantee's status as an organization described in Section 501(c)(3) of the Code. Such opinions are based on certain assumptions and contain certain exceptions, limitations and qualifications.

In addition, in rendering our opinion with respect to the exclusion of interest on the Series 2023 Bonds from gross income for federal income tax purposes and with respect to interest on the Series 2023 Bonds not constituting an item of tax preference, we have assumed continuing compliance by the Authority with the representations set forth in the Authority Tax Certificate, by the ELF Grantees with the representations and covenants set forth in their respective ELF Grantee Tax Certificates, and by the CIF Grantees with the representations and covenants set forth in their respective CIF Grantee Tax Certificates.

Based upon the foregoing and, with your permission, subject to the further assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic constituting an instrumentality of the State, is duly created and validly existing under the Act, and has the right, power and authority under the Act to adopt the General Bond Resolution and the Fifth Supplemental Resolution and to execute the Series Certificate and to perform its obligations thereunder, to enter into the State Contract, and to issue and sell the Series 2023 Bonds.

2. The General Bond Resolution and the Fifth Supplemental Resolution have each been duly and lawfully adopted by the Authority and the Series Certificate has been duly and lawfully executed by the Authority, each is in full force and effect and is valid and binding upon the Authority, enforceable in accordance with its terms, and no other authorization for the General Bond Resolution, the Fifth Supplemental Resolution or the Series Certificate is required, which has not already been obtained.

3. The Resolution creates the valid pledge which it purports to create of the Pledged Property, including payments made to the Authority pursuant to the State Contract, subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

4. The Series 2023 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Constitution and statutes of the State, including the Act and the Resolution, constitute legal, valid and binding obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution, the State Contract and the Act, and are enforceable in accordance with their terms and the terms of the Resolution.

5. The State Contract is in full force and effect and is legal, valid and binding upon the Authority and the State Treasurer, and enforceable against the Authority and the State Treasurer in accordance with its terms, subject to the payment obligations thereunder being subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose.

6. Under existing statutes, regulations, rulings and judicial decisions, and assuming continuing compliance with the provisions of the Code applicable to the Series 2023 Bonds, interest on the Series 2023 Bonds is excludable from gross income of the holders thereof for federal income tax purposes. Interest on the Series 2023 Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax applicable to individuals. For tax years beginning after December 31, 2022, interest on the Series 2023 Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Authority and the Grantees comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Series 2023 Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2023 Bonds to be so includable in gross income retroactive to the date of issuance of the Series 2023 Bonds. As discussed above, failure to comply with certain of such requirements applicable to the CIF Bonds could cause the interest on the Series 2023 Bonds to be includable in gross income retroactive to the date of issuance of the Series 2023 Bonds. The Authority has represented in the Authority Tax Certificate that it expects and intends to comply, and to the extent permitted by law, will comply, with all such requirements. In addition, the Grantees have covenanted to comply with all such requirements applicable to the Grantees.

We express no opinion regarding other federal tax consequences relating to the Series 2023 Bonds or the receipt of interest thereon.

7. Under the laws of the State of New Jersey, as enacted and construed on the date hereof, interest on the Series 2023 Bonds and gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act, as amended.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2023 Bonds, the Resolution, the State Contract and the other documents mentioned herein may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles affecting rights or remedies of creditors and secured parties, from time to time in effect relating to the enforcement of creditors' rights generally, and that the availability of specific enforcement, injunctive relief or other equitable remedies is subject to the discretion of the court before which any proceedings may be brought.

Attention is called to the fact that the Series 2023 Bonds and the interest thereon are special, limited obligations of the Authority payable solely from and secured solely by the Pledged Property under the Resolution, and that all amounts payable by the State Treasurer under the State Contract are subject to and dependent upon appropriations being made from time to time by the State Legislature, which has no legal obligation to make any such appropriation. The failure of the State Legislature to make such appropriation is not an event of default under

the State Contract or under the Resolution. The Series 2023 Bonds and the interest thereon do not create or constitute any indebtedness, liability or obligation of the State or any political subdivision of the State other than the Authority (and only to the limited extent set forth in the Series 2023 Bonds and in the Resolution) or constitute a pledge of the faith and credit or taxing power of the State or any political subdivision thereof. The Authority has no taxing power.

The opinions expressed herein are based upon, and limited to, the laws and judicial decisions of the State, exclusive of conflicts of law provisions, and the federal laws and judicial decisions of the United States of America as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Authority with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressees hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

APPENDIX VI

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The information in this APPENDIX VI concerning The Depository Trust Company (“DTC”) and DTC’s book-entry only system has been provided by DTC. Accordingly, the Authority takes no responsibility for the completeness or accuracy of such information and neither the DTC participants nor the Beneficial Owners should rely on such information with respect to such matters but should instead confirm the same with DTC or the DTC participants, as the case may be.

DTC will act as securities depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully-registered securities, in authorized denominations, registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2023 Bonds certificate will be issued for each maturity of the Series 2023 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 authority” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 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 and Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2023 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023 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 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 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 the Series 2023 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2023 Bond documents. For example, Beneficial Owners of the Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2023 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any matter related to the Series 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 the Series 2023 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal and interest payments on the Series 2023 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority and the Trustee; disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2023 Bonds at any time by giving written notice to the Authority which shall promptly provide a copy of such notice to

the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2023 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of book-entry only transfers through DTC (or a successor securities depository). In such event, Series 2023 Bond certificates will be printed and delivered to DTC.

NEITHER THE AUTHORITY, THE TRUSTEE NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2023 BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2023 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2023 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2023 BONDS, OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2023 BONDS, REFERENCES IN THIS APPENDIX VI TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE SERIES 2023 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2023 BONDS.

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