This Preliminary Official Statement and the information contained herein are subject to completion or amendment in a Final Official Statement. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the applicable securities laws of any such jurisdiction. Final written confirmation of the sale shall not be conclusive unless the Final Official Statement is delivered to the purchaser.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 17, 2009

BOROUGH OF PEAPACK AND GLADSTONE, NEW JERSEY

$4,494,000 General Improvement Bonds
(Book-Entry Only)
(Callable)
(Bank Qualified)
(Parity Bid)
(Sure Bid)

Dated: December 1, 2009

Due: December 1 as shown on the inside cover page

This Official Statement has been prepared by the Borough of Peapack and Gladstone (the "Borough") to provide information on the $4,494,000 General Improvement Bonds (the "Bonds"). Selected information is presented on this cover page including the following page) for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Bond Rating	Moody's:
Tax Exemption	Interest is exempt from federal income taxation. Interest is not includable when calculating the federal personal alternative minimum tax. Interest is included when calculating the federal alternative minimum tax on corporations. Interest and any gain from the sale of the Bonds are not includable as gross income under the New Jersey Gross Income Tax Act.
Redemption	The Bonds are subject to redemption prior to their stated maturities as more fully described herein.
Security	General obligations of the Borough.
Purpose	To finance various capital improvements as more fully described herein.
Denominations	Multiples of $1,000.
Interest Payment Dates	June 1, 2010 and semiannually thereafter on the first days of June and December in each year until maturity.
Interest Rates per Annum	See inside cover page.
Bond Counsel	Lomurro, Davison, Eastman & Munoz, P.A.
Closing/ Settlement	On or about December 3, 2009.
Book-Entry-Only	The Depository Trust Company.
Issuer Contact	Mary Robinson, Chief Financial Officer Borough of Peapack and Gladstone 908.234.2251

ELECTRONIC PROPOSALS SUBMITTED VIA THE PARITY ELECTRONIC BIDDING SYSTEM WILL BE ACCEPTED UNTIL 11:30 A.M. FOR THE BONDS ON TUESDAY, NOVEMBER 24, 2009
FOR MORE INFORMATION ON HOW TO BID, PLEASE REFER TO THE ENCLOSED NOTICE OF SALE

BOROUGH OF PEAPACK AND GLADSTONE,
NEW JERSEY

$4,494,000 General Improvement Bonds

(Book-Entry Only)
(Callable)
(Bank Qualified)
(Parity Bid)
(Sure Bid)

MATURITIES, INTEREST RATES AND YIELDS ON THE BONDS

Year	Principal Amount	Interest Rate	Yield
2010	$150,000	%	%
2011	$155,000		
2012	$165,000		
2013	$175,000		
2014	$185,000		
2015	$190,000		
2016	$200,000		
2017	$205,000		
2018	$215,000		
2019	$220,000		
2020	$230,000		
2021	$235,000		
2022	$245,000		
2023	$250,000		
2024	$260,000		
2025	$270,000		
2026	$275,000		
2027	$280,000		
2028	$290,000		
2029	$299,000		

BOROUGH OF PEAPACK AND GLADSTONE, NEW JERSEY

MAYOR
William H. Horton

COUNCIL MEMBERS

Michael Seboria
William H. Harris
Douglas McDowell
Judith Silacci
Anthony Suriano
John L. Sweeney

CHIEF FINANCIAL OFFICER
Mary Robinson

MUNICIPAL CLERK
Margaret J. Gould

BOROUGH ATTORNEY
Sharon H. Moore, Esq.
Gebhardt & Kiefer
1318Route 31
Clinton, NJ 08809

AUDITOR
Timothy Vrabel, RMA
T.M. Vrabel & Associates, LLC
170 East Main Street
Denville, NJ 07834

BOND COUNSEL
John L. Kraft, Esq.
Lomurro, Davison, Eastman & Munoz, P.A
100 Willow Brook Road
Freehold, NJ 07728

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents 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, and copies of which may be inspected at the offices of the Borough during normal business hours.

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 Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

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PRELIMINARY OFFICIAL STATEMENT
Relating to

$4,494,000 GENERAL IMPROVEMENT BONDS

of the

BOROUGH OF PEAPACK AND GLADSTONE, NEW JERSEY

INTRODUCTION

This Preliminary Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Peapack and Gladstone, New Jersey (the "Borough") in connection with the sale and the issuance of $4,494,000 General Improvement Bonds dated December 1, 2009 (the "Bonds"). This Preliminary Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds.

THE BONDS

General Description

The Bonds are dated, will mature on the dates and in the amounts and will bear interest payable semiannually as set forth on the cover page hereof. Principal on the Bonds is payable upon presentation and surrender of the Bonds at the Borough (the "Paying Agent") for the Bonds. Interest payments will be paid by the Borough to Cede & Co., the registered owner of the Bonds and nominee of The Depository Trust Company.

Redemption

The Bonds maturing prior to December 1, 2020 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2020 are redeemable at the option of the Borough in whole on any date or in part on any interest payment date on or after December 1, 2019, upon notice as required herein at the respective prices expressed as percentages of principal amount set forth below (the "Redemption Price"), plus in each case accrued interest to the date fixed for redemption:

Redemption Period	Redemption Price
December 1, 2019 through December 1, 2020	101%
December 1, 2020 through December 1, 2021	100.5%
December 1, 2021 and thereafter	100%

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered ownes of the Bonds not less than thirty days, nor more than sixty days, prior to the date fixed for redemption, at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. If the Borough determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by such method as the Borough shall determined.

If Notice of Redemption has been given as provided herein, the Bonds or th portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption and no further interest shall accrue beyond the redemption date.

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligation bonds of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Borough is required by law to levy ad valorem taxes upon all the real property taxable within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

MATURITY SCHEDULE

Year	Principal Amount
2010	$ 150,000
2011	$ 155,000
2012	$ 165,000
2013	$ 175,000
2014	$ 185,000
2015	$ 190,000
2016	$ 200,000
2017	$ 205,000
2018	$ 215,000
2019	$ 220,000
2020	$ 230,000
2021	$ 235,000
2022	$ 245,000
2023	$ 250,000
2024	$ 260,000
2025	$ 270,000
2026	$ 275,000
2027	$ 280,000
2028	$ 290,000
2029	$ 299,000

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq. and the various bond ordinances of the Borough of Peapack and Gladstone set forth below to provide the current refunding of $4,636,000 Bond Anticipation Notes due December 4, 2009, together with $131,000 being paid down pursuant to a budget appropriation and $600,000 being paid down with open space grant monies and to issue new money in the amount of $589,000 as set forth below:

Principal Amount of Bonds	Number of Ordinance	Description of Improvement and Date of Adoption of Ordinance
$ 240,000	803 as amended and supplemented by 809 and 854	Amending Bond Ordinance Nos. 803 and 809, March 12, 2002 and June 25, 2002, respectively, and providing for the purchase of Sara Kay Memorial Building, finally adopted 2/8/05
$2,019,000	871	Providing for the acquisition of land for open space purposes, finally adopted 9/13/05
$1,489,000	872	Providing for the acquisition of real property to be used by the Borough in order to satisfy the New Jersey Council on Affordable Housing Requirements, finally adopted 9/13/05
$ 475,000	908	Providing for the purchase of a fire truck, finally adopted 6/10;08
$ 105,000	909	Providing for various capital improvements, finally adopted 6/10/08

$ 52,000	914	Providing for the replacement of boilers at the Municipal Building, finally adopted 8/26/08
$ 57,000	922	Providing for a supplemental appropriation for the replacement of boilers at the Municipal Building, finally adopted 3/10/09
$ 57,000	932	Providing for a second supplemental appropriation for the replacement of boilers at the Municipal Building, finally adopted 8/25/09
$4,494,000		

THE DEPOSITORY TRUST COMPANY ("DTC") INFORMATION

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of Bonds, in the aggregate principal amount of each 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 agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities

Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("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 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 Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices, if any, shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 Borough, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Borough. Under such circumstances, in the event that a successor depository is not obtained, certificated bonds are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, certificated bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

The principal of and interest on the Bonds are payable to DTC by the Borough.

MUNICIPAL FINANCE -
FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3 1/2% of its average equalized valuation basis. The average for the last three years, of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of the Borough, as annually determined by the State Director of Taxation is $889,924,946.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that maybe deemed self-liquidating.

The Borough has not exceeded its statutory debt limit. As of July 28, 2009, the statutory net debt as a percentage of average equalized valuation was .71%. As noted above, the statutory limit is 3 1/2%.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes

may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. An amount equal to the first legally payable maturity determined in accordance with the Local Bond Law, must be paid by the Borough at the end of the third year and at the end of each succeeding year if bond anticipation notes are renewed at those times.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit

to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi- capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two- thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

A Statute passed in 1976, as amended (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". While the revised "Cap Law" is more restrictive on the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by 5% or the "Index Rate" if the index rate is greater than 5%. The "Index Rate" is the rate of annual percentage increase in the

Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The "Cap Law" does not limit the obligation of the Borough to levy ad valorem taxes upon all taxable real property within the Borough to pay debt service on the Bonds. Additionally, P.L. 2007, c. 62, effective April 3, 2007, imposes a 4% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for debt service and certain lease payments to county improvement authorities, increases to replace certain lost state aid, increases in certain pension contributions, increases in the reserve for uncollected taxes required for municipalities, and certain increases in health care costs over 4%. The Local Finance Board may approved waivers for certain extraordinary costs identified by statute, and voters may approve increases above 4% not otherwise permitted by a vote of 60% of the voters voting on a public question.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Borough was last completed in 1995.

Upon the filing of certified adopted budgets by the Borough's Local School District, Fire Districts and the County, the tax rate is struck by the Somerset County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Borough. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first $1500.00 of the delinquency and 18% per annum on any amount in excess of $1500.00. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in

accordance with New Jersey Statues. The Borough has no liens itself. The liens are held by third party buyers.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Beginning in 1992, prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey, for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the Local Units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2004 for each local unit is on file with the Clerk and is available for review during business hours.

CONTINUING DISCLOSURE

The Borough has entered into a written UNDERTAKING to provide secondary market disclosure information as set forth in SEC Rule 15c2-12. A copy of the UNDERTAKING is set forth in Appendix C. Annual financial information including operating data shall be provided to any person upon request. Requests for such information should be director to: Mary Robinson, Chief Financial Officer, Borough of Peapack and Gladstone, One School Street, Peapack, NJ 07977.

Notices of events specified in SEC Rule 15c2-12, if material, shall be filed with www.emma.msrb.org.

The Borough has never failed to comply with the terms of any undertaking to provide secondary market disclosure information as set forth in SEC Rule 15c2-12.

LITIGATION

To the knowledge of the Borough Attorney, Sharon H. Moore, Esq., there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided. A certificate to such effect will be executed by the Borough's Attorney and shall be delivered to the Purchaser of the Bonds at the closing.

TAX MATTERS

Federal

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of Lomurro, Davison, Eastman & Munoz, P.A., Bond Counsel to the Borough to be delivered at the time of original issuance of the Bonds, interest on the Bonds is not includable in gross income for federal income tax purposes under current law if the Borough complies with its covenant. The Bonds are not "private activity bonds" as such term is defined in the Code.

Personal Alternative Minimum Tax

Interest on the Bonds is not included as an item of tax preference under Section 57 of the Code for purposes of compting the alternative minimum tax.

Corporate Alternative Minimum Tax

The Code provides that an alternative minimum tax is imposed on corporations at a rate of 20 percent. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of seventy-five percent (75%) of the amount by which "adjusted current earnings" exceed alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the Bonds is a

component of a corporate holder's "adjusted current earnings", a portion of that interest may be subject to an alternative minimum tax.

Branch Profits Tax

Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax

Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt bonds held by an S corporation, such as the Bonds, would be included in the calculation of excess net passive income.

Section 265 Qualification

The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

The Bonds **will** be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

Other Federal Tax Consequences

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including 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.

State

Interest on the Bonds and any gain on the sale thereof is not includable as gross income under the New Jersey Gross Income Tax Act.

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

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional, building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 94-260 approved April 8, 1976, the Bankruptcy Reform Act of 1994, effective October 22, 1994, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et.seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance

Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

RATING

The Borough has applied for a municipal credit rating on its Bonds from Moody's Investors Service.

The rating reflects only the views of the rating agency and an explanation of such rating can be obtained from Moody's Investors Servcie, New York, New York. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if in the rating agency's judgement, circumstances so warrant. Any downward change in or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Lomurro, Davison, Eastman & Munoz, P.A., Freehold, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix B. Certain legal matters will be passed on for the Borough by its Counsel, Sharon H. Moore, Esq., Clinton, New Jersey.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the purchasers of the Bonds, by certificates signed by the Mayor and Chief Financial Officer, that to their knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

T.M. Vrabel & Associates, LLC assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

All other information has been obtained from sources which T.M. Vrabel & Associates, LLC considers to be reliable and they make no warranty, guaranty or other representation which respect to the accuracy and completeness of such information.

Lomurro, Davison, Eastman & Munoz, P.A. has not participated in the preparation of the financial or statistical information contained in this official statement, nor has

he verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough's Auditor, Timothy Vrabel, RMA (973) 625-2920 or the Borough's Chief Financial Officer, Mary Robinson at (908) 234-2251.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers of holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

Borough of Peapack and Gladstone

/s/ Mary Robinson
Chief Financial Officer

APPENDIX A

Certain Information Concerning the Borough of Peapack and Gladstone

GENERAL INFORMATION
OF THE
BOROUGH OF PEAPACK AND GLADSTONE
COUNTY OF SOMERSET, STATE OF NEW JERSEY

General

The Borough of Peapack and Gladstone was incorporated from parts of Bedminster Township on March 28, 1912, although the earliest known history of the Dutch settlement in the Peapack Valley reaches back to 1708.

The Borough occupies approximately 5.9 square miles in the Somerset Region called the Somerset Hills area. This area is a group of low density rural and country estate communities extending north of Route 22 and continuing into Chester and the Mendham area of Morris County. Combining great natural beauty with accessibility to the New York commuting routes, this area has a long history of containing the most valuable and sought after estate properties in New Jersey.

The Borough has undergone a very gradual change over the last few decades. Residential and commercial development has been slow relative to surrounding townships.

The treatment operating portion of the Borough Sewer Utility was decommissioned in 1996. The use of the plant since June of 1996 is that of a pumping station operation. The effluent is transmitted to Environmental Disposal Corporation, a private corporation, for treatment. This was done because of the inability of the Borough to upgrade the former treatment plant to meet State standards.

Municipal Government

The Borough is governed by a six member Council and a Mayor. This form of government has been in effect since the Borough was incorporated in 1912. The six members of the Council are elected for three year over-lapping terms and the Mayor is elected for a four year term. Each member receives a nominal stipend for the year. The Mayor and Council is a legislative body to formulate policy, appropriate funds and adopt ordinances and resolutions for the conduct of municipal business.

The Borough Clerk/Administrator serves as chief administrative officer under the Mayor and Council. The statutory duties include Secretary to the governing body, Secretary to the municipality and Election Official.

The Clerk's office records all official minutes, ordinances, and resolutions, assists in the preparation of the annual municipal budget with the assistance of the Chief Financial Officer and the Municipal Auditor, advertises the budget and records the final adoption thereof with the State of New Jersey, prepares all legal advertisements, and specifications for material and equipment bids.

The Borough Clerk/Administrator also processes and records all municipal personnel records, and is the liaison between the public and the governing body.

Community Planning and Development

Land Use Board

The Borough Land Use Board is a combined board established in April of 1996. The Land Use Board consists of eleven members and meets twice monthly. The Master Plan was revised in 1996 by Moskowitz, Heyer & Gruel, P.A. A review of the Plan was done in 2001 and an Open Space and Recreation Plan was adopted in May of 2001. A review and update of the Master Plan was adopted in November of 2004 and a Supplement added to that Plan in February of 2005. A Combined Conservation and Recreation Element was adopted by the Land Use Board in March of 2002.

Zoning

The Borough employs flexible zoning districts with ten designations. The designated zones include a range of one-family densities from one-third to ten acres, a residential cluster, a light industry and office research zone, a rural estate zone and a village neighborhood zone. More details are provided in the current Master Plan. It is believed that this approach will allow the Borough to maintain its semi-rural aspects, provide for growth and conform to the State mandated "fair share" of regional housing needs for low to moderate income families.

Commercial and Industrial

The two largest commercial residents are Komline-Sanderson and Pfizer Global Manufacturing. Numerous smaller shops, restaurants and businesses occupy the Village Neighborhood zone and also the Office Research/Light Industry zones in the Borough situated between Route 206 and Main Street. In addition, there are a number of "qualified" farm properties within the Borough.

Residential

There are approximately 900 residential properties in the Borough. There have been less than ten major sub-divisions approved in the Borough in the last ten years. These sub-divisions represent approximately one hundred eleven building lots.

Recreation

Present public park and playground facilities in the Borough include Liberty Park, an attractive 5 acre lawn and pond area, a Scout Cabin, and a tot-lot for small children next to the Cabin. The three to four acres of the Municipal Complex site also has recreational areas consisting of two baseball fields and a playground area for older children.

The Borough has approximately 66 acres of land presently dedicated to recreational pursuits.

The Commission sponsors a variety of recreational programs for both the young and the old throughout the year. These events include: concerts in the park, art in the park, community day, varied sports teams and a summer recreational program.

Further acquisitions and development of recreational land and facilities are objectives adopted by the Commission and the Open Space/Farmland Preservation Commission.

Health

Hospital services are available at Somerset Hospital (15 miles away), Morristown Memorial (22 miles away) and Hackettstown Hospital (15 miles away).

Education

The Peapack grammar school was closed in 1980 due to limited capacity and substandard classrooms in the building that was constructed in 1907. A bond issue to finance the State mandated improvements was defeated and the Borough than regionalized with the Somerset Hills School District. The grammar school students are bussed and the high school students commute to Bernardsville by commuter train. Enrollment for grades K-12 is approximately 383.

Protection

Rescue Squad

The Rescue Squad has modern facilities on 0.8 acres on St. Luke's Avenue. An expansion plan to the facility to better meet the growing needs of the residents was completed in 2007. They are supported by contributions from the Borough, businesses, and private contributions. Their excellent equipment has enhanced the Squad's excellent performance and service to the residents.

Fire Department

There are approximately 40 volunteers in the Borough fire department. The present firehouse was built in 1977 and is located on 2 acres on Dewey Avenue in Gladstone. There is room for five pieces of apparatus and the facility is deep enough to accommodate a major piece of equipment if needed in the future. The renovation of the second floor will be done in 2010.

Police Department

The Police Department consists of a Chief, a Sergeant, five full-time officers and two Special Class 2 officers.

Public Works

The Public Works building was constructed in 1969 and contains offices, garages and outdoor storage facilities. The department is fully equipped to handle routine maintenance and emergency situations. A six-person crew is supervised by a Public Works Manager.

Utilities

Sewer System

The municipal sewer system covers the entire central development area of the Borough. The service does not extend to Route 206, or to Mosle Road east of Patriot Road, or to the easterly end of Willow Avenue.

A separate charge, levied in quarterly bills to residents and businesses, is made for the Borough sewer service, outside of property taxes. The sewer billing for both residential and business is now based on actual water usage, with specific formulas and rates for each category of user. The connection charge for each new or equivalent connection is presently $2,800.00 plus a $100.00 application fee and a $50.00 inspection fee.

Sanitation

Garbage and refuse are collected once-a-week under municipal contract. Sewerage disposal is provided under contract by the Borough. Recycling collections are every other week under a municipal contract with Somerset County.

POPULATION CHATACTERISTICS OF THE BOROUGH

The following demographic and economic information may be relevant in evaluating the economic and financial condition of the Township. This information, which has been obtained from the sources indicated, does not purport to be definitive or present a complete picture of the economy of the Borough. Furthermore, such information may require economic analysis in order to assess the import of the facts and figures presented. Such analysis is not included because it would be conjectural and would differ, at least at some degree, accoring to the economist or other expert consulted.

POPULATION

Year	Borough	County	State
1970	1,924	198,372	7,171,112
1980	2,038	203,129	7,365,011
1990	2,111	240,279	7,730,188
2000	2,433	297,490	8,414,347
2008	2,556	324,563	8,682,661
Percent Increase or (Decrease)			
- 1970-1980	5.9%	2.4%	2.7%
- 1980-1990	3.6%	18.3%	5.0%
- 1990-2000	15.3%	23.8%	8.9%
- 2000-2008	5.1%	9.1%	3.2%

Source: 1970, 1980, 1990, 2000 and 2008 - U.S. Bureau of Census

POPULATION DENSITY (PER SQUARE MILE)

Year	Borough (1)	County (2)	State (3)
1970	332	650	956
1980	351	666	982
1990	364	788	1031
2000	419	975	1122
2008	441	1064	1158

Source: 1970, 1980, 1990, 2000 and 2008 - U.S. Bureau of Census

(1) Based upon land area of 5.8 square miles
(2) Based upon land area of 305 square miles
(3) Based upon land area of 7,500 square miles.

FIVE-YEAR TREND OF EMPLOYMENT AND UNEMPLOYMENT

	Year	Labor Force	Employed	Unemployed	Unemployment Rate
Borough	2008	1,356	1,309	47	3.4%
	2007	1,351	1,316	35	2.6%
	2006	12,254	11,847	406	3.3%
	2005	11,957	11,577	380	3.2%
	2004	12,452	12,104	348	2.8%
County	2008	180,858	173,474	7,384	4.1%
	2007	181,315	175,784	5,531	3.1%
	2006	274,019	264,902	9,117	3.3%
	2005	267,847	259,239	8,608	3.2%
	2004	264,867	255,613	9,254	3.5%
State	2008	4,496,725	4,251,194	245,531	5.5%
	2007	4,466,272	4,276,561	189,711	4.2%
	2006	4,518,036	4,309,022	209,014	4.6%
	2005	4,430,376	4,235,940	194,436	4.4%
	2004	4,388,043	4,192,214	195,829	4.5%

Source: State Department of Labor, Division of Labor Market and Demographic Research

Building Permits

Year	Number of Permits (1) New Construction	Number of Permits (1) Additions/Alterations	Estimated Costs
2009 (to 9/30)	13	165	$ 7,218,925
2008	14	259	12,263,240
2007	15	212	8,985,469
2006	14	220	5,281,034
2005	2	214	6,982,649
2004	6	237	5,869,197

(1) New Construction, additions and alterations.

Largest Taxpayers (1)

Taxpayer	Type of Business	2008 Assessed Valuation
Pfizer	Corporate HQ	$ 122,288,262
Komline Sanderson Engineering	Manufacturing	8,554,300
Somerset County (Natirar)	Hotel	7,818,000
Ferris Corp.	Commercial	6,951,900
(Individuals)	Private Residence	6,492,240
(Individuals)	Private Residence	5,352,400
Peapack - Gladstone Bank	Bank	5,205,800
Ellistan Holding	Farm	4,721,950
Foundation for Classical Architecture	Foundation	3,997,100
(Individuals)	Private Residence	3,815,800
Peapack DG Properties	Residence (Golf Villas)	3,805,000
		$ 179,002,752 (2)

(1) Source: 2009 Tax Assessor's Field Book.
(2) Total represents 23.5% of Net Valuation Taxable for 2009.

Largest Employers	Type of Business	Approximate Number of Employees
Pfizer	Pharmaceuticals	957
Matheny School	School for Disabled	502
Komline Sanderson Engineering	Manufacturing	125
Peapack - Gladstone Bank	Bank	114
Gladstone Tavern	Restaurant	45
Torsilieri Corp.	General Construction	42
Borough of Peapack and Gladstone	Municipality	41
Beval Saddlery	Retail	20

Property Valuations

	2009	2008 (2)	2007	2006	2005 (2)
Net Valuation Taxable:					
Land	$ 294,058,204	$ 305,855,401	$ 306,013,017	$ 286,479,579	$ 272,901,700
Improvements	466,623,900	540,062,700	539,709,700	531,532,490	482,660,200
Total Real Property	760,682,104	845,918,101	845,722,717	818,012,069	755,561,900
Tangible Personal Property (1)	1,005,066	923,293	888,340	911,145	911,145
	$ 761,687,170	$ 846,841,394	$ 846,611,057	$ 818,923,214	$ 756,473,045
Equalized Valuation of Real Property	861,613,413	915,530,129	909,370,328	824,982,377	753,585,625
County Equalization Ration (Assessed to True Value of Real Property	88.59%	90.46%	93.27%	99.46%	100.61%

(1) Consists of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger Systems Companies.
(2) Reassessment effective

Assessed Valuation of Real Property by Class

Classification	2009 Assessment	2009 Percent	2004 Assessment	2004 Percent	1998 Assessment	1998 Percent
Vacant Land	$ 13,837,100	1.7%	$ 14,370,900	2.0%	$ 14,754,500	2.9%
Residential	494,126,000	60.1%	423,523,100	58.3%	264,334,750	51.1%
Farm	77,283,704	9.4%	49,111,789	6.8%	38,223,047	7.4%
Commercial	161,250,300	19.6%	175,634,400	24.2%	149,179,700	28.9%
Industrial	7,800,000	0.9%	6,380,000	0.9%	5,427,200	1.1%
Apartments	6,385,000	0.8%	4,018,900	0.6%	4,023,200	0.8%
	760,682,104	92.6%	673,039,089	92.7%	475,942,397	92.1%
Exempt Properties:						
Public	23,217,014	2.8%	15,846,100	2.2%	13,487,225	2.6%
Other (1)	37,641,200	4.6%	37,282,424	5.1%	27,393,500	5.3%
	$ 821,540,318	100.0%	$ 726,167,613	100.0%	$ 516,823,122	100.0%

(1) Includes church, cemetery and charitable properties.

Tax Rates

	General Tax Rate (1)					
	Borough (3)	Regional School	County	Total	County Equalization Ratio	Effective Tax Rate (2)
2009	0.519	0.832	0.377	1.728	88.59%	1.531
2008	0.469	0.777	0.375	1.621	90.46%	1.466
2007	0.456	0.769	0.365	1.590	93.27%	1.483
2006	0.486	0.809	0.365	1.660	99.46%	1.651
2005	0.494	0.890	0.376	1.760	100.61%	1.771

(1) Apportionment per $100 Assessed Valuation.
(2) General Tax Rate multiplied by County Equalization Ratio.
(3) Includes Open Space Tax of $.03.

Tax Levy and Tax Collection Data

Year	Tax Levy	Current Year's Collection Amount	Current Year's Collection Percent	Delinquent Taxes Collected	Total Collection Year of Levy Amount	Total Collection Year of Levy Percent
2008	$ 13,456,125	$ 13,305,098	98.88%	$ 146,108	$ 13,451,206	99.96%
2007	13,536,097	13,405,449	99.03%	238,806	13,644,255	100.80%
2006	13,642,424	13,409,520	98.29%	165,284	13,574,804	99.50%
2005	13,338,462	13,120,646	98.37%	120,300	13,240,946	99.27%
2004	12,643,514	12,508,564	98.93%	156,971	12,665,535	100.17%

Delinquent Taxes and Tax Title Liens

Year	Receivable Delinquent Taxes	Receivable Tax Title Liens	Total Delinquent	Percentage of Current Tax Levy
2008	$ 143,371	$ -	$ 143,371	1.07%
2007	146,108		146,108	1.08%
2006	204,189		204,189	1.50%
2005	201,198		201,198	1.51%
2004	119,329		119,329	0.94%

Property Acquired by Tax Title Lien Liquidation

Year	Balance January 1	Balance December 31
2008	$ 139,900	$ 139,900
2007	139,900	139,900
2006	139,900	139,900
2005	139,900	139,900
2004	139,900	139,900

DEBT INFORMATION

Tax Supported Debt as of December 31, 2008

Regional School District Debt:			
Serial Bonds Issued and Outstanding	$ 9,476,654		
Bonds Authorized but not Issued	143		
		$ 9,476,797	
Borough Debt:			
General:			
Serial Bonds Issued and Outstanding	$ 1,356,000		
NJDEP Open Space Loan	330,245		
Bond Anticipation Notes Issued and Outstanding	4,636,000		
Bond Anticipation Notes Authorized but not Issued	475,700		
		6,797,945	(1)
Overlapping Debt:			
County of Somerset		1,697,835	(2)
TOTAL TAX SUPPORTED DEBT		$ 17,972,577	
Full Valuation of Borough's Taxable Property (County Abstract of Ratables for 2009)		$ 861,613,413	
Ratios:			
Tax Supported Debt to Property Valuation		2.08%	
Tax Supported Debt per Capita (2008 population of 2,556)		$ 7,031.52	

(1) The amount of $6,797,945 for General Borough Debt does not include Sewer Utility Debt since all utility debt is supported by utility service charges and fees.

(2) Borough of Peapack and Gladstone's share of County of Somerset's Debt based upon the 2009 equalized valuation of all County of Somerset municipalities:

Borough of Peapack and Gladstone's share (1.3448%) of County of Somerset's Net Debt ($126,251,900)	$ 1,697,835

History of Borough Statutory Debt Ratios

	2008	2007	2006	2005	2004
GROSS DEBT:					
Regional School District:					
Serial Bonds Issued and Outstanding	$ 9,476,654	$ 10,070,242	$ 10,428,604	$ 10,717,132	$ 11,923,653
Bonds Authorized but not Issued	143	146	147	147	147
	9,476,797	10,070,388	10,428,751	10,717,279	11,923,800
Township Debt:					
General:					
Serial Bonds Issued and Outstanding	1,356,000	1,886,000	2,416,000	2,931,000	3,426,000
NJDEP Open Space Loan	330,245	354,369	378,018	401,201	423,927
Bond Anticipation Notes Issued	4,636,000	4,910,781	6,080,781	8,225,000	
Bond Anticipation Notes Authorized but not Issued	475,700	-	-	-	280,000
	6,797,945	7,151,150	8,874,799	11,557,201	4,129,927
Sewer Utility:					
Serial Bonds Issued and Outstanding	1,685,000	1,965,000	2,240,000	2,510,000	2,770,000
Bond Anticipation Notes Authorized but not Issued	-	-	53,225	53,225	64,000
	1,685,000	1,965,000	2,293,225	2,563,225	2,834,000
TOTAL GROSS DEBT	17,959,742	19,186,538	21,596,775	24,837,705	18,887,727
STATUTORY DEDUCTIONS:					
Regional School District	9,476,797	10,070,388	10,428,751	10,717,279	11,923,800
Sewer Utility	1,685,000	1,965,000	2,293,225	2,563,225	2,834,000
	11,161,797	12,035,388	12,721,976	13,280,504	14,757,800
STATUTORY NET DEBT	$ 6,797,945	$ 7,151,150	$ 8,874,799	$ 11,557,201	$ 4,129,927
Average Equalized Valuation	$ 889,924,946	$ 878,405,752	$ 821,938,641	$ 767,580,670	$ 726,527,179
Population (2008)	2,556	2,556	2,556	2,556	2,556
Ratios:					
Gross Debt to Average Equalized Valuation	2.02%	2.18%	2.63%	3.24%	2.60%
Net Debt to Average Equalized Valuation	0.76%	0.81%	1.08%	1.51%	0.57%
Gross Debt per Capita	$ 7,026.50	$ 7,506.47	$ 8,449.44	$ 9,717.41	$ 7,389.56
Net Debt per Capita	$ 2,659.60	$ 2,797.79	$ 3,472.14	$ 4,521.60	$ 1,615.78

APPENDIX B

Excerpts of Audited Financial Statements for the Years Ended December 31, 2008, 2007, 2006, 2005 and 2004

T. M. Vrabel & Associates, LLC
Accountants and Auditors

Timothy M. Vrabel, RMA, PSA
Chris C. Hwang, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Peapack and Gladstone
County of Somerset, New Jersey

We have audited, in accordance with auditing standards generally accepted auditing standards; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and Government Auditing Standards issued by the Comptroller General of the United States, the balance sheets of the individual funds of the Borough of Peapack and Gladstone at December 31, 2008, 2007, 2006, 2005 and 2004 and the related statements of operations and changes in fund balance for the years then ended. In our reports, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying balance sheets of the individual funds of the Borough of Peapack and Gladstone at December 31, 2008, 2007, 2006, 2005 and 2004 and the related statements of operations and changes in fund balance for the years then ended is fairly stated, in all material respects, in relation to the financial statements from which they have been derived.

By/s/ Timothy M. Vrabel
Registered Municipal Accountant
License No. CR00339

By/s/ Chris C. W. Hwang
Certirfied Public Accountant
License No. CC033704

November 12, 2009

170 East Main Street
P.O. Box 541
Denville, NJ 07834
973-625-2920 Fax: 973-625-8733
Email: tmvrabeldvc@optonline.net

BOROUGH OF PEAPACK AND GLADSTONE
COMBINED COMPARATIVE BALANCE SHEET- ALL FUNDS

ASSETS

	December 31,				
	2008	2007	2006	2005	2004
Cash and Investments	$ 8,558,941	$ 8,022,528	$ 7,768,014	$ 7,328,532	$ 5,745,244
Taxes, Liens and Utility Charges Receivable	187,267	268,069	273,067	252,984	166,739
Property Acquired for Taxes at Assessed Valuation	139,900	139,900	139,900	139,900	139,900
Accounts Receivable	222,596	669,467	891,832	669,615	294,370
Fixed Capital Authorized and Uncompleted-Utility	111,600	111,600	89,600	89,600	222,500
Fixed Capital Completed-Utility	8,204,237	8,190,917	8,027,972	7,932,174	7,717,150
Deferred Charges to Future Taxation-General Capital	6,000	12,000	18,731	89,023	30,000
Deferred Charges to Revenue of Succeeding Years	6,797,945	7,151,151	8,874,799	11,557,201	4,131,206
General Fixed Assets	17,974,573	17,248,918	13,031,663	12,396,085	11,620,670
	$ 42,203,059	$ 41,814,550	$ 39,115,578	$ 40,455,114	$ 30,067,779

Bonds, Notes and Loans Payable	$ 8,007,246	$ 9,116,151	$ 11,114,799	$ 14,067,202	$ 6,619,928
Improvement Authorizations	1,202,800	621,792	1,867,496	1,961,659	761,857
Appropriation Reserves, Accounts Payable, Other Liabilities and Special Funds	4,636,372	4,523,728	3,655,626	3,229,347	3,107,278
Amortization of Fixed Capital Authorized or Acquired	6,630,837	6,337,517	5,824,347	5,458,549	5,105,650
Reserve for Certain Assets Receivable	383,488	431,004	510,903	495,447	397,995
Fund Balance	3,367,743	3,535,440	3,110,744	2,846,825	2,454,401
Investment in General Fixed Assets	17,974,573	17,248,918	13,031,663	12,396,085	11,620,670
	$ 42,203,059	$ 41,814,550	$ 39,115,578	$ 40,455,114	$ 30,067,779

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND-BALANCE SHEET

ASSETS

	December 31,				
	2008	2007	2006	2005	2004
Current Fund:					
Cash and Investments	$ 4,362,051	$ 4,457,635	$ 3,340,903	$ 2,651,144	$ 2,678,295
Change Fund	125	125	125	125	125
Amount Due from State of New Jersey for Senior Citizens' and Veterans' Deductions	4,039	4,789	4,539	4,039	5,218
	4,366,215	4,462,549	3,345,567	2,655,308	2,683,638
Receivables and Other Assets with Full Reserved:					
Delinquent Property Taxes Receivable	143,371	146,108	204,188	201,198	119,329
Property Acquired for Taxes at Assessed Valuation	139,900	139,900	139,900	139,900	139,900
Revenue Accounts Receivable	4,987	7,038	8,354	8,268	6,288
Interfund Accounts Receivable	51,334	- 2,004	89,582	94,294	85,068
	339,592	291,042	442,024	443,660	350,585
Expenditures Deferred to Succeeding Years' Operation:					
Overexpenditure of Budget Appropriations			731		
Emergency Authorizations(40A:4-47)				65,023	
Special Emergency Authorization(40A:4-55)	6,000	12,000	18,000	24,000	30,000
	6,000	12,000	18,731	89,023	30,000
	4,711,807	4,765,591	3,806,322	3,187,991	3,064,223
Federal and State Grants Fund:					
Interfund Accounts Receivable	57,067	66,826	59,560	27,831	54,106
State Aid Receivable	52,216	188,835	32,397	84,540	66,797
	109,283	255,661	91,957	112,371	120,903
Total Assets	$ 4,821,090	$ 5,021,252	$ 3,898,279	$ 3,300,362	$ 3,185,126

The Accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
CURRENT FUND-BALANCE SHEET

LIABILITIES, RESERVES AND FUND BALANCE

	December 31,				
	2008	2007	2006	2005	2004
Current Fund:					
Liabilities:					
Appropriation Reserves and Reserve for Encumbrances	$ 674,657	$ 530,874	$ 608,846	$ 597,051	$ 535,241
Interfund Accounts Payable	60,126	92,807	396,878	118,572	81,085
Prepaid Taxes	1,134,441	1,080,214	62,610	33,681	70,051
Tax Overpayments	1,917	1,390		13,610	13,501
Regional School District Taxes Payable	1,255	1,262	1,262	1,262	33,392
County Taxes Payable	13,434	30,651	10,615	5,393	42,187
Reserve for Funds - Appropriated					6,000
Reserve for Funds - Unappropriated	6,496	6,496	6,438	6,373	6,260
Other	75	255	50	-	50
	1,892,401	1,743,949	1,086,699	775,942	787,767
Reserve for Receivables and Other Assets	339,592	291,042	442,024	443,660	350,585
Fund Balance	2,479,814	2,730,600	2,277,599	1,968,389	1,925,871
	4,711,807	4,765,591	3,806,322	3,187,991	3,064,223
Federal and State Grants Fund:					
Appropriated Reserves	82,468	120,961	46,866	62,490	80,572
Unappropriated Reserves	886	1,724	1,037	7,537	3,054
Reserve for Encumbrances	25,929	132,976	44,054	42,344	37,277
	109,283	255,661	91,957	112,371	120,903
Total Liabilities, Reserves and Fund Balance	$ 4,821,090	$ 5,021,252	$ 3,898,279	$ 3,300,362	$ 3,185,126

Appropriated Reserves

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
STATEMENT OF MUNICIPAL OPERATIONS AND CHANGE IN FUND BALANCE

	December 31,				
	2008	2007	2006	2005	2004
Revenue and Other Income:					
Fund Balance Utilized	$ 2,210,000	$ 1,875,000	$ 1,740,000	$ 1,700,000	$ 1,500,000
Current Taxes	13,305,097	13,405,449	13,409,520	13,120,646	12,508,564
Delinquent Taxes and Liens	146,108	238,806	165,284	120,300	156,971
Miscellaneous Revenue Anticipated	377,352	590,618	419,469	427,160	417,323
Non-Budget Revenue	545,785	605,676	549,920	371,011	344,985
Other Credits to Income	198,285	395,573	386,973	300,558	249,109
	16,782,627	17,111,122	16,671,166	16,039,675	15,176,952
Expenditures:					
Budget and Emergency Appropriations:					
Municipal Operations	3,955,989	3,964,911	3,619,363	3,507,590	3,257,482
Capital Improvements	130,000	15,100	119,600	221,573	182,957
Municipal Debt Service	770,649	750,123	750,978	652,588	656,535
Deferred Charges and Statutory Expenditures	144,000	144,731	203,023	128,694	112,860
County Taxes	3,102,915	3,103,122	2,959,654	2,839,321	2,988,096
Borough Open Space Preservation	249,036	256,546	246,577	227,371	205,136
Regional School Taxes	6,421,733	6,502,139	6,612,713	6,725,076	6,027,488
Prior Year Tax Appeals Granted		2,399			747
Refund of Prior Year Revenue		1,653	1,209	510	1,237
Interfund Advance	49,092	42,397	52,716	59,457	59,812
Other Miscellaneous Charges	-	-	56,854	-	-
	14,823,413	14,783,121	14,622,687	14,362,180	13,492,350
Excess in Revenue	1,959,214	2,328,001	2,048,479	1,677,495	1,684,602
Adjustments to Excess in Revenue Before Fund Balance:					
Expenditures included above which are by Statute					
Deferred Charges to Budget of Succeeding Year	-	-	731	65,023	30,000
Statutory Excess in Revenue	1,959,214	2,328,001	2,049,210	1,742,518	1,714,602
Fund Balance January 1	2,730,600	2,277,599	1,968,389	1,925,871	1,711,269
	4,689,814	4,605,600	4,017,599	3,668,389	3,425,871
Deduct Fund Balance Utilized as Anticipated Revenue	2,210,000	1,875,000	1,740,000	1,700,000	1,500,000
Fund Balance December 31	$ 2,479,814	$ 2,730,600	$ 2,277,599	$ 1,968,389	$ 1,925,871

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
TRUST FUND-BALANCE SHEET

ASSETS

	December 31,				
	2008	2007	2006	2005	2004
Dog License Fund:					
Cash	$ 8,018	$ 6,321	$ 8,318	$ 5,918	$ 4,721
	8,018	6,321	8,318	5,918	4,721
Other Funds:					
Cash	2,038,213	2,023,536	1,518,328	1,636,434	1,405,626
Interfund Accounts Receivable	3,059	1,982	247,017	439	2,979
	2,041,272	2,025,518	1,765,345	1,636,873	1,408,605
	2,049,290	2,031,839	1,773,663	1,642,791	1,413,326

LIABILITIES AND RESERVES

Dog License Fund:					
Interfund Accounts Payable	$ 2,323	$ 412	$ 3,719	$ 1,989	$ 915
Reserve for Dog Fund Expenditures	5,804	6,015	4,706	4,013	3,809
Amount Due to State Board of Health	- 109	- 106	- 107	- 84	- 3
	8,018	6,321	8,318	5,918	4,721
Other Funds:					
Interfund Accounts Payable	38,992	296,927	373,302	374,953	73,930
Reserve for Special Funds	1,999,974	1,726,978	1,383,594	1,261,215	1,333,805
Reserve for Encumbrances			7,875		
Amount Due to State of New Jersey	2,306	1,613	574	705	870
	2,041,272	2,025,518	1,765,345	1,636,873	1,408,605
	$ 2,049,290	$ 2,031,839	$ 1,773,663	$ 1,642,791	$ 1,413,326

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
GENERAL CAPITAL FUND- BALANCE SHEET

ASSETS

	December 31,				
	2008	2007	2006	2005	2004
Cash-Treasurer	$ 862,572	$ 363,707	$ 1,572,727	$ 1,718,273	$ 648,613
Amount Due from State of New Jersey	49,890	49,890	49,890	49,890	49,890
Interfund Accounts Receivable		334,000	400,302	400,302	24,000
Deferred Charges to Future Taxation-					
Funded	1,686,245	2,240,370	2,794,018	3,332,201	3,849,928
Unfunded	5,111,700	4,910,781	6,080,781	8,225,000	280,000
Canceled Federal and State Aid Receivable	-	-	-	-	1,279
	$ 7,710,407	$ 7,898,748	$ 10,897,718	$ 13,725,666	$ 4,853,710

LIABILITIES, RESERVES AND FUND BALANCE

Serial Bonds	1,356,000	1,886,000	2,416,000	2,931,000	3,426,000
NJDEP Open Space Acquisition Loan	330,245	354,370	378,018	401,201	423,928
Bond Anticipation Notes	4,636,000	4,910,781	6,080,781	8,225,000	
Improvement Authorizations -Funded	328,498	296,376	307,575	349,233	449,962
-Unfunded	869,503	303,870	1,544,300	1,596,804	280,000
Reserve for Encumbrances	44,371	83,623	103,068	181,087	214,124
Reserve for Capital Improvement Fund	114,191	31,491	31,391		20,177
Capital Reserves	6,000	6,000	11,000	6,000	39,300
Interfund Accounts Payable	14	652		9,756	219
Fund Balance	25,585	25,585	25,585	25,585	-
	$ 7,710,407	$ 7,898,748	$ 10,897,718	$ 13,725,666	$ 4,853,710

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
SEWER UTILITY FUND- BALANCE SHEET

ASSETS

	December 31,				
	2008	2007	2006	2005	2004
Operating Fund:					
Cash and Investments	$ 1,163,034	$ 1,041,605	$ 1,238,819	$ 1,236,988	$ 911,797
Interfund Accounts Receivable	3	111	192	12	23
	1,163,037	1,041,716	1,239,011	1,237,000	911,820
Receivables Reserved - Not Pledged to Fund Balance:					
Sewer Charges Receivable	43,896	121,962	68,878	51,786	47,410
	43,896	121,962	68,878	51,786	47,410
	1,206,933	1,163,678	1,307,889	1,288,786	959,230
Capital Fund:					
Cash and Investments	108,866	111,258	74,189	74,009	91,769
Fixed Capital Authorized and Uncompleted- Utility	8,204,237	8,190,916	8,027,972	7,932,174	7,717,149
Fixed Capital Completed - Utility	111,600	111,600	89,600	89,600	222,500
	8,424,703	8,413,774	8,191,761	8,095,783	8,031,418
Total Assets	$ 9,631,636	$ 9,577,452	$ 9,499,650	$ 9,384,569	$ 8,990,648

The accompanying Notes to financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
SEWER UTILITY FUND- BALANCE SHEET

LIABILITIES, RESERVES AND FUND BALANCE

	December 31,				
	2008	2007	2006	2005	2004
Operating Fund:					
Liabilities:					
Appropriation Reserves and Accounts Payable	$ 289,867	$ 244,913	$ 399,199	$ 350,774	$ 355,566
Interfund Accounts Payable			$ 12,509	$ 7,594	
Overpaid Sewer Charges	611	2,783	509	2,160	193
Accrued Interest on Bonds	29,969	34,519	38,988	43,375	47,285
	320,447	282,215	451,205	403,903	403,044
Reserve for Receivables	43,896	121,962	68,878	51,786	47,410
Fund Balance	842,590	759,501	787,806	833,097	508,776
	1,206,933	1,163,678	1,307,889	1,288,786	959,230
Capital Fund:					
Serial Bonds	1,685,000	1,965,000	2,240,000	2,510,000	2,770,000
Improvement Authorizations	4,800	21,547	15,622	15,622	31,895
Reserve for Encumbrances	14,462				
Reserve for Capital Improvement Fund	31,486	31,486	53,486	53,486	59,036
Capital Reserves	38,360	38,360	38,360	38,360	45,060
Amortization of Fixed Capital Authorized or Acquired	6,541,238	6,225,916	5,734,747	5,368,949	4,947,150
Deferred Reserve for Amortization	89,600	111,600	89,600	89,600	158,500
Interfund Accounts Payable	3	111	192	12	23
Fund Balance	19,754	19,754	19,754	19,754	19,754
	8,424,703	8,413,774	8,191,761	8,095,783	8,031,418
Total Liabilities, Reserves and Fund Balance	$ 9,631,636	$ 9,577,452	$ 9,499,650	$ 9,384,569	$ 8,990,648

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF PEAPACK AND GLADSTONE
STATEMENT OF SEWER UTILITY OPERATIONS AND CHANGE IN FUND BALANCE

	December 31,				
	2008	2007	2006	2005	2004
Revenue and Other Income:					
Fund Balance Utilized	$ 291,881	$ 270,204	$ 305,499	$ 167,731	$ 90,234
Sewer Service Charges	1,283,632	1,212,385	1,245,172	1,457,375	1,233,335
Miscellaneous Revenues Anticipated	143,375	93,185	64,825	90,002	31,386
Other Credits to Income	147,964	136,329	150,210	177,675	193,901
	1,866,852	1,712,103	1,765,706	1,892,783	1,548,856
Expenditures:					
Operations	1,086,396	992,086	1,023,221	953,491	920,818
Capital Improvements	30,000	54,000	113,000	86,700	73,700
Debt Service	344,488	348,506	352,362	350,640	345,916
Deferred Charges and Statutory Expenditures	30,998	75,612	16,915	9,900	9,800
	1,491,882	1,470,204	1,505,498	1,400,731	1,350,234
Excess in Revenue	374,970	241,899	260,208	492,052	198,622
Fund Balance January 1	759,501	787,806	833,097	508,776	400,388
	1,134,471	1,029,705	1,093,305	1,000,828	599,010
Deduct Fund Balance Utilized as Anticipated Revenue	291,881	270,204	305,499	167,731	90,234
Fund Balance December 31	$ 842,590	$ 759,501	$ 787,806	$ 833,097	$ 508,776

The accompanying Notes to Financial Statements are an integral part of this statement.

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Borough of Peapack and Gladstone have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

B. Reporting Entity

The Borough of Peapack and Gladstone is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough of Peapack and Gladstone.

The primary criterion for including activities within the Borough's reporting entity, as set forth in section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Borough of Peapack and Gladstone. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Except as noted below, the financial statements of the Borough of Peapack and Gladstone include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Peapack and Gladstone, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough of Peapack and Gladstone do not include the operations of the municipal library, or volunteer fire and first aid squads. Furthermore, the Borough of Peapack and Gladstone is not includable in any other reporting entity on the basis of such criteria.

C. Description of Funds

GASB Codification establishes seven fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

The accounting policies of the Borough of Peapack and Gladstone conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the Division). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Peapack and Gladstone accounts for its financial transactions through the following separate funds which differ from the fund structure required by accounting principles generally accepted in the United States of America.

Current Fund – resources and expenditures for governmental operations of a general nature, including Federal and State grants for operation.

Note I: Summary of Significant Accounting Policies (Continued)

C. Description of Funds (Continued)

Trust Fund – receipts, custodianship and disbursement of monies in accordance with the purpose for which each reserve was created.

General Capital Fund – receipt and disbursement of funds used for acquisition of general capital facilities other than those acquired in the Current Fund.

Sewer Operating and Capital Funds – account for the operations and acquisition of capital facilities of the sewer utility.

Public Assistance Fund – receipts and disbursements of funds that provide assistance to certain residents of the Borough of Peapack and Gladstone pursuant to Title 44 of New Jersey statutes.

D. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Taxes and Other Revenues – property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheets. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues – Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough of Peapack and Gladstone budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Expenditures (including Federal and State Financial Assistance Programs) – unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances – contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves – are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Note I: Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

Compensated Absences – expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes – is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at market value on the date of acquisition.

Inventories of Supplies – The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased.

Interfunds – advances from the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

Basic Financial Statements – The GASB Codification also defines the financial statements of a governmental unit that are required to be presented in the general purpose financial statements be in accordance with GAAP. The Borough of Peapack and Gladstone presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with the requirements of the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

Under New Jersey State Statutes, the annual budget is required to be balanced, prepared on a cash basis and to provide a reserve for uncollected taxes. The 2008 statutory budget included a reserve for uncollected taxes in the amount of $1,350,615.05. To balance the budget, the municipality is permitted to utilize fund balance. The amount of fund balance utilized to balance the 2008 statutory budgets were as follows:

Current Fund	$2,210,000.00
Sewer Utility Operating Fund	291,881.50

Note I: Summary of Significant Accounting Policies (Continued)

E. Budgetary Information (Continued)

Transfers of line item amounts are permitted after November 1 and must be made by a resolution adopted by the governing body. The following significant budget transfers were approved in the 2008 calendar year.

Budget Category	Amount
Land Fill and Solid Waste Disposal Costs	(23,000.00)

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget, after the adoption of the budget, when the item has been made available by any public or private funding source. The following significant budget insertions were approved during the 2008 calendar year.

Budget Category	Amount
Donations-Environmental Commission	$ 1,000.00
Donations – Historical Commission	2,513.00
Donations – Police Equipment	75.00
Donations – Police (Helen Buck Foundation)	5,000.00
Recycling Tonnage Grant	1,970.62
Clean Communities	311.20
Somerset County Youth & Recreation	15,000.00

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. There were no emergency appropriations approved during the 2008 calendar year.

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets and Liabilities

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statutes provide a list of permissible investments that may be purchased by New Jersey governmental units.

2. Property Tax Assessment and Billing

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A revaluation of all property in the Borough of Peapack and Gladstone was last completed in 1990 with reassessments effective in 2001, 2003, 2005 and 2008.

Upon the filing of certified adopted budgets by the School District and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year, are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum of the first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $1,500.00. Pursuant to c. 75, P.L. 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of $10,000.00 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed 6% of the amount of the delinquency. These interest and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets and Liabilities (Continued)

3. Deferred Charges

The funding of certain expenditures incurred in the current year (i.e. emergencies, overexpenditures) are deferred to subsequent years' budgets.

4. Fixed Assets

In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough of Peapack and Gladstone has developed a fixed assets accounting and reporting system based on an inspection and appraisal prepared by an independent appraisal firm.

Fixed assets used in governmental operation (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Note I: Summary of Significant Accounting Policies (Continued)

F. Assets and Liabilities (Continued)

5. Use of Estimates

The preparation of financial statements in conformity with the accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statements of Operations in order to provide an understanding of changes in the Borough of Peapack and Gladstone's financial position. However, comparative data have not been presented in each of the supplemental schedules since their inclusion would make statements unduly complex and difficult to read.

Note II: Detailed Notes On All Funds

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2008 the Borough of Peapack and Gladstone's cash and cash equivalents amounted to $8,803,145.07. Of this amount, $100,000.00 was covered by federal depository insurance (F.D.I.C.) and $6,130,369.20 was covered by a collateral pool maintained by the banks as required by GUDPA. Although the individual developers' accounts are subject to F.D.I.C. coverage, it cannot be accurately determined whether the total amount of $499,391.59 included in Developers' Escrow deposits is covered.

At December 31, 2008 the Borough of Peapack and Gladstone's participation in the State of New Jersey Cash Management Fund amounted to $2,073,384.28.

Note II: Detailed Notes On All Funds (Continued)

A. Deposits and Investments (Continued)

Deposits (Continued)

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Borough of Peapack and Gladstone will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of December 31, 2008, $2,572,775.87 of the Borough of Peapack and Gladstone's cash and cash equivalents of $8,803,145.07 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 499,391.59
Uninsured and collateral held by public depository or by its' trust department not in the Borough of Peapack and Gladstone's name	2,073,384.28
	$ 2,572,775.87

Investments

New Jersey statutes (N.J.S.A. 40A:5-15.1) permit the Borough of Peapack and Gladstone to purchase the following types of securities:

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, any local unit may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the local unit;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4);or

Note II: Detailed Notes On All Funds (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (c.17:9-41); and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Peapack and Gladstone had no investments as described in Note I:F.1. at December 31, 2008.

B. Property Taxes

The Borough of Peapack and Gladstone is responsible for assessing, collecting and distributing property taxes in accordance with enabling state legislation. All property tax revenue is recognized when received in cash. Property taxes receivable as of December 31, 2008 are composed of the following:

Year of Levy	Amount
2008	$ 143,370.94
	$ 143,370.94

Note II: Detailed Notes On All Funds (Continued)

C. Interfund Receivables and Payables

As of December 31, 2008 interfund receivables and payables resulting from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
Current Fund	$ 51,334.51	$ 60,125.96
Federal and State Grants Fund	57,067.36	
Trust Funds:		
Animal Control Fund		2,322.83
Other Trust Fund	3,058.60	38,991.81
Capital Fund		14.20
Sewer Utility Fund:		
Operating Fund	3.41	
Capital Fund		3.41
Payroll and Payroll Agency		10,005.67
	$ 111,463.88	$ 111,463.88

D. Deferred Charges to be Raised in Succeeding Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2008 the following deferred charges are shown on the balance sheets of the various funds:

	Balance Dec. 31, 2008	2009 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency Authorizations (40A:4-55)	$ 6,000.00	$ 6,000.00	

The appropriation in the 2009 Budget is not less than that required by statute.

E. Leases

The Borough of Peapack and Gladstone has not entered into any long-term agreements.

Note II: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

F. Debt

The Local Bond Law governs the issuance of bonds and notes to finance general municipal and utility capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough of Peapack and Gladstone are general obligation bonds, backed by the full faith and credit of the Borough of Peapack and Gladstone. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years or retired by the issuance of bonds.

Summary of Municipal Debt

	Year 2008	Year 2007	Year 2006
Issued			
General:			
Bonds and Notes	$ 5,992,000.00	$ 6,796,781.00	$ 8,496,781.00
Loan	330,245.39	354,369.61	378,018.49
Sewer Utility:			
Bonds and Notes	1,685,000.00	1,965,000.00	2,240,000.00
Total Issued	8,007,245.39	9,116,150.61	11,114,799.49
Net Debt Issued	8,007,245.39	9,116,150.61	11,114,799.49
Authorized but not Issued			
General:			
Bonds and Notes	475,700.00	-	-
Sewer Utility:			
Bonds and Notes	-	-	53,224.86
Total Authorized but Not Issued	475,700.00	-	53,224.86
Net Bonds and Notes Issued and Authorized but not Issued	$ 8,482,945.39	$ 9,116,150.61	$ 11,168,024.35

Note II: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (Continued)

F. Debt (Continued)

Footnote:
In addition to the capital debt shown in the above statement, there was current and utility operating debt as follows:

Authorized but not Issued:

Current

Special Emergency Note (40A:4-55)	$	6,000.00

Summary of Statutory Debt Condition-Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .76%.

	Gross Debt	Deductions	Net Debt
Regional School District Debt	$ 9,476,796.92	$ 9,476,796.92	$ -
Sewer Utility Debt	1,685,000.00	1,685,000.00	-
General Debt	6,797,945.39	-	6,797,945.39
	$ 17,959,742.31	$ 11,161,796.92	$ 6,797,945.39

Net Debt $6,797,945.39 divided by Equalized Valuation Basis
per N.J.S.A. 40A:2-2 as amended, $ 889,924,946.33 = 0.76%

Borrowing Power Under N.J.S.A. 40a:2-6 As Amended

3 1/2% of Equalized Valuation Basis (Municipal)	$ 31,147,373.12
Net Debt	6,797,945.39
Remaining Borrowing Power	$ 24,349,427.73

Note II: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (Continued)

F. Debt (Continued)

Calculation of " Self Liquidating Purpose", Sewer Utility Per N.J.S.A. 40A:2-45

Cash Receipts from fees, rents or other charges for year		$ 1,718,887.86
Deductions:		
Operating and Maintenance Cost	$ 1,117,394.00	
Debt Service perSewer Account	344,487.50	
		1,461,881.50
Excess in Revenue-Self Liquidating		$ 257,006.36

Footnote:
If there is an "excess in revenue", all such utility debt is deductible.

The foregoing debt information is in agreement with the annual debt statement filed by the Chief Financial Officer.

Note II: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (Continued)

F. Debt (Continued)

1. Bonds Payable

Bonds are authorized in accordance with State law by the adoption of an ordinance. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough of Peapack and Gladstone are general obligation bonds.

Serial Bonds outstanding as of December 31, 2008 consisted of the following:

Description	Interest Rate	Due Date	Maturity Date	Amount Issued	Amount Outstanding
General Improvement of 1994	5.35%	7/1	2009	$ 4,876,000.00	$ 376,000.00
General Improvement of 2002	3.625%	7/1	2015	1,645,000.00	980,000.00
Sewer Refunding Bonds	Various	7/1	2014	2,845,000.00	1,685,000.00

1. Bonds Payable

Principal and interest due on serial bonds outstanding is as follows:

Calendar	General		Sewer Utility		
Year	Principal	Interest	Principal	Interest	Total
2009	$ 516,000.00	$ 55,641.00	$ 285,000.00	$ 59,937.50	$ 916,578.50
2010	140,000.00	30,450.00	290,000.00	50,675.00	511,125.00
2011	140,000.00	25,375.00	285,000.00	40,887.50	491,262.50
2012	140,000.00	20,300.00	280,000.00	30,912.50	471,212.50
2013	140,000.00	15,225.00	275,000.00	21,112.50	451,337.50
2014	140,000.00	10,150.00	270,000.00	10,800.00	430,950.00
2015	140,000.00	5,075.00	-	-	145,075.00
	$ 1,356,000.00	$ 162,216.00	$ 1,685,000.00	$ 214,325.00	$ 3,417,541.00

Note II: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (Continued)

F. Debt (Continued)

2. Bond Anticipation Notes

Bond Anticipation notes outstanding as of December 31, 2008 consists of the following:

Description	Interest Rate	Issue Date	Maturity Date	Amount Outstanding
General Capital Fund:				
Ord. No. 803/809/854 - Renovation of the Sara Kay Memorial Building	3.00%	12/5/08	12/4/09	$ 245,000.00
Ord. No. 871 - Acquisition of Land (Block 20, Lot 1)	3.00%	12/5/08	12/4/09	2,657,000.00
Ord. No. 872 - Acquisition of Land (Block 20, Lot 1.03)	3.00%	12/5/08	12/4/09	1,577,000.00
Ord. No. 909 - Various Capital Improvements	3.00%	12/5/08	12/4/09	105,000.00
Ord. No. 914 - Replacement of Boilers	3.00%	12/5/08	12/4/09	52,000.00
				$4,636,000.00

3. Bonds Authorized but not Issued

As of December 31, 2008 the Borough of Peapack and Gladstone had authorized but not issued bonds as follows:

General Capital Fund	$ 475,700.00
Sewer Utility Capital Fund	-0-

Note II: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (Continued)

G. Loan Agreements

The Borough of Peapack and Gladstone has entered into one loan agreement with the State of New Jersey for the acquisition of open space.The loan is repayable over 20 years from the date of final consummation of the loan. The funds have been provided through the Office of Trust Fund Management. The loan of $500,000.00 is at an interest rate of 2.00% under Loan No. 1815-099-011.

Drawdown of the loan was initiated in 2001.

Following are the remaining maturities and debt schedule for the outstanding loan:

Year	Principal	Interest	Total
2009	$ 24,609.12	$ 6,482.47	$ 31,091.59
2010	25,103.76	5,987.83	31,091.59
2011	25,608.35	5,483.25	31,091.60
2012	26,123.08	4,968.52	31,091.60
2013	26,648.15	4,443.44	31,091.59
2014	27,183.78	3,907.82	31,091.60
2015	27,730.18	3,361.42	31,091.60
2016	28,287.55	2,804.05	31,091.60
2017	28,856.13	2,235.46	31,091.59
2018	29,436.13	1,655.45	31,091.58
2019	30,027.81	1,063.79	31,091.60
2020	30,631.35	460.23	31,091.58
	$ 330,245.39	$ 42,853.73	$ 373,099.12

Note II: Detailed Notes On All Funds (Continued)

H. Fund Balance Appropriated

Fund balances at December 31, 2008, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2009 were as follows:

Current Fund	$2,000,000.00
Sewer Utility Operating Fund	235,945.25

Note III: Pension Plans

Description of Systems

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Public Employees' Retirement System (PERS) or the Police and Fireman's Retirement System (PFRS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS and PFRS are considered cost sharing multiple-employer defined benefit plans.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits.

The Police and Fireman's Retirement System (PFRS) was established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State Firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Note III: Pension Plans (Continued)

Retirement Benefits

For PERS employees, the benefits will be 1/55 of the average of the three highest year compensation for each year of service. However, for PERS who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

For PFRS employees, the benefits will be various percentages of final compensation depending upon the number of years of service.

Significant Legislation

Chapter 108, P.L. 2003, effective July 1, 2003 provided that the Borough of Peapack and Gladstone shall reduce the normal and accrued liability contributions payable by the Borough of Peapack and Gladstone to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows; for payments due in the State fiscal year ending June 30, 2005, 20%; for payments due in the State fiscal year ending June 30, 2006 not more than 40%; for payments due in the fiscal year ending June 30, 2007, not more than 60%; for payments due in the fiscal year ending June 30, 2008, not more than 80%. The law provides that local employees' PFRS normal and accrued liability contributions shall be as follows: for payments due n the State fiscal year ending June 30, 2005, not more than 40%: for payments due in the fiscal year ending June 30, 2006, not more than 60%; for payments due in the fiscal year ending June 30, 2007, not more than 80%.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The various pension funds provide for employee contributions based on percentages ranging from 5.00 percent for PERS to 8.50 percent for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PFRS and PERS.

During the state fiscal year ended June 30, 2007, for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, the annual pension cost equals the annual required contribution.

Note III: Pension Plans (Continued)

Contribution Requirements (Continued)

The Borough's total payroll for the year ended December 31, 2008 was $1,881,658.00 and covered payroll was $910,463.00 for PERS and $ 678,092.00 for PFRS. Contributions to the PERS and the PFRS for the last three years made by the employees and Borough of Peapack and Gladstone were as follows:

		PERS	Percent of Covered Payroll	PFRS	Percent of Covered Payroll
Employees	12/31/06	42,647.05	5.14%	56,802.16	5.14%
	12/31/07	45,327.30	5.03%	59,668.09	6.62%
	12/31/08	$48,519.99	5.33%	$57,637.97	6.33%
Borough of Peapack and Gladstone	12/31/06	11,673.40	1.41%	54,818.00	8.52%
	12/31/07	31,161.00	3.46%	79,125.00	11.27%
	12/31/08	$55,494.40	8.18%	$156,299.00	23.05%

Note IV: Post Retirement Medical Benefits

P.L. 1997, C.330 provides State paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State is responsible for 80% of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State contributed $20.8 million for the state fiscal year 2007 to provide benefits under Chapter 330 to qualified retirees.

In accordance with a Borough of Peapack and Gladstone policy which provides for post-retirement medical benefits for PERS retirees with 25 years of service, the Borough contributed $133,580.28 to State of New Jersey, Department of Treasury, Division of Pensions and Benefits for 12 eligible retirees and 7 spouses.

Note V: Risk Management

The Borough of Peapack and Gladstone is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough of Peapack and Gladstone is a member of the Statewide Insurance Fund (the "Fund"). Fund is an insurance purchasing pool, in which the participants seek to lower insurance costs through their combined joint purchasing power. Each participant receives their own insurance policies. Risk transfers through the pool to the insurance company from which the policies are purchased. The Fund is also an insured and self-administered group of municipalities established for the purpose of providing certain low-cost workers' compensation insurance coverage for member municipalities in order to keep local property taxes at a minimum. The Borough of Peapack and Gladstone pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied. Additionally, the Fund maintains a contract of excess insurance with a commercial reinsuror for claims in excess of $250,000 to secure the payment of statutory workers' compensation benefits.

The Fund can declare and return Fund Equity to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Borough of Peapack and Gladstone continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note VI: Segment Information – Utility/Enterprise Funds

The Borough of Peapack and Gladstone maintains one utility/enterprise fund which provides sewer services. Segment information for the year ended December 31, 2008 was as follows:

	Sewer Utility Fund
Operating Revenues	1,406,127.17
Operating Income	288,733.17
Operating Transfers in	468.49
Net Income	374,970.54
Fixed Assets:	
Additions	13,320.77
Deletions	
Net Working Capital	886,485.68
Total Operating Assets	1,206,933.21
Operating Fund Balance	842,590.00
Long Term Debt	1,685,000.00
Short Term Debt	

Note VII: Accrued Sick and Vacation Benefits

The Borough of Peapack and Gladstone permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid upon retirement or separation at an agreed-upon rate as follows:

a) Vacation – All employees will be paid for unused vacation leave upon termination.

b) Sick – Police employees will be paid up to a maximum of 90 days upon retirement or one-half of the then accumulated maximum sick leave up to a maximum of 90 days upon termination for other than retirement provided the employee has ten or more years credited service.

c) Sick – Employees (other than Police) will be paid up to a maximum of 90 days upon retirement.

It is estimated that the current cost of such unpaid compensation would approximate $314,952.30. This amount is not reported either as an expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Borough of Peapack and Gladstone's budget operating expenditures in the year in which it is used.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

LOMURRO, DAVISON, EASTMAN & MUÑOZ, P.A.

ATTORNEYS AT LAW
MONMOUTH EXECUTIVE CENTER
100 WILLOW BROOK ROAD
BUILDING 1
FREEHOLD, NEW JERSEY 07728

(732) 462-7170
TELEFAX (732) 409-0292

E-Mail Address:
JKRAFT@LOMURROLAW.COM

Website:
WWW.LOMURROLAW.COM

Direct Dial:
(732) 410.2327

DONALD M. LOMURRO [1]
DUANE O. DAVISON
EDWARD C. EASTMAN, JR. [1]
ROBERT F. MUÑOZ
ROBERT L. HEUGLE, JR. [1]
JAMES M. McGOVERN, JR.
PETER H. LEDERMAN
BETTINA E. MUNSON [1]
JAMES A. PAONE, II[1]
THOMAS M. COMER [1]
ROBERT S. BONNEY, JR.
ANDREA WHITE O=BRIEN [1]
JOHN L. KRAFT
DOUGLAS J. KATICH

COUNSEL
GARY P. McLEAN
MICHAEL J. FASANO
SIMON L. KAUFMAN
PETER V. KOENIG
H. FRANK CARPENTIER
TRACY A. ARMSTRONG

[1]CERTIFIED BY THE SUPREME COURT OF N.J. AS A:
[1] CIVIL TRIAL ATTORNEY
CRIMINAL TRIAL ATTORNEY
[1] MATRIMONIAL LAW ATTORNEY

HEIDI K. HOFFMAN
LOREN ROSENBERG LIGHTMAN
DANIEL M. SANTARSIERO[1]
CARRIE A. LUMI
MICHELE CRUPI

JAIME R. ACKERMAN
JONATHAN H. LOMURRO
CHRISTINA D. HARDMAN-O'NEAL
AMY L. MILLER
BLAKE R. LAURENCE
PERIANGILLY BELTRÉ
LORYN M. LAWSON
RICHARD P. LOMURRO
MATTHEW K. BLAINE

OF COUNSEL
JOSEPH M. CLAYTON, JR.
STEPHEN C. CARTON
MICHAEL D. SCHOTTLAND [1]
JULES S. LITTMAN
JOHN KAYE
PHILIP G. AUERBACH[1]

Mayor and Borough Council of the
Borough of Peapack and Gladstone, in the
County of Somerset, New Jersey

Dear Mayor and Council Members:

We have examined a record of proceedings relating to the issuance of $4,494,000 General Improvement Bonds of the Borough of Peapack and Gladstone, a municipal corporation of the State of New Jersey, situate in the County of Somerset (the "Bonds"). The Bonds are dated December 1, 2009, mature on December 1 in the principal amounts and bear interest at the rates per annum payable June 1, 2010 and semiannually thereafter on the first days of June and December in each year until maturity as described in the following schedule:

Year	Principal Amount	Interest Rate
2010	$150,000	%
2011	$155,000	
2012	$165,000	
2013	$175,000	
2014	$185,000	
2015	$190,000	
2016	$200,000	
2017	$205,000	
2018	$215,000	
2019	$220,000	
2020	$230,000	
2021	$235,000	
2022	$245,000	
2023	$250,000	
2024	$260,000	
2025	$270,000	
2026	$275,000	
2027	$280,000	
2028	$290,000	
2029	$299,000	

[1]The Certified designation by the New Jersey Supreme Court is limited to attorneys who have demonstrated 1) substantial involvement in trial matters in Superior Court, 2) an unblemished reputation as attested to by judges and attorneys, and 3) substantial knowledge and continuing legal education shown by passing a special written examination on trial practice.

The Bonds are issued in the form of one Bond for each maturity, being twenty in number, and are numbered GI-1 to GI-203, inclusive, in order of maturity. The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey and a resolution of the Borough Council adopted October 27, 2009 and entitled, "Resolution Providing for the Combination of Certain Issues of General Improvement Bonds of the Borough of Peapack and Gladstone, in the County of Somerset, New Jersey into a Single Issue of Bonds Aggregating $4,494,000 in Principal Amount" in all respects duly approved and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

The Bonds are subject to redemption prior to their stated maturities. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as Securities Depository.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the Borough of Peapack and Gladstone and the Borough has the power and is obligated to levy ad valorem taxes upon all the taxable real property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the tax exempt status of the Bonds under the Internal Revenue Code of 1986, as amended (the "Code"). In the event that the Borough continuously complies with its covenant, it is our opinion that interest on the Bonds is not includable in gross income for federal income tax purposes under the current law.

In our opinion, the Bonds are not "private activity bonds" as defined in the Code and interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals. Interest on the Bonds held by a corporate taxpayer is included in the relevant income computation for calculation of the federal alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings." We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Further, in our opinion, interest on the Bonds and any gain on the sale of the Bonds are not includable as gross income under the New Jersey Gross Income Tax Act.

Very truly yours,

Lomurro, Davison, Eastman & Munoz, P.A.

By: John L. Kraft, Esq.

APPENDIX D

FORM OF SECONDARY MARKET DISCLOSURE UNDERTAKING

SECONDARY MARKET DISCLOSURE UNDERTAKING

This UNDERTAKING is made as of December 3, 2009 by the BOROUGH OF PEAPACK AND GLADSTONE (the "Issuer") New Jersey for the purpose of obligating the Issuer to make secondary market disclosure as contemplated by SEC Rule 15c2-12 (the "SEC Rule"). Defined terms used in the UNDERTAKING shall have the definitions set forth in the SEC Rule unless the context of the UNDERTAKING clearly indicates otherwise.

Section 1. The obligations with respect to which the UNDERTAKING applies are described as follows (the "Municipal Securities"):

> $4,494,000 General Improvement Bonds dated December 1, 2009, maturing on December 1 and bearing interest at the rates per annum, payable June 1, 2010 and semiannually thereafter on the first days of June and December as described in Schedule A attached hereto.

Section 2. The term of the UNDERTAKING is from the date of delivery of the Municipal Securities by the Issuer to the date of the last payment of principal or redemption price, if any, of, and interest to accrue on, the Municipal Securities.

Section 3. The Issuer is the only Obligated Person with respect to the Municipal Securities.

Section 4. The Issuer undertakes to provide to any person upon request the following Annual Financial Information and Operating Data for each fiscal year ending on or after December 31, 2009:

Audited Financial Statements.

Property Valuation.

Tax Rate.

Tax Levy and Collection Data.

New Debt.

Litigation.

Section 5. The Annual Financial Information and Operating Data shall be made available annually to the New Jersey State Information Depository, if in existence, within 120 days after the close of the Issuer's fiscal year, except that audited financial statements will be made available within 60 days after receipt by the Issuer. Any person may obtain Annual Financial Information and Operating Data by contacting:

Mary Robinson, Chief Financial Officer
Borough of Peapack and Gladstone
One School Street
Peapack, NJ 07977
Telephone: (908) 234-2251

Section 6. The accounting principle followed by the Issuer is the "Modified Cash Basis," as promulgated by the Division of Local Government Services in the Department of Community Affairs of the State of New Jersey. If the Issuer is required by law or regulation to adopt different accounting principles, notice of such change shall be provided as part of the Issuer's next succeeding Annual Financial Information and Operating Data..

Section 7. The Issuer undertakes to disclose to www.emma.msrb.org ("Emma"), in a timely manner the occurrence of any of the following events, if any such occurrence is material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(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 or events affecting the tax-exempt status of the Municipal Securities;

(7) modifications to the rights of owners of the Municipal Securities;

(8) bond calls;

(9) defeasances;

(10) release, substitution or sale of property securing repayment of the securities; and

(11) rating changes.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that such other event is material with respect to the Municipal Securities, but the Issuer does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

Section 8. The UNDERTAKING is made for the benefit of the holders or beneficial owners of the Municipal Securities and may be enforced by any such holder or beneficial owner. The sole remedy of any such holder or beneficial owner shall be for specific performance of the UNDERTAKING and not for money damages in any amount.

Section 9. This UNDERTAKING may be amended by the Issuer from time to time if the following conditions are met:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements;

(b) The UNDERTAKING, as amended, would have complied with the requirements of the SEC Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of holders or beneficial owners, as determined by the Issuer's bond counsel.

Notice of any amendment shall be provided to the New Jersey State Information Depository, if in existence, in a timely manner.

IN WITNESS WHEREOF, THE BOROUGH OF PEAPACK AND GLADSTONE, IN THE COUNTY OF SOMERSET has caused this UNDERTAKING to be executed in its name by its Chief Financial Officer and attested to by the Borough Clerk, all as of the 3rd day of December, 2009.

BOROUGH OF PEAPACK AND GLADSTONE

Attest:

_____
MARGARET J. GOULD, Clerk

By_____
MARY ROBINSON, Chief Financial Officer