

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 16, 2011

NEW ISSUE BOOK ENTRY ONLY

RATINGS: Fitch:

Moody's:

S&P:

(See "RATINGS" herein)

\$88,590,000*

**NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
State Contract Refunding Bonds,
2011 Series A and 2011 Series B (Taxable)**

Dated: Date of Delivery

Due: March 1 (as set forth on the inside front cover)

This Official Statement has been prepared by the New Jersey Sports and Exposition Authority ("Authority") to provide information relating to its State Contract Refunding Bonds, 2011 Series A (the "2011 Series A Bonds") and 2011 Series B (Taxable) (the "2011 Series B Bonds", and collectively with the 2011 Series A Bonds, the "2011 Series Bonds").

Tax Matters: In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming compliance by the Authority with the Arbitrage and Use of Proceeds Certificate (as described herein), (i) interest on the 2011 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2011 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, interest on the 2011 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on and any gain realized from the sale of any of the 2011 Series Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

Redemption: The 2011 Series Bonds are subject to redemption prior to maturity as described herein. See "THE 2011 SERIES BONDS — Redemption" herein.

Security: The 2011 Series Bonds are special obligations of the Authority, payable solely from, and secured by, the payments received pursuant to the State Contract (as defined herein) and the other Pledged Property (as defined herein) under the Resolution (as defined herein). Notwithstanding the pledge effected by the Resolution or any provision of the Resolution, all amounts payable pursuant to the State Contract by the State or Treasurer of the State shall be subject to and dependent upon appropriations being made from time to time for such purposes by the New Jersey State Legislature (the "State Legislature"). The State Legislature has no legal obligation to make any such appropriations.

None of the Authority's revenues, rents, fees, rates, charges or other income and receipts derived by the Authority from the operation or ownership of any of its projects is pledged or assigned to the payment of the principal or redemption price of and interest on the 2011 Series Bonds.

THE AUTHORITY HAS NO TAXING POWER. NEITHER THE STATE OF NEW JERSEY NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 SERIES BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY NOR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 SERIES BONDS.

Purpose: The 2011 Series Bonds are being issued for the purposes of providing moneys, together with other available funds of the Authority, to: (i) currently or advance refund all or a portion of the Refunded Bonds (as defined herein); and (ii) pay the costs of issuance of the 2011 Series Bonds. See "PLAN OF REFUNDING" herein and "APPENDIX VI — SUMMARY OF REFUNDED BONDS" attached hereto.

Interest: The 2011 Series Bonds will bear interest from their date of delivery at the rates set forth on the inside front cover. Interest on the 2011 Series Bonds is payable on each March 1 and September 1, commencing March 1, 2012.

Denomination: \$5,000 and any integral multiple thereof.

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

Issuer Contact: Office of Public Finance, Trenton, New Jersey, 08625 (609) 984-4888.

Official Statement Dated: August , 2011

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

The 2011 Series Bonds are offered when, as and if issued and received by the underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the receipt of the approving legal opinion of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Authority. It is expected that the 2011 Series Bonds will be available for delivery to the underwriters through DTC against payment therefor in New York, New York on or about August 31, 2011.

* Preliminary, subject to change.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

\$45,510,000*

STATE CONTRACT REFUNDING BONDS, 2011 SERIES A

<u>Maturity Date*</u> <u>(March 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>
2013	\$10,390,000			
2014	4,660,000			
2015	4,740,000			
2016	4,085,000			
2017	4,085,000			
2018	4,090,000			
2019	1,925,000			
2020	2,195,000			
2021	2,690,000			
2022	2,010,000			
2023	2,215,000			
2024	2,425,000			

\$43,080,000*

STATE CONTRACT REFUNDING BONDS, 2011 SERIES B (TAXABLE)

<u>Maturity Date*</u> <u>(March 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹</u>
2013	\$22,065,000			
2014	10,470,000			
2015	6,095,000			
2016	545,000			
2017	555,000			
2018	170,000			
2019	460,000			
2020	485,000			
2021	530,000			
2022	485,000			
2023	505,000			
2024	530,000			
2025	185,000			

* Preliminary, subject to change.

¹ Registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2011 Series Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2011 Series Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2011 Series Bonds.

The following Official Statement contains a general description of the 2011 Series Bonds, The New Jersey Sports and Exposition Authority (the "Authority"), the State and the plan of refunding and sets forth summaries of certain provisions of the Resolution, the descriptions and summaries herein do not purport to be complete. Persons interested in purchasing the 2011 Series Bonds should carefully review this Official Statement (including the appendices attached hereto) as well as copies of such documents in their entirety, which are held by the Trustee at its Corporate Trust Office. This Official Statement is submitted in connection with the sale and the issuance of the 2011 Series Bonds and may not be reproduced, used or relied upon, in whole or in part, for any other purpose.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2011 SERIES BONDS IS MADE ONLY BY MEANS OF THIS OFFICIAL STATEMENT.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2011 Series Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Certain information contained herein has been obtained from the State and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information set forth herein has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Authority. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date hereof, or the date as of which particular information is given, if earlier.

The 2011 Series Bonds are not registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. In making an investment decision, investors must rely upon their own examination of the 2011 Series Bonds and the security therefor, including an analysis of the risk involved. The 2011 Series Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration or qualification of the 2011 Series Bonds in accordance with applicable provisions of the securities laws of the states in which the 2011 Series Bonds have been registered or qualified, if any, and the exemption from registration or qualification in other states cannot be regarded as a recommendation of the 2011 Series Bonds. Neither these states nor any of their agencies have passed upon the merits of the 2011 Series Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement, or, except for the Authority and the Treasurer, has approved the 2011 Series Bonds for sale.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified by reference to the particular documents in their entirety, the full texts of which may contain qualifications of and exceptions to statements made herein. This Official Statement is distributed in

connection with the offering of the 2011 Series Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information in this Official Statement concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC, and the Authority takes no responsibility for the accuracy thereof.

NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
East Rutherford, New Jersey
(201) 935-8500

AUTHORITY MEMBERS

Michael Ferguson, Chairman
Joseph E. Buckelew, Vice Chair
Armando B. Fontoura
Joseph M. Forgione
Rev. Dr. David Jefferson, Sr., Esq.
George Kolber
Michael J. Neglia
Steven D. Plofker
Fredrick Potter
Anthony Scardino, Jr.
Robert B. Yudin

EX-OFFICIO MEMBERS

Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey
Lori Grifa, New Jersey Meadowlands Commission Representative
Dennis R. Robinson, President & Chief Executive Officer

PRINCIPAL STAFF

Dennis R. Robinson, President & Chief Executive Officer
Mark E. Stefanacci, Chief Operating Officer, Legal Counsel
James Minish, Executive Vice-President – Facilities
Ralph J. Marra, Jr., Senior Vice President, Legal and Governmental Affairs
Lennon Register, Chief Financial Officer
Helen Strus, Senior Vice President Sales and Marketing

PROFESSIONALS

Hawkins Delafield & Wood LLP, Bond Counsel
Acacia Financial Group, Inc., Financial Advisor

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The Authority	1
Source of Payment.....	1
Plan of Refunding.....	2
Book-Entry Securities	2
Additional Bonds.....	3
THE AUTHORITY	3
AUTHORIZED PROJECTS.....	4
PLAN OF REFUNDING	4
SOURCES AND USES OF FUNDS	5
SECURITY AND SOURCES OF PAYMENT FOR THE 2011 SERIES BONDS	5
Source of Payment.....	6
Additional Bonds.....	8
State General Taxing Power Not Pledged	8
Nonappropriation.....	8
THE 2011 SERIES BONDS	9
General	9
Redemption	10
Possibility of Mandatory Sinking Fund Redemption	10
Selection of 2011 Series Bonds to be Redeemed	11
Notice of Redemption of the 2011 Series Bonds	11
Book-Entry Only System	12
ANNUAL DEBT SERVICE SCHEDULE.....	15
TAX MATTERS.....	16
LEGALITY FOR INVESTMENT AND DEPOSIT.....	20
LITIGATION.....	21
LEGAL MATTERS.....	21
RATINGS	21
VERIFICATION.....	21
UNDERWRITING	21
FINANCIAL ADVISOR	22
CONTINUING DISCLOSURE.....	22
MISCELLANEOUS	22
 APPENDIX I – FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY	 I-1
APPENDIX II – SUMMARY OF CERTAIN PROVISIONS OF THE STATE CONTRACT BOND RESOLUTION	 II-1
APPENDIX III – COPY OF STATE CONTRACT.....	III-1
APPENDIX IV – FORM OF CONTINUING DISCLOSURE AGREEMENT	IV-1
APPENDIX V – FORM OF OPINION OF BOND COUNSEL	V-1
APPENDIX VI – SUMMARY OF REFUNDED BONDS	VI-1

OFFICIAL STATEMENT
of the
NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
relating to its
\$88,590,000*
NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
STATE CONTRACT REFUNDING BONDS, 2011 SERIES A AND 2011 SERIES B (TAXABLE)

INTRODUCTION

General

The purpose of this Official Statement (the “Official Statement”) (which includes the cover page and the Appendices hereto) is to set forth certain information in connection with the issuance and sale by the New Jersey Sports and Exposition Authority (the “Authority”) of: (i) \$45,510,000* State Contract Refunding Bonds, 2011 Series A (the “2011 Series A Bonds”) and \$43,080,000* State Contract Refunding Bonds, 2011 Series B (Taxable) (the “2011 Series B Bonds”, and collectively with the 2011 Series A Bonds, the “2011 Series Bonds”).

Capitalized terms used herein, unless otherwise defined herein, shall have the meanings given to them in the Resolution and as further described in APPENDIX II – “SUMMARY OF CERTAIN PROVISIONS OF THE STATE CONTRACT BOND RESOLUTION.”

The Authority

The Authority was created in 1971 as a public body corporate and politic and an instrumentality of the State of New Jersey (“State”) pursuant to the New Jersey Sports and Exposition Authority Law, L. 1971, c. 137, as amended and supplemented (the “Act”).

The 2011 Series Bonds are being issued pursuant to the constitution and laws of the State of New Jersey (the “State”) including, particularly, the Act and the Authority’s State Contract Bond Resolution adopted on February 26, 1992, as supplemented, including a Twentieth Supplemental State Contract Bond Resolution adopted on July 14, 2011 and a Series Certificate of the Authority dated the date of sale of the 2011 Series Bonds (collectively, the “Resolution”).

Source of Payment

The 2011 Series Bonds are payable primarily from, and secured by the pledge of, payments to be made by the State pursuant to the “Second Amended and Restated Agreement Effectuating the Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable from State Appropriations”, dated March 15, 2007, by and between the Treasurer of the State of New Jersey (the “Treasurer”) and the Authority, and approved by the President of the New Jersey Senate and the Speaker of the New Jersey Assembly (the “State Contract”). See APPENDIX III – “COPY OF STATE CONTRACT” hereto. The 2011 Series Bonds constitute Refunding Bonds (as hereinafter defined) under the Resolution and are equally and ratably secured with the State Contract Bonds, 1992 Series A, 1998 Series A, 1999 Series A (Federally Taxable), 2000 Series A, 2000 Series B (Federally Taxable), 2000 Series C and 2000 Series D (Federally Taxable), 2002 Series A, 2003 Series A, 2005 Series A, 2007 Series A, 2007 Series B (Federally Taxable), 2008 Series A (Federally Taxable), 2008 Series B, and 2008 Series C (Federally

* Preliminary, subject to change.

Taxable) (collectively, the “Prior Parity Bonds”) issued and Outstanding pursuant to the Resolution and any Additional Bonds and Refunding Bonds hereinafter issued under the Resolution. In addition, in connection with the Convention Center Structured Lease Financing (as hereinafter defined) of the Atlantic City Convention Center, the Authority issued Standby Deficiency Bonds in 2001 and 2010. See “APPENDIX I – OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION - New Jersey Sports and Exposition Authority” attached hereto.

THE 2011 SERIES BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM PAYMENTS RECEIVED PURSUANT TO THE STATE CONTRACT AND THE OTHER PLEDGED PROPERTY UNDER THE RESOLUTION. ALL AMOUNTS PAYABLE PURSUANT TO THE STATE CONTRACT BY THE STATE OR TREASURER OF THE STATE ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME FOR SUCH PURPOSES BY THE STATE LEGISLATURE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.

NONE OF THE AUTHORITY’S REVENUES, RENTS, FEES, RATES, CHARGES OR OTHER INCOME AND RECEIPTS DERIVED BY THE AUTHORITY FROM THE OPERATION OR OWNERSHIP OF ANY OF ITS PROJECTS IS PLEDGED OR ASSIGNED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE 2011 SERIES BONDS.

THE AUTHORITY HAS NO TAXING POWER. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 SERIES BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 SERIES BONDS.

The Bank of New York Mellon, Woodland Park, New Jersey (the “Trustee” and the “Paying Agent”), is the trustee and paying agent for the 2011 Series Bonds.

Plan of Refunding

The 2011 Series Bonds, together with any other available funds of the Authority, are being issued for the purposes of providing moneys to (i) refund all or a portion of the Authority’s outstanding State Contract Bonds, 1992 Series A, 1998 Series A, 1999 Series A (Federally Taxable), 2000 Series A, 2000 Series B (Federally Taxable), 2003 Series A, 2005 Series A, 2007 Series A, 2007 Series B-1 (Federally Taxable), 2007 Series B-2 (Federally Taxable), 2007 Series B-3 (Federally Taxable), 2008 Series A (Federally Taxable), 2008 Series B and 2008 Series C, as more particularly identified in APPENDIX VI attached hereto (collectively, the “Refunded Bonds”); and (ii) pay the costs of issuance of the 2011 Series Bonds (collectively, the “2011 Refunding Project”). See “PLAN OF REFUNDING” herein and “APPENDIX VI – SUMMARY OF REFUNDED BONDS” attached hereto.

Book-Entry Securities

The 2011 Series Bonds are being issued in the form of one fully registered Bond certificate for each maturity within each series of the 2011 Series Bonds, with each such Bond certificate being in the aggregate principal amount of each such maturity and registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial interests in the 2011 Series Bonds will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Except as described herein, owners of beneficial interests in a 2011 Series Bond will not be entitled to have such bonds registered in their names, will not receive or be entitled to receive physical delivery of the bonds in definitive form and will

not be considered Holders thereof under the Resolution. See “THE 2011 SERIES BONDS - Book-Entry Only System” herein.

Additional Bonds

In addition to the 2011 Series Bonds, one or more series of Additional Bonds may be issued by the Authority pursuant to the Resolution for the purposes of (i) financing costs of a Project or providing additional funds to complete payment of the costs of a Project, or (ii) refunding certain bonds or notes of the Authority (other than Bonds issued under the Resolution) issued for the Meadowlands Sports Complex or Monmouth Racetrack. One or more Series of Refunding Bonds may be issued under the Resolution at any time upon compliance with the terms and conditions set forth therein to refund Outstanding Bonds of one or more series issued under the Resolution or one or more maturities within a series of Bonds issued under the Resolution. The Resolution provides that such Additional Bonds and Refunding Bonds shall be equally and ratably secured with any outstanding Bonds (including the Prior Parity Bonds) and any other Additional Bonds (including the 2011 Series Bonds) to be issued pursuant to the Resolution.

THE AUTHORITY

The Authority was created by the Act in 1971, as a public body corporate and politic and an instrumentality of the State, to develop a sports and exposition complex within the Hackensack Meadowlands. Pursuant to the Act, the Authority is authorized, among other things, to acquire, own and operate racetracks, stadiums, arenas and other entertainment facilities and convention centers. The members of the Authority (all of whom serve without compensation as members), the expiration dates of their terms of office as members, and the State office held by each *ex-officio* member are as follows:

<u>Name</u>	<u>Term Expires</u>
Michael Ferguson, Chairman	03/14/14
Joseph E. Buckelew, Vice Chair*	06/25/11
Armando B. Fontoura	08/12/12
Joseph M. Forgione ¹	03/04/10
Rev. Dr. David Jefferson, Sr., Esq.*	06/14/11
George Kolber	09/14/12
Michael J. Neglia	11/15/12
Steven D. Plofker	05/10/14
Fredrick Potter*	06/16/11
Anthony Scardino, Jr.	05/10/13
Robert B. Yudin	09/14/12
Vacancy	
Vacancy	
Andrew P. Sidamon-Eristoff, Treasurer, State of New Jersey	<i>Ex-Officio</i>
Lori Grifa,	
New Jersey Meadowlands Commission Representative	<i>Ex-Officio</i>
Dennis R. Robinson,	
President and Chief Executive Officer of the Authority	<i>Ex-Officio</i>

The Authority currently owns the land encompassing (i) the Meadowlands Sports Complex, consisting of New Meadowlands Stadium, the Meadowlands Racetrack and the IZOD Center (“Arena”), (ii) Monmouth Racetrack, (iii) the Wildwood Convention Center and (iv) the Atlantic City Convention

¹ Term has expired, continues to serve until a successor is appointed.

Center Project, consisting of the Atlantic City Convention Center and the Historic Boardwalk Hall Entertainment Center.

The Authority expects to execute agreements with private operators for the lease of the Meadowlands Racetrack and the Monmouth Park Racetrack before the end of 2011. The New Meadowlands Stadium Company currently leases the land encompassing the New Meadowlands Stadium and the ancillary parking lots. The practice, training and administrative facility located adjacent to the New Meadowlands Stadium is leased to the Giants football team. Negotiations are anticipated with respect to the lease of the Arena and the American Dream development located adjacent thereto.

The Atlantic City Convention Center and Boardwalk Hall Entertainment Center are, by legislation, in the process of being transferred by the Authority to the Atlantic City Convention and Visitors Authority ("ACCVA"), or its successor, the Casino Reinvestment Development Authority ("CRDA"). ACCVA assumed operational and management responsibility of those facilities as of January 2010.

NONE OF THE AUTHORITY'S REVENUES, RENTS, FEES, RATES, CHARGES OR OTHER INCOME AND RECEIPTS DERIVED BY THE AUTHORITY FROM THE OPERATION OR OWNERSHIP OF ITS PROJECTS IS PLEDGED OR ASSIGNED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE 2011 SERIES BONDS. **Rather, the 2011 Series Bonds are payable solely and exclusively from, and secured by a pledge of, the Pledged Property which consists of the payments received pursuant to the State Contract, the Revenues and Funds established pursuant to the Resolution, including Investment Securities held in any such Fund, and all of the Authority's right, title and interest therein, and any other moneys, securities or funds pledged for the payment of the principal of and interest on the 2011 Series Bonds, if any.** For this purpose, Revenues include only amounts appropriated and paid to the Authority or the Trustee from the Sports Authority Fund pursuant to the Act and the State Contract, and any other amounts appropriated and paid by the State to the Authority or the Trustee or received by the Authority or the Trustee from any other source and pledged by the Authority as security for the payment of the 2011 Series Bonds. Accordingly, no information is contained herein relating to the financial operations of the Authority or any of its outstanding debt other than debt issued pursuant to the Resolution. For certain information regarding the State, see APPENDIX I – "FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY" herein.

AUTHORIZED PROJECTS

Under the Act, and under the State Contract, the Authority has the power to finance certain projects through the issuance of Bonds payable from amounts on deposit in the Sports Authority Fund established under the Act. The nature and scope of the projects authorized to be financed by the Authority, in whole or in part, with Bonds, are set forth in the State Contract, a copy of which appears in APPENDIX III – "COPY OF STATE CONTRACT" hereto.

PLAN OF REFUNDING

The 2011 Series Bonds are being issued by the Authority to refund the Refunded Bonds and to pay costs of issuance of the 2011 Series Bonds.

In order to effect the refunding of the Refunded Bonds, a portion of the proceeds of the 2011 Series Bonds, together with any other available funds, will be applied to the purchase of Defeasance Securities, which will be deposited with The Bank of New York Mellon, as escrow agent (the "Escrow Agent") under an Escrow Deposit Agreement (the "Escrow Deposit Agreement") between the Authority and the Escrow Agent. Such Defeasance Securities will be payable as to principal and interest at such times and in such amounts as will be sufficient to pay principal of and interest on the Refunded Bonds

due prior to their respective redemption dates or maturity dates, as the case may be, and to pay the redemption price and interest or principal and interest on the Refunded Bonds due on such redemption dates or maturity dates. See “VERIFICATION” herein. Such Defeasance Securities will be pledged only to the payment of the Refunded Bonds and are not available for the payment of the 2011 Series Bonds.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2011 Series Bonds are as follows:

SOURCES OF FUNDS

Par Amount of Bonds	\$
Original Issue Premium/Discount	
Total Sources	\$

USES OF FUNDS

Escrow Fund	\$
Costs of Issuance ¹	
Underwriters' Discount	
Total Uses	\$

SECURITY AND SOURCES OF PAYMENT FOR THE 2011 SERIES BONDS

THE 2011 SERIES BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM PAYMENTS RECEIVED PURSUANT TO THE STATE CONTRACT AND THE OTHER PLEDGED PROPERTY UNDER THE RESOLUTION. NOTWITHSTANDING THE PLEDGE EFFECTED BY THE RESOLUTION OR ANY PROVISION OF THE RESOLUTION, ALL AMOUNTS PAYABLE PURSUANT TO THE STATE CONTRACT BY THE STATE OR TREASURER OF THE STATE SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME FOR SUCH PURPOSES BY THE STATE LEGISLATURE. THE STATE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS.

NONE OF THE AUTHORITY’S REVENUES, RENTS, FEES, RATES, CHARGES OR OTHER INCOME AND RECEIPTS DERIVED BY THE AUTHORITY FROM THE OPERATION OR OWNERSHIP OF ANY OF ITS PROJECTS IS PLEDGED OR ASSIGNED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE 2011 SERIES BONDS.

POTENTIAL PURCHASERS OF THE 2011 SERIES BONDS SHOULD LOOK SOLELY TO THE OBLIGATIONS OF THE TREASURER OF THE STATE UNDER THE STATE CONTRACT AS SECURITY AND A SOURCE OF PAYMENT FOR THE 2011 SERIES BONDS.

NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 SERIES BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2011 SERIES BONDS. THE AUTHORITY HAS NO TAXING POWER.

¹ Includes fees for bond ratings, printing, legal, trust and escrow, verification, and financial advisory services, and other estimated fees and expenses relating to the sale and issuance of the 2011 Series Bonds.

Source of Payment

Pledged Property. The 2011 Series Bonds are special obligations of the Authority payable solely from, and secured by a pledge of, the Pledged Property (hereinafter defined). Pursuant to the Resolution, all of the Pledged Property is pledged and assigned as security for the payment of the principal or Redemption Price of and interest on the 2011 Series Bonds. All Pledged Property is subject to the lien of said pledge without any physical delivery thereof or further act, and such lien shall be valid and binding against all persons having claims of any kind in tort, contract or otherwise against the Authority. See APPENDIX II – “SUMMARY OF CERTAIN PROVISIONS OF THE STATE CONTRACT BOND RESOLUTION – Pledge of Pledged Property” herein.

Pursuant to the Resolution, Pledged Property consists of the State Contract, Revenues and Funds established under the Resolution, including investment securities held in any such Fund, together with all proceeds and revenues of the foregoing and all of the Authority’s right, title and interest therein, and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the 2011 Series Bonds. “Revenues” include: (i) all amounts appropriated and paid to the Authority or the Trustee from the Sports Authority Fund pursuant to the Act and the State Contract; and (ii) any other amounts appropriated and paid by the State to the Authority or the Trustee or received by the Authority or the Trustee from any other source and pledged by the Authority as security for the payment of the 2011 Series Bonds. NONE OF THE AUTHORITY’S REVENUES, RENTS, FEES, RATES, CHARGES OR OTHER INCOME AND RECEIPTS DERIVED BY THE AUTHORITY FROM THE OPERATION OR OWNERSHIP OF ANY OF ITS PROJECTS IS PLEDGED OR ASSIGNED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE 2011 SERIES BONDS.

The State Contract. Pursuant to the Act, the Authority and the State Treasurer entered into, and the presiding officers of the State Legislature approved, a Second Amended and Restated Agreement Effectuating Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable From State Appropriations, dated as of March 15, 2007 (the “State Contract”), which amends and restates an Amended and Restated Agreement Effectuating Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable From State Appropriations, dated as of November 24, 1998, which amended and restated an Agreement Effectuating Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable From State Appropriations, dated January 13, 1992. The State Contract provides for the payment of principal and interest with respect to the Bonds issued under the Resolution, including the 2011 Series Bonds, and any amount under a Credit Agreement with respect to Bonds from the amounts transferred from the General Fund of the State to the Sports Authority Fund, subject to and dependent upon appropriations being made for such purposes by the State Legislature.

The issuance of each Series of Bonds, including the terms thereof and Credit Agreements related thereto, which are to be payable from amounts provided pursuant to the State Contract is subject to the consent of the Governor, the State Treasurer and the Director of the Division of Budget and Accounting of the State, or any two of such officials. The issuance of the 2011 Series Bonds was approved by the State Treasurer and the Director of the Division of Budget and Accounting of the State as of the date of sale of the 2011 Series Bonds.

Both the Act and the State Contract provide for the establishment of a “Sports Authority Fund” by the State Treasurer and for the transfer thereto by the State Treasurer from the General Fund of the State of such amounts as shall be required to pay principal of and interest on Bonds, including debt service reserves, if any, for the payment of Bonds, and amounts due under any Credit Agreement (as hereinafter defined) entered into in connection with the Bonds (such required payments being referred to herein as “Debt Service Requirements”). **The 2011 Series Bonds are not secured by a debt service reserve fund.**

The State Contract also provides that, on or before each date that a Debt Service Requirement payment is due (or, in the case of Bonds issued prior to November 24, 1998, on or before fifteen (15) days prior to such date), the State Treasurer shall pay from the Sports Authority Fund to the Trustee the amount required to pay the Debt Service Requirements due on such date. The State Treasurer, on behalf of the State, may also make payments to the Authority for the purposes of redeeming or defeasing bonds in accordance with their terms.

The incurrence of any obligation by the State or the Treasurer of the State under the State Contract, including any and all transfers and payments to be made from the General Fund of the State, is subject to and dependent upon appropriations being made from time to time by the State Legislature for the purposes set forth in the State Contract and in the Act. The obligation of the State or the Treasurer of the State to pay the amounts provided for in the State Contract shall not constitute a debt or liability of the State within the meaning of any constitutional or statutory provisions or a pledge of the faith and credit of the State and shall be deemed executory only to the extent of moneys appropriated and no liability shall be incurred by the State or the Treasurer of the State beyond the moneys then appropriated. See APPENDIX I – “FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY” herein.

The State Contract may be amended or supplemented from time to time, provided that each such amendment or supplement must be approved by the presiding officers of the State Legislature. No amendment or supplement is permitted which would adversely affect the interest of the holders of the 2011 Series Bonds or any other Bonds issued under the Resolution.

Termination of the State Contract may not take place unless all Bonds issued and Outstanding under the Resolution have been paid or provision for their payment has been made in accordance with their terms.

Flow of Funds. Pursuant to the Resolution, all Revenues, as received, shall be deposited into the following Accounts of the Debt Service Fund at such times and in the following order of priority so that:

(i) With respect to the Debt Service Account, there shall be on deposit on or before each Payment Date (as hereinafter defined) with respect to the Bonds (fifteen (15) days prior to each Payment Date with respect to Bonds issued prior to November 24, 1998), an amount (exclusive of amounts set aside therein as provided in the Resolution for the payment of interest to become due after the next Payment Date) equal to the sum of (i) in the event that such Payment Date shall be an interest payment date on Bonds on which interest only shall be due, the amount required to pay the interest due and unpaid on the Bonds on such interest payment date, and (ii) in the event that such Payment Date shall be an interest payment date on Bonds on which both interest and a principal or sinking fund payment shall be due, the amount required to pay the interest and the principal or sinking fund payment due and unpaid with respect to the Bonds on such date.

(ii) With respect to the Debt Service Reserve Account, there shall be on deposit on or before each Payment Date with respect to the Bonds (fifteen (15) days prior to each Payment Date with respect to Bonds issued prior to November 24, 1998), the amount, if any, required for such Account to equal the Debt Reserve Requirement, if any. **The 2011 Series Bonds are not secured by any amounts on deposit in the Debt Service Reserve Account.**

(iii) With respect to the Credit Obligation Account, there shall be on deposit on or before each Payment Date with respect to Credit Obligations (as hereinafter defined) (fifteen (15) days prior to each Payment Date with respect to Credit Agreements

entered into prior to November 24, 1998), the amounts of the Credit Obligations due and unpaid under each Credit Agreement on such Payment Date.

In addition, all amounts paid to the Authority or the Trustee for the early retirement of the 2011 Series Bonds by purchase or redemption, other than amounts to be paid into the Debt Service Account for the payment of sinking fund payments next due or amounts provided as a result of a refunding of the 2011 Series Bonds, and including any amounts paid by the State or the Treasurer of the State pursuant to the State Contract for purposes of redeeming or defeasing Bonds, shall be deposited in the Debt Retirement Fund established under the Resolution. Amounts in the Debt Retirement Fund shall be applied, as rapidly as practicable, to the purchase or redemption (including premium, if any) of the 2011 Series Bonds to be retired from such amounts in accordance with written instructions of the Authority which, in the case of amounts provided therefor by the State or the State Treasurer, shall be in compliance with the requirements of the State Contract. Interest on Bonds so purchased or redeemed and all expenses in connection with such purchase or redemption shall also be paid from amounts in the Debt Retirement Fund.

Covenant of the Authority. Pursuant to the Resolution, the Authority has covenanted with the holders of the 2011 Series Bonds that it will enforce the provisions of the State Contract and agreements thereunder and that it will not consent or agree to or permit any amendment or change to the State Contract which would adversely affect the rights or security of the holders of the 2011 Series Bonds.

Additional Bonds

One or more Series of Additional Bonds may be issued by the Authority at any time or from time to time for the purposes of financing costs of a Project or providing additional funds to complete payment of the costs of a Project or refunding certain bonds or notes of the Authority (other than Bonds issued under the Resolution) issued for the Meadowlands Sports Complex or Monmouth Racetrack. One or more Series of Refunding Bonds may be issued under the Resolution at any time upon compliance with the terms and conditions set forth therein to refund Outstanding Bonds of one or more series issued under the Resolution or one or more maturities within a series of Bonds issued under the Resolution. The Resolution provides that such Additional Bonds shall be equally and ratably secured with any outstanding bonds (including the Prior Parity Bonds) and any other Additional Bonds (including the 2011 Series Bonds) to be issued pursuant to the Resolution. See APPENDIX II – “SUMMARY OF CERTAIN PROVISIONS OF THE STATE CONTRACT BOND RESOLUTION – Additional Bonds; Refunding Bonds” herein.

State General Taxing Power Not Pledged

The outstanding bonds of the Authority, including the 2011 Series Bonds, shall be special obligations of the Authority payable solely from the Pledged Property. The Authority has no taxing power.

The outstanding bonds of the Authority, including 2011 Series Bonds, shall not be in any way a debt of the State or any political subdivision thereof (other than the Authority) and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Authority) or be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof (other than the Authority).

Nonappropriation

THE 2011 SERIES BONDS ARE PAYABLE SOLELY FROM THE PLEDGED PROPERTY, CONSISTING PRIMARILY OF PAYMENTS RECEIVED PURSUANT TO THE STATE CONTRACT. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE 2011 SERIES BONDS —

SOURCE OF PAYMENT — PLEDGED PROPERTY” HEREIN. THE SOLE SOURCE OF PAYMENTS PURSUANT TO THE STATE CONTRACT IS APPROPRIATIONS BY THE STATE LEGISLATURE FOR SUCH PURPOSE. THERE CAN BE NO ASSURANCE THAT THE STATE WILL APPROPRIATE MONEYS SUFFICIENT TO PAY AMOUNTS WHEN DUE ON THE 2011 SERIES BONDS OR OTHERWISE DUE UNDER THE STATE CONTRACT. THE STATE CONTRACT DOES NOT LEGALLY OBLIGATE THE STATE LEGISLATURE TO APPROPRIATE ANY FUNDS THEREFOR. ALTHOUGH THE RESOLUTION PROVIDES FOR THE REMEDY OF SPECIFIC PERFORMANCE TO REQUIRE THE AUTHORITY TO PERFORM ITS COVENANTS CONTAINED IN THE RESOLUTION (INCLUDING ITS COVENANT TO ENFORCE THE TERMS OF THE STATE CONTRACT), THERE IS NO LEGAL REQUIREMENT UNDER THE STATE CONTRACT OR THE ACT THAT AN APPROPRIATION BE MADE. THUS, THERE ARE NO SIGNIFICANT REMEDIES AVAILABLE TO THE BONDHOLDERS IN THE EVENT THAT THE STATE LEGISLATURE DOES NOT APPROPRIATE SUFFICIENT FUNDS TO MAKE PAYMENTS WHEN DUE UNDER THE STATE CONTRACT.

The State Legislature has always made appropriations in previous fiscal years in amounts sufficient to timely pay debt service on all bonds issued under the Resolution and the amounts due under all Credit Agreements. However, there can be no assurance that, in the event the State experiences financial difficulty, or the adoption of the annual appropriations act is delayed, or for any other reason, the State Legislature will appropriate sufficient funds to enable the Authority to timely pay the principal of and interest on the 2011 Series Bonds.

THE 2011 SERIES BONDS

General

The 2011 Series Bonds are being issued pursuant to the Resolution. The 2011 Series Bonds shall be dated the date of delivery, shall mature on March 1 in each of the years and in the principal amounts, and shall bear interest from their date, payable on March 1, 2012 and semiannually thereafter on March 1 and September 1 of each year (each an “Interest Payment Date”) until maturity or earlier redemption, at the respective rates per annum on the basis of a 360-day year containing twelve 30-day months, as set forth on the inside cover page hereof.

The 2011 Series Bonds are being issued as fully registered bonds without coupons and in denominations of \$5,000 or any integral multiple thereof. The 2011 Series Bonds are registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the 2011 Series Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued as to the 2011 Series Bonds, such series of bonds will be exchangeable for other fully registered certificated bond of the same Series in any authorized denominations. See “Book-Entry Only System” below. The Trustee may impose a charge sufficient to reimburse the Authority, or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of any such bond. The cost, if any, of preparing each new bond issued upon such exchange or transfer, and any other expenses of the Authority, or the Trustee incurred in connection therewith, will be paid by the Authority.

Interest on the 2011 Series Bonds will be paid to any owner of \$1,000,000 or more in aggregate principal amount of such bonds by wire transfer upon the written request of such owner received by the Trustee prior to the Interest Payment Date. As long as the 2011 Series Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “Book Entry Only System” below.

Redemption*

Optional Redemption of 2011 Series A Bonds. The 2011 Series A Bonds maturing on or after March 1, 2022 are subject to redemption prior to their stated maturity at the option of the Authority, in whole or in part at any time on and after March 1, 2021, at a redemption price equal to 100% of the principal amount of the 2011 Series Bonds to be so redeemed, plus accrued interest to the date of redemption.

Optional Make-Whole Redemption of 2011 Series B Bonds.

The 2011 Series B Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or in part at any time, at a redemption price equal to the Make-Whole Redemption Price. The “Make-Whole Redemption Price” is the greater of (i) the Amortized Value (as defined below) of the 2011 Series B Bonds to be redeemed; and (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the 2011 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2011 Series B Bonds are to be redeemed, discounted to the date on which the 2011 Series B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 30 basis points, plus accrued and unpaid interest on the 2011 Series B Bonds to be redeemed on the redemption date.

“Treasury Rate” shall mean, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)), most nearly equal to the period from the redemption date to the maturity date of the 2011 Series B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Amortized Value” shall mean the principal amount of the 2011 Series B Bonds to be redeemed multiplied by the price of such 2011 Series B Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the redemption date, a maturity date equal to the maturity date of such 2011 Series B Bonds and a yield date equal to the original reoffering yield for the 2011 Series B Bonds to be redeemed as set forth in this Official Statement.

The redemption price of the 2011 Series B Bonds to be redeemed pursuant to the optional make-whole redemption provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority at the Authority’s expense to calculate such redemption price. The Trustee and the Authority may conclusively rely upon the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Possibility of Mandatory Sinking Fund Redemption

The Authority has issued a Notice of Sale dated August 16, 2011 relating to each series of the 2011 Series Bonds (collectively, the “Notice of Sale”) inviting all bidders interested in purchasing the 2011 Series Bonds to submit bids for such purchase in accordance with the terms of the Notice of Sale. Under the terms of the Notice of Sale, bidders may designate certain maturities as Term Bonds with mandatory sinking fund redemption. Such Term Bonds so designated shall be subject to mandatory

* Preliminary, subject to change.

sinking fund redemption prior to maturity at a redemption price of one hundred percent (100%) of the principal amount thereof, and accrued interest thereon to the date fixed for redemption, from moneys deposited in the Debt Service Fund established under the Resolution, such redemptions to occur according to the principal maturity schedule contained herein, in the Resolution, in the Notice of Sale and in the Proposal for Bonds. The principal amount of the 2011 Series Bonds of a series otherwise required to be redeemed may be reduced by the principal amount of such 2011 Series Bonds of such series, therefore purchased by the Trustee at the direction of the Authority out of money deposited for such purpose in the Debt Service Fund.

Selection of 2011 Series Bonds to be Redeemed

If the 2011 Series Bonds are not registered in book entry only form, any redemption of less than all of the 2011 Series Bonds of a Series shall be allocated among the registered owners of such 2011 Series Bonds as nearly as practicable in proportion to the principal amounts of the 2011 Series Bonds of a Series owned by each registered owner, subject to the authorized denominations applicable to the Bonds of such Series. This will be calculated based on the formula: $(\text{principal to be redeemed}) \times (\text{principal amount owned by owner}) / (\text{principal amount outstanding})$. The particular 2011 Series Bonds of a Series to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate. If the 2011 Series Bonds are registered in book entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2011 Series Bonds, partial redemptions will be done in accordance with DTC procedures. It is the Authority's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Authority and the Beneficial Owners be made in accordance with these same proportional provisions. However, the Authority can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

Notice of Redemption of the 2011 Series Bonds

When the Trustee receives notice from the Authority of its election or direction to redeem any of the 2011 Series Bonds and when redemption of the 2011 Series Bonds is authorized or required pursuant to the Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such 2011 Series Bonds, which notice shall specify the series and maturities of the 2011 Series Bonds to be refunded, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2011 Series Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such 2011 Series Bonds so to be redeemed, and, in the case of the 2011 Series Bonds to be refunded in part only, such notice shall also specify the respective portions of the principal amount thereof to be optionally redeemed, which portions shall be selected by the Trustee, on a pro rata basis. Such notice shall be mailed by the Trustee, postage prepaid, not less than 30 nor more than 60 days prior to the Redemption Date, to the registered owners of any of the 2011 Series Bonds or portions of the 2011 Series Bonds to be refunded, at their last addresses, if any, appearing upon the registration books. Failure of the registered owner of any of the 2011 Series Bonds to receive any such notice shall not affect the validity of the proceedings for the redemption of such 2011 Series Bonds.

As described below under "Book-Entry Only System" so long as DTC is the registered owner of any of the 2011 Series Bonds, such requirement for giving notice of redemption shall be satisfied by sending such notice to DTC.

Notice having been given in the manner provided in the Resolution, the 2011 Series Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date and, upon presentation and surrender thereof at the office specified in such notice, such 2011 Series Bonds, or portions thereof, shall be paid. If there shall be called for redemption less than all of a 2011 Series Bond,

the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon surrender of such 2011 Series Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the 2011 Series Bond so surrendered, a 2011 Series Bond of like Series and maturity in any authorized denomination. If, on the redemption date, moneys for the redemption of all of the 2011 Series Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid then, from and after the redemption date, interest on the 2011 Series Bonds or portions thereof so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such 2011 Series Bonds, or portions thereof, so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Book-Entry Only System

Ownership interests in the 2011 Series Bonds will be available to purchasers only through a book-entry system (“Book-Entry System”) maintained by the DTC, or such other depository institution designated by the Authority pursuant to the Resolution. Purchasers of beneficial interests in the 2011 Series Bonds will not receive certificates reflecting their interests in the 2011 Series Bonds.

DTC will act as securities depository for the 2011 Series Bonds. The 2011 Series 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 Security certificate will be issued for each maturity within each series of the 2011 Series Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2011 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2011 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2011 Series Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of

ownership interests in the 2011 Series 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 2011 Series Bonds, except in the event that use of the book-entry system for the 2011 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2011 Series 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 2011 Series 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 2011 Series Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2011 Series 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 2011 Series Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2011 Series Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2011 Series Bonds may wish to ascertain that the nominee holding the 2011 Series Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2011 Series 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 2011 Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2011 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the 2011 Series 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 Authority or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Trustee, or Authority, 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 Authority or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2011 Series Bonds at any time by giving reasonable notice to Authority or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

THE AUTHORITY, THE STATE AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION, EITHER SINGLY OR JOINTLY, TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE 2011 SERIES BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (III) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2011 SERIES BONDS; (IV) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE RESOLUTION; (V) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2011 SERIES BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The information included under this caption (except for the preceding two paragraphs) has been provided by DTC. No representation is made by the Authority as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

ANNUAL DEBT SERVICE SCHEDULE

Upon the issuance of the Bonds, the Authority will have State Contract Bonds Outstanding under the Resolution in the amount of \$_____. Please see Appendix I - "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION" for additional information on the obligations supported by State revenue subject to annual appropriation.

The table below sets forth the debt service requirements for the Authority's Prior Parity Bonds to be Outstanding as of the date of issuance of the 2011 Series Bonds (excluding the Bonds to be Refunded), the debt service requirements for the 2011 Series A Bonds and the 2011 Series B Bonds, and the total debt service requirements for all State Contract Bonds to be Outstanding as of the date of the issuance of the 2011 Series Bonds¹:

<u>Fiscal Year</u>	<u>Debt Service on Outstanding Prior Parity Bonds</u>	<u>Debt Service on 2011 Series A Bonds</u>	<u>Debt Service on 2011 Series B Bonds</u>	<u>Total Debt Service</u>
--------------------	---	--	--	-------------------------------

¹ Numbers are rounded to the nearest dollar.

TAX MATTERS

Opinion of Bond Counsel with Respect to 2011 Series A Bonds

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2011 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2011 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the 2011 Series A Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2011 Series A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on, and any gain realized from the sale of, the 2011 Series A Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 2011 Series A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2011 Series A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2011 Series A Bonds in order that interest on the 2011 Series A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2011 Series A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the 2011 Series A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2011 Series A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the 2011 Series A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 2011 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2011 Series A Bonds.

Prospective owners of the 2011 Series A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the 2011 Series A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2011 Series A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the 2011 Series A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of 2011 Series A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2011 Series A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the 2011 Series A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a 2011 Series A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a

Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2011 Series A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2011 Series A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2011 Series A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2011 Series A Bonds under Federal or state law and could affect the market price or marketability of the 2011 Series A Bonds.

Prospective purchasers of the 2011 Series A Bonds should consult their own tax advisors regarding the foregoing matters.

Opinion of Bond Counsel with Respect to 2011 Series B Bonds

In the opinion of Bond Counsel to the Authority (i) interest on the 2011 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code, and (ii) under existing statutes, interest on, and any gain realized from the sale of, the 2011 Series B Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of 2011 Series B Bonds by original purchasers of the 2011 Series B Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the 2011 Series B Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the 2011 Series B Bonds as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire 2011 Series B Bonds in the secondary market, or

individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of 2011 Series B Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2011 Series B Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a holder of a 2011 Series B Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such 2011 Series B Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the 2011 Series B Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such 2011 Series B Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the 2011 Series B Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a 2011 Series B Bond using the constant-yield method, subject to certain modifications.

Original Issue Premium

In general, if a 2011 Series B Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the 2011 Series B Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a 2011 Series B Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder’s adjusted tax basis in the 2011 Series B Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2011 Series B Bonds to be deemed to be no longer outstanding under the

Resolution (a “defeasance”). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2011 Series B Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders of the Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a 2011 Series B Bond and the proceeds of the sale of a 2011 Series B Bond before maturity within the United States. Backup withholding may apply to holders of 2011 Series B Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a 2011 Series B Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

IRS Circular 230 Disclosure

The advice under the caption “Opinion of Bond Counsel with Respect to 2011 Series B Bonds” concerning certain income tax consequences of the acquisition, ownership and disposition of the 2011 Series B Bonds, was written to support the marketing of the 2011 Series B Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the 2011 Series B Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Authority is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder’s particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2011 Series B Bonds under state law and could affect the market price or marketability of the 2011 Series B Bonds.

Prospective purchasers of the 2011 Series B Bonds should consult their own tax advisors regarding the foregoing matters.

LEGALITY FOR INVESTMENT AND DEPOSIT

The Act provides that the 2011 Series Bonds are securities in which the State and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other

fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control; and the 2011 Series Bonds are securities which are authorized security for any and all public deposits.

LITIGATION

No litigation of any kind is now pending or threatened to restrain or enjoin the issuance of the 2011 Series Bonds or the contemplated uses of the proceeds of the 2011 Series Bonds or in any manner questioning the proceedings or authority under which the 2011 Series Bonds are issued, or affecting the validity of or the security for the 2011 Series Bonds. Neither the corporate existence of the Authority nor the title of any officers or members of the Authority to their respective positions is being contested. No proceedings looking toward the liquidation or dissolution of the Authority are pending or contemplated by the Authority. No authority or proceedings for the issuance of the 2011 Series Bonds or the security therefor have been repealed, revoked or rescinded.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the 2011 Series Bonds and with regard to the tax status of interest on the 2011 Series Bonds, under existing laws, regulations, rulings and judicial decisions, are subject to the unqualified approving opinion of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Authority. Copies of such opinion will be available at the time of the delivery of the 2011 Series Bonds in substantially the form attached hereto as APPENDIX V.

RATINGS

Moody's Investors Services Inc. ("Moody's"), Standard & Poor's Ratings Services (a division of the McGraw-Hill Companies, Inc.) ("S&P") and Fitch Ratings have assigned the 2011 Series Bonds municipal bond ratings of " ", " ", " " and " ", respectively.

These ratings reflect only the views of Moody's, S&P or Fitch Ratings, respectively, at the date of delivery of the 2011 Series Bonds. An explanation of the significance of these ratings can be obtained from Moody's, S&P or Fitch Ratings, respectively. A rating is not a recommendation to buy, sell, or hold securities. There is no assurance that these ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's, S&P or Fitch Ratings, respectively, if, in their judgment, circumstances so warrant.

VERIFICATION

Causey Demgen & Moore Inc. will deliver to the Authority, on or before the settlement date for the 2011 Series Bonds, its verification report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, certain information and assertions provided by Acacia Financial Group, Inc. as financial advisor to the Authority. Included in the scope of its examination will be: (i) a verification of the mathematical accuracy of the mathematical computations of the sufficiency of the anticipated receipts from the direct obligations of the United States of America held under the Escrow Fund, together with the initial cash deposit, if any, to pay, when due, the principal, interest and redemption price requirements of the Refunded Bonds; and (ii) a mathematical computation as to yield supporting the conclusion the 2011 Series Bonds will not be "arbitrage bonds" under the Code.

UNDERWRITING

_____ submitted the successful bid at the public sale of the 2011 Series A Bonds on _____, and has agreed, pursuant to the terms of the Notice of Sale relating to the 2011

Series A Bonds, to purchase the 2011 Series A Bonds from the Authority at an aggregate price of \$_____ and to make a *bona fide* public offering of the 2011 Series A Bonds at the initial public offering prices set forth on the inside cover page of this Official Statement.

_____ submitted the successful bid at the public sale of the 2011 Series B Bonds on _____, and has agreed, pursuant to the terms of the Notice of Sale relating to the 2011 Series B Bonds, to purchase the 2011 Series B Bonds from the Authority at an aggregate price of \$_____ and to make a *bona fide* public offering of the 2011 Series B Bonds at the initial public offering prices set forth on the inside cover page of this Official Statement.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Marlton, New Jersey is serving as financial advisor to the Authority in connection with the issuance of the 2011 Series Bonds and will receive compensation contingent upon the sale and delivery of such 2011 Series Bonds

CONTINUING DISCLOSURE

In accordance with the provisions of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, the State will enter into a Continuing Disclosure Agreement regarding the 2011 Series Bonds with the Trustee, acting as dissemination agent substantially in the form set forth in APPENDIX IV – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” For the fiscal year ended June 30, 2008, the Treasurer of the State failed to timely provide the State’s annual report containing its financial and operating data as required by the State’s various agreements with respect to continuing disclosure entered into by the State with respect to its general obligation bonds. The annual report was due on March 15, 2009. The annual report was filed on March 31, 2009. The annual report for the fiscal year ended June 30, 2010 was filed on February 1, 2011.

MISCELLANEOUS

Certain provisions of the Act, the Resolution, the State Contract and the Continuing Disclosure Agreement and other provisions of law are summarized or referred to in this Official Statement. Such summaries do not purport to be comprehensive or definitive and reference is made to such documents for a full and complete statement of their respective provisions. Copies of the State Contract and the Form of Continuing Disclosure Agreement are attached as Appendices III and IV, respectively, to this Official Statement. All quotations from, and summaries and explanation of, the Act, the Resolution, the State Contract and the Continuing Disclosure Agreement contained herein do not purport to be complete and reference is made to said documents for full and complete statements of their provisions. Copies of the Resolution, the State Contract and the Continuing Disclosure Agreement may be obtained upon request directed to the New Jersey Sports and Exposition Authority, East Rutherford, New Jersey 07073, (201) 935-8500.

The information contained in this Official Statement is subject to change without notice and no implication is to be derived therefrom or from the issuance and sale of the 2011 Series Bonds that there has been no change in the affairs of the Authority or the State from the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

The attached Appendices I through VI are integral parts of this Official Statement and should be read in their entirety, together with all of the foregoing statements.

The agreement of the Authority with the holders of the 2011 Series Bonds is fully set forth in the Resolution, and neither any advertisement of the 2011 Series Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 2011 Series Bonds.

[Remainder of this page intentionally left blank]

This Official Statement, its execution, and its delivery and distribution to prospective purchasers of the 2011 Series Bonds have been approved and authorized by the Authority.

**NEW JERSEY SPORTS AND
EXPOSITION AUTHORITY**

By: _____
Michael Ferguson, Chairman

Dated: _____, 2011

APPENDIX I

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

DATED AUGUST 15, 2011

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

This Appendix I speaks only as of its date and contains information supplied by the State that a prospective investor might consider in reaching a decision to invest in securities of the State or securities issued by governmental authorities that are secured by amounts subject to appropriations by the State Legislature. Nothing contained in this Appendix I shall create any implication that there has been no change in the affairs of the State since the date hereof. This Appendix I replaces Appendix I dated April 26, 2011 and supplements thereto. The principal changes reflected in this Appendix I are the updates of information to reflect the enactment of the Fiscal Year 2012 Appropriations Act and certain financial and other activity which occurred during Fiscal Year 2011. The State intends to further update or supplement the information contained in this Appendix I upon the occurrence of any event that materially changes the information contained herein.

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

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

From time to time, State officials or representatives of State governmental authorities may issue statements or reports, post information on websites, or otherwise make public information that contain predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and for future fiscal years, that may vary materially from the information provided in this Appendix I. Such statements, reports and information are not part of this Appendix I or the Official Statement to which this Appendix I is appended and should not be relied upon by investors and other market participants. To the extent the State determines it is necessary or appropriate to revise, update or supplement the information contained in this Appendix I, the State will prepare and make public supplements to this Appendix I. Investors and other market participants should refer to subsequent Official Statements containing updates to this Appendix I or filings with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board ("MSRB") for official revisions, updates or supplements to the information contained in this Appendix I. In determining the appropriate information concerning the State to be relied upon in making an investment decision, investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010 (the "2010 CAFR") has been separately filed with the MSRB and is incorporated by specific reference herein and is considered to be part of this Appendix I. The State has also placed a copy of the 2010 CAFR on the following website at www.state.nj.us/treasury/omb. No statement on that website or any other website is included by specific cross-reference herein.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

APPENDIX I

FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY

THE STATE OF NEW JERSEY	I-1
DEMOGRAPHIC AND ECONOMIC INFORMATION	I-1
SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION	I-1
CERTAIN CONSTITUTIONAL PROVISIONS	I-3
Budget Limitations	I-3
Debt Limitations	I-3
STATE FINANCES	I-4
New Jersey's Accounting System	I-4
New Jersey's Budget and Appropriation System	I-5
FINANCIAL RESULTS AND ESTIMATES	I-7
Audit Reports	I-7
Changes in Fund Balances	I-7
Revenues	I-10
Fiscal Year 2011 and Fiscal Year 2012 Estimated Revenues	I-11
Federal Aid	I-12
Appropriations	I-12
Programs Funded in Fiscal Year 2012	I-21
Expenditures	I-27
Balance Sheets	I-29
OUTSTANDING BONDED INDEBTEDNESS OF THE STATE	I-31
TAX AND REVENUE ANTICIPATION NOTES	I-32
OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION . . .	I-32
Garden State Preservation Trust	I-36
New Jersey Building Authority	I-36
New Jersey Economic Development Authority	I-36
New Jersey Educational Facilities Authority	I-38
New Jersey Health Care Facilities Financing Authority	I-38
New Jersey Sports and Exposition Authority	I-38
New Jersey Transportation Trust Fund Authority	I-39
State of New Jersey Certificates of Participation	I-39
State Supported County College Bonds	I-39
Lines of Credit	I-40
Variable Rate Obligations	I-40
Swap Agreements	I-40
MORAL OBLIGATION FINANCING	I-42
New Jersey Housing and Mortgage Finance Agency	I-42
South Jersey Port Corporation	I-42
Higher Education Student Assistance Authority	I-42
STATE EMPLOYEES	I-43
Public Employer-Employee Relations Act	I-43
Negotiation Process	I-43
Contract Status	I-43
FUNDING PENSION PLANS	I-44
FUNDING POST-RETIREMENT MEDICAL BENEFITS	I-62
LITIGATION	I-65
APPENDIX-I-A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010*	I-A
APPENDIX-I-B DEMOGRAPHIC AND ECONOMIC INFORMATION	I-B
APPENDIX-I-C SUMMARY OF PRINCIPAL STATE TAXES	I-C

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE STATE OF NEW JERSEY

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

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

New Jersey is the eleventh largest state in population and the fifth smallest in land area. According to the United States Bureau of the Census, the population of New Jersey was 7,730,188 in 1990, 8,414,350 in 2000, and 8,791,894 in 2010. With an average of 1,196 persons per square mile, it is the most densely populated of all the states. New Jersey is located at the center of the megalopolis which extends from Boston to Washington and which includes over one-fifth of the country's population. The extensive facilities of the Port Authority of New York and New Jersey, the Delaware River Port Authority and the South Jersey Port Corporation augment the air, land and water transportation complex which has influenced much of the State's economy. This central location in the northeastern corridor, the transportation and port facilities and proximity to New York City make the State an attractive location for corporate headquarters and international business offices. A number of Fortune Magazine's top 500 companies maintain headquarters or major facilities in New Jersey, and many foreign-owned firms have located facilities in the State.

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

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

The increase in the State's total population during recent decades masks the redistribution of population within the State. There has been a significant shift from the northeastern industrial areas toward the coastal counties of Atlantic, Ocean and Monmouth, and toward the central New Jersey counties of Hunterdon, Somerset and Middlesex.

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

SELECTED INFORMATION RELATING TO NEW JERSEY'S ECONOMIC CONDITION

New Jersey's economy has been moving in line with the national economy and other states' economies. According to the United States Commerce Department, Bureau of Economic Analysis, in a release dated June 7, 2011, New Jersey's real gross domestic product ("GDP") increased 2.5% in 2010, compared to the national increase in GDP of 2.6% (the national increase in GDP growth for 2010 has since been revised to 2.9%). The State's increase in GDP ranked twenty-third among the fifty states.

According to information released by the New Jersey Department of Labor and Workforce Development on March 10, 2011, payroll employment in 2010 averaged 1.0% less than in 2009, following a decline of 3.9% in 2009. The State's level of payroll employment as of December 2010 was 3.845 million.

The preliminary estimate of payroll employment for June 2011 was 3.864 million, which is 19,300 (0.5%) higher than the level of payroll employment as of December 2010. Over the twelve month period ending in June 2011, New Jersey's payroll employment fell 0.1% (-5,300 jobs). Public sector payrolls declined by 34,600 jobs, while manufacturing (-8,200 jobs) sector also contracted. A total of 37,400 jobs were created during this period in the private service-producing sector, including gains of 10,900 jobs in trade, transportation, and utilities, 10,100 jobs in education and health, and 9,500 jobs in professional and business services.

The State's unemployment rate has shown no net change over the last year, with the June 2011 unemployment rate of 9.5% being the same as that reported for June 2010. The unemployment rate had declined to 9.1% in December 2010, before beginning to increase in early 2011. The rise in the State's unemployment rate during the first six months of 2011 reflects an increase in the size of the civilian workforce.

According to the United States Commerce Department, Bureau of Economic Analysis, in a release dated June 22, 2011, New Jersey's personal income rose 3.0% over the four quarter period ending in the first quarter of 2011. This increase in personal income was smaller than the 4.6% increase then reported for the nation as a whole over the same period. However, in the first quarter of 2011, New Jersey's personal income was 1.8% higher than in the fourth quarter of 2010, matching the national rate of increase. Personal income growth in the first quarter of 2011 increased for both New Jersey and the nation at large due to the temporary reduction in federal payroll taxes effective January 1, 2011, since personal income is reported net of employee payroll taxes.

According to the June 2011 New Jersey economic forecasts from Global Insight and Moody's Economy.com, growth in personal income for New Jersey residents is expected to improve during 2011 and 2012, with income growth in both years expected to be higher than in 2010.

The housing sector has recently stabilized near its depressed 2009 level of 12,400 permits. A modest recovery is anticipated in 2011, but permits could continue to stay below 20,000 units. New motor vehicle sales increased in 2010, following a pronounced decline in 2009, and are projected to increase further in 2011 and 2012.

Economic conditions in New Jersey and the nation have been expected to improve in the latter part of 2011, but recent developments have suggested a paring back of anticipated economic gains and added downside risks to the outlook for the growth of output, income, and employment. In the early summer of 2011, the prolonged debate over the federal debt ceiling, heightened concerns regarding the solvency of some European nations, as well as some unexpectedly soft U.S. economic data, led to an upsurge in volatility in world financial markets as well as pronounced declines in equity prices. These developments have also been associated with heightened fears that the U.S. and world economies may slip into a renewed recession, though on balance most U.S. economic indicators have suggested that growth is continuing. The August 5, 2011 downgrade of U.S. government debt by Standard & Poor's has likely exacerbated strains on financial markets, though at this time the independent effect of this move is unclear.

The June 2011 projections of the Federal Reserve System's Federal Open Market Committee members and participants anticipated a substantively higher pace of national economic growth over the second half of 2011 as compared to the first half of 2011, with even greater economic growth expected in 2012, along with a steady decline in the unemployment rate. New Jersey's economy is expected to expand in 2011 at a rate roughly in line with national trends, with employment levels projected to continue to rise. Inflation has declined from recent relatively high rates as the prices of gasoline and other commodities have fallen back from recent peaks, and should not be a serious concern until the unemployment rate declines substantially. It is anticipated that Federal Reserve policies will not provoke a substantial rise in the underlying rate of inflation, though, as was the case in the early part of 2011, increases in energy, food, and other commodity prices may lead to short periods in which aggregate price indexes rise noticeably. The August 9, 2011 statement of the Federal Open Market Committee that policy rates will likely remain unchanged at least through the middle of 2013 illustrates the potential for deterioration in the national economy, but also the Federal Reserve's commitment to supporting national economic growth.

The economic outlook hinges on the success of supportive national fiscal and monetary policies. Availability of credit, stability in the financial markets, and sustained improvements in consumer and business confidence are critical factors necessary for the continuation of the economic turnaround nationally and in New Jersey. The State and the nation may experience some near-term deterioration in growth and the expected pace of economic

expansion may decline if consumers, investors, and businesses are negatively affected by concerns regarding long term federal budget sustainability, the impact of federal health care reform on business costs, lack of credit availability, U.S. and international financial market stresses, any slowdown in the pace of global economic recovery, and geopolitical tensions, particularly those which lead to any substantial restrictions on energy supplies from the Middle East. To a large extent, the future direction of the economy nationally and in the State hinges on the assumptions regarding the strength of the current economic recovery, energy prices, and stability in the financial markets. Recent developments have suggested reductions in forecasts of growth in national output, income, and employment over the second half of 2011 and into 2012, though, at this time, the specific impact changes in the national economic environment will have on the State's economy is unclear.

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

CERTAIN CONSTITUTIONAL PROVISIONS

Budget Limitations

The State Constitution provides, in part, that no money shall be drawn from the State Treasury but for appropriations made by law and that no law appropriating money for any State purpose shall be enacted if the appropriations contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of the revenue on hand and anticipated to be available to meet such appropriations during such fiscal period, as certified by the Governor (Article VIII, Sec. 2, para. 2). (For general information regarding the budget process, see "STATE FINANCES — New Jersey's Budget and Appropriation System" herein; for the application of the budget process for Fiscal Year 2012, see "FINANCIAL RESULTS AND ESTIMATES" herein.)

Debt Limitations

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

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

liabilities of the State or of an autonomous State corporate entity provided that such law requires that the refinancing produces debt service savings.

STATE FINANCES

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

New Jersey’s Accounting System

The State prepares its financial statements in accordance with current standards that are outlined in the Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*. The State’s Comprehensive Annual Financial Report includes government-wide financial statements and fund financial statements. These statements present different views of the State’s financial information. (See “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2010,” and the notes referred to therein (the “2010 CAFR”) which has been separately filed with the Municipal Securities Rulemaking Board (“MSRB”) and is incorporated by specific reference herein and is considered to be part of this Appendix I.) The 2010 CAFR presents the financial position and operating results of the State under generally accepted accounting principles (“GAAP”) applicable to state and local governments as established by GASB. GASB is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*.

The significant accounting policies followed by the State are described in the “Notes to the Financial Statements” set forth in the 2010 CAFR which is incorporated by specific reference herein.

Government-wide financial statements provide a broad view of the State’s operations conforming to private sector accounting standards and provide both short-term and long-term information regarding the State’s overall financial position through the fiscal year-end. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets presents all of the State’s assets and liabilities and calculates net assets. Increases or decreases in the State’s net assets over time may serve as a useful indicator as to whether or not the State’s overall financial position is improving or deteriorating. The Statement of Activities presents how the State’s net assets changed during the fiscal year. All changes in net assets are reported when the underlying event occurs giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each State function.

In addition to government-wide financial statements, the State prepares fund financial statements comprised of funds and component units with the State’s funds divided into three categories — governmental, proprietary, and fiduciary. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Most Direct State Services, which support the normal operations of State government, are financed through governmental funds. The governmental funds financial statements focus on current inflows and outflows of expendable resources and the unexpended balances at the end of a fiscal year that are available for future spending. Governmental fund information helps determine whether or not there was an addition or a reduction in financial resources that can be spent in the near future to finance State programs. The State’s governmental funds are the General Fund, the Property Tax Relief Fund, the Special Revenue Funds, and the Capital Projects Funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

The General Fund is the fund into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State is accounted for in

the General Fund. Revenues received from taxes and unrestricted by statute, most federal revenue and certain miscellaneous revenue items are recorded in the General Fund. The State Legislature enacts an appropriations act on an annual basis (the “Appropriations Act”) which provides the basic framework for the operation of the General Fund.

The Long-Term Obligation and Capital Expenditure Fund (the “LTOCEF”) was established as a separate, non-lapsing fund in the General Fund pursuant to P.L. 2008, c. 22, enacted on June 25, 2008. Such act provided that monies appropriated to the LTOCEF would be used for the purposes of paying for the costs of capital improvements, retiring and defeasing debt, making supplemental payments to reduce the unfunded pension liabilities of the State-administered pension plans and making supplemental payments to reduce the unfunded post-retirement health benefits liability for members of the State-administered pension plans and the Alternate Benefit Program described herein. There are no amounts currently on deposit in the LTOCEF or currently anticipated to be deposited therein. See “SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS” and “FINANCIAL RESULTS AND ESTIMATES — Appropriations” herein.

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

A special account designated as the “Property Tax Reform Account” was created in the Property Tax Relief Fund pursuant to an amendment to Article VIII, Section 1, para. 7 of the State Constitution approved by the voters on November 7, 2006. The amendment provides that there shall be annually credited from the General Fund and placed in the Property Tax Reform Account an amount equal to the annual revenue derived from a tax rate of 0.5% imposed under the “Sales and Use Tax Act,” L. 1966, c. 30 (C.54:32B-1 et seq.), as amended and supplemented, or any other subsequent law of similar effect. The State Constitution provides that the State Legislature shall annually appropriate such amount exclusively for the purpose of property tax reform.

Special Revenue Funds are used to account for resources legally restricted to expenditure for specified purposes. Special Revenue Funds include the Casino Control Fund, the Casino Revenue Fund, and the Gubernatorial Elections Fund. Certain financial information with respect to these funds is included herein.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major State capital facilities.

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

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

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

New Jersey’s Budget and Appropriation System

The State operates on a fiscal year beginning July 1 and ending June 30. For example, “Fiscal Year 2012” refers to the State’s fiscal year beginning July 1, 2011 and ending June 30, 2012.

Pursuant to Article VIII, Section II, para. 2 of the State Constitution, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general

appropriations law covering one and the same fiscal year. No general appropriations law or other law appropriating money for any State purpose shall be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year, as certified by the Governor.

New Jersey's budget process is comprehensive and inclusive, involving every department and agency in the Executive Branch, the Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the State. The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established target in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program. The funding plans and strategies are the foundations for revenue and spending decisions that are ultimately incorporated into the Governor's Budget Message, as discussed below.

The New Jersey Statutes contain provisions concerning the budget and appropriation system. On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Budget Director a request for appropriation or permission to spend specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. The Budget Director may hold hearings, open to the public, during the months of October, November and December and review the budget requests with the agency heads. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor. It is then the responsibility of the Governor to examine and consider all requests and formulate his or her budget recommendations.

The Governor's budget message (the "Governor's Budget Message") is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened at 12 Noon on a date on or before the fourth Tuesday in February in each year. The Governor's Budget Message must include the proposed complete financial program of the State government for the next ensuing fiscal year and must set forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (N.J.S.A. 52:27B-20). After a process of legislative committee review (including testimony from the State Treasurer), the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review. Upon such submissions, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature. In addition to anticipated revenues, the annual Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and a portion of the Energy Tax Receipts, to the extent such revenue may be received and permits the corresponding increase of appropriation balances from which expenditures may be made. These amounts are excluded from all tables except for the table entitled "EXPENDITURES" on page I-28.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. There are additional means by which the Governor may ensure that the State does not incur a deficit. Under the State Constitution, no supplemental appropriation may be enacted after adoption of an Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation.

If a general appropriation law is not enacted prior to the July 1 deadline, under Article VIII, Section 2, para. 2 of the State Constitution, no moneys can be withdrawn from the State treasury. In the one case where this occurred, for Fiscal Year 2007, the Governor declared a state of emergency and mandated the orderly shutdown of State government, other than services and functions of State government directly related to the preservation and protection of human life and safety, the protection of property, the adoption of the annual Appropriations Act and such functions of the Judicial Branch as determined by the Chief Justice. The State Treasurer and the Budget Director were authorized to obligate funds for such essential services. The Division of Lottery ceased selling tickets, parks and beaches were closed, and casinos, which by law could not operate without State regulators, were shutdown. An amendment to Section 63 of P.L. 1977, c.110 (C.5:12-63) was enacted on June 27, 2008, and provides for the ability of casinos and racetracks to operate for seven calendar days

during a state of emergency, including a shutdown of State government for failure to enact the Appropriations Act, despite the absence of State regulators. If a shutdown occurs, no moneys, other than available amounts already held under bond financing documents will be available to make payments on obligations paid from State revenue subject to annual appropriation. See “STATE FINANCES — New Jersey’s Budget and Appropriation System” and “OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION” herein.

FINANCIAL RESULTS AND ESTIMATES

Audit Reports

The State Auditor is directed by statute (*N.J.S.A. 52:24-4*) to “examine and post-audit all the accounts, reports, and statements and make independent verifications of all assets, liabilities, revenues, and expenditures” of the State and its agencies. The 2010 CAFR, including the opinion of the State Auditor, has been separately filed with the MSRB and is incorporated by specific reference herein and is deemed a part of this Appendix I. The accounting and reporting policies of the State conform in all material respects to GAAP as applicable to governments.

Changes in Fund Balances

The following table sets forth a summary of Revenues, Appropriations and Undesignated Fund Balances for the Fiscal Years ended June 30, 2008 through 2012, covering budgeted funds and the Surplus Revenue Fund. The Undesignated Fund Balances are available for appropriation in succeeding fiscal years. There have been positive Undesignated Fund Balances in the General Fund at the end of each year since the State Constitution was adopted in 1947.

Amounts shown for Fiscal Years 2008 through 2010 are actual and final. Amounts shown for Fiscal Year 2011 are based upon revised estimates for revenues (which are subject to adjustment pending completion of the annual audit), and appropriations contained in the Fiscal Year 2011 Appropriations Act, plus supplemental appropriations and de-appropriations enacted in Fiscal Year 2011. Amounts shown for Fiscal Year 2012 are estimates as contained in the Fiscal Year 2012 Appropriations Act.

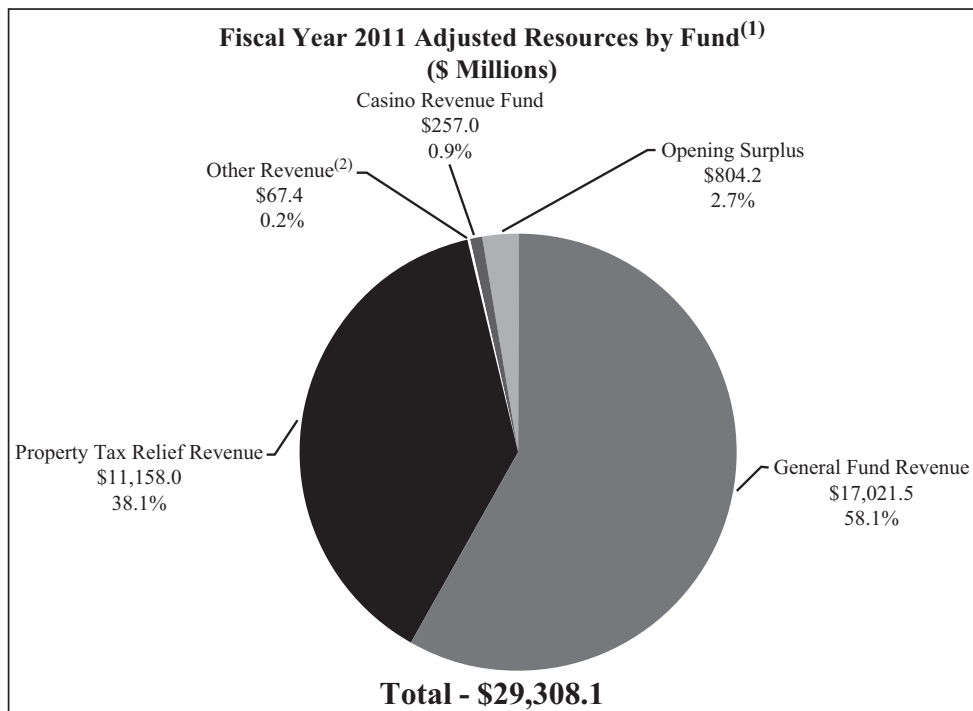
Budgeted funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. The annual appropriations acts also provide for the appropriation of non-budgeted revenue, including primarily federal funds and a portion of the Energy Tax Receipts, to the extent such revenue is received and permits the corresponding increase of appropriation balances from which expenditures can be made. The Surplus Revenue Fund, which was established by P.L. 1990, c. 44, is used to account for revenues reserved for appropriation (a) in the event that anticipated revenues in the General Fund are estimated to be less than those certified by the Governor upon approval of the annual Appropriations Act, or (b) in the event that the State Legislature finds that an appropriation from the Surplus Revenue Fund is preferable to raising revenue through a modification of the tax structure. The provisions enacting the Surplus Revenue Fund also allow for the Governor to meet the costs of any emergency that has been identified. The LTOCEF was originally authorized to be used only for paying capital expenditures, retiring and defeasing debt and making supplemental payments for unfunded pension and post-retirement health benefits. See “STATE FINANCES — New Jersey’s Accounting System” above and “SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS” herein.

**SUMMARY OF REVENUES, APPROPRIATIONS AND
UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS(1)**
(\$ Millions)

	2012 Estimated	2011 Estimated	2010 Actual	2009 Actual	2008 Actual
July 1st Beginning Balances					
General Fund	\$ 692.9	\$ 794.2	\$ 614.2	\$ 469.8	\$ 1,410.4
Surplus Revenue Fund	—	—	—	734.7	484.6
Property Tax Relief Fund	—	10.0	—	99.0	690.7
Gubernatorial Elections Fund	0.7	—	—	1.1	0.5
Casino Control Fund	2.7	—	(0.4)	3.0	1.5
Casino Revenue Fund	—	—	—	—	1.0
Total Beginning Balance	696.3	804.2	613.8	1,307.6	2,588.7
Anticipated Revenue					
General Fund	17,561.2	17,021.5	16,601.5	17,381.2	18,826.1
Property Tax Relief Fund(2)	11,777.5	11,158.0	10,917.8	11,088.0	13,271.5
Gubernatorial Elections Fund	0.7	0.7	0.4	0.5	0.5
Casino Control Fund	53.1	66.7	64.1	64.5	73.0
Casino Revenue Fund	248.2	257.0	296.1	351.0	413.0
Total Revenues	29,640.7	28,503.9	27,879.9	28,885.2	32,584.1
Total Resources	30,337.0	29,308.1	28,493.7	30,192.8	35,172.8
Other Adjustments					
General Fund					
Balances Lapsed(3)	—	567.4	1,040.4	1,836.7	448.2
From (To) Surplus Revenue Fund	—	—	—	362.2	(250.1)
From (To) Property Tax Relief Fund	—	467.7	(285.3)	(273.9)	(132.0)
Budget vs. GAAP Adjustment	—	—	53.2	62.8	(2.5)
From (To) Casino Revenue Fund	—	—	(38.3)	(54.1)	(2.1)
From (To) Gubernatorial Elections Fund	—	—	(9.0)	(3.9)	—
Corporation Business Tax — 4% Dedication	—	—	(3.2)	—	20.8
Surplus Revenue Fund					
From (To) General Fund	—	—	—	(362.2)	250.1
From (To) Property Tax Relief Fund	—	—	—	(372.5)	—
Property Tax Relief Fund					
Balances Lapsed(3)	—	167.2	63.5	1,175.9	216.6
From (To) General Fund	—	(467.7)	285.3	273.9	131.9
From (To) Long-Term Obligation and Capital Expenditure Fund(4)	—	—	—	378.7	—
Budget vs. GAAP Adjustment	—	—	(8.2)	8.2	—
From (To) Surplus Revenue Fund	—	—	—	372.5	—
Gubernatorial Elections Fund					
From (To) General Fund	—	—	9.0	4.0	—
Balances Lapsed(3)	—	—	—	—	0.1
Budget vs. GAAP Adjustment	—	—	(0.6)	0.6	—
Casino Control Fund					
Balances Lapsed(3)	—	2.7	8.8	7.5	2.6
Budget vs GAAP Adjustment	—	—	(1.9)	—	(0.1)
Casino Revenue Fund					
From (To) General Fund	—	—	38.3	54.1	2.1
Balances Lapsed(3)	—	—	1.0	9.6	17.0
Budget vs GAAP Adjustment	—	—	—	0.1	—
Total Other Adjustments	—	737.3	1,153.0	3,480.2	702.6
Total Available	30,337.0	30,045.4	29,646.7	33,673.0	35,875.4
Appropriations(5)					
General Fund	17,998.5	18,157.9	17,179.3	19,166.6	19,849.0
Property Tax Relief Fund	11,394.0	10,867.5	11,248.4	13,396.2	14,211.7
Gubernatorial Elections Fund	—	—	8.8	6.2	—
Casino Control Fund	55.9	66.7	70.6	75.4	74.0
Casino Revenue Fund	248.1	257.0	335.4	414.8	433.1
Total Appropriations	29,696.5	29,349.1	28,842.5	33,059.2	34,567.8
June 30th Ending Balances					
General Fund	255.6	692.9	794.2	614.2	469.8
Surplus Revenue Fund	—	—	—	—	734.7
Property Tax Relief Fund	383.5	—	10.0	—	99.0
Gubernatorial Elections Fund	1.4	0.7	—	—	1.1
Casino Control Fund	—	2.7	—	(0.4)	3.0
Casino Revenue Fund	—	—	—	—	—
Total Ending Balances	\$ 640.5(6)	\$ 696.3	\$ 804.2	\$ 613.8	\$ 1,307.6

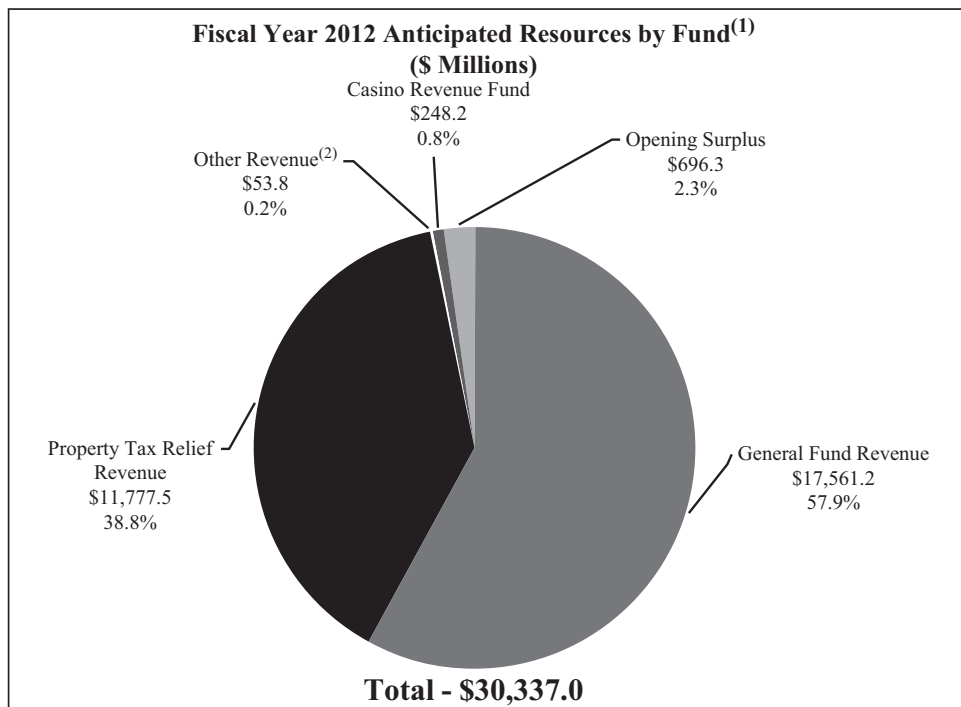
Notes:

- (1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund.
- (2) The "Property Tax Reform Account" was created in the Property Tax Relief Fund pursuant to an amendment to Article VIII, Section 1, Paragraph 7 of the State Constitution. Approved by the voters in 2006, the amendment provides that there shall be annually credited from the General Fund and placed in the Property Tax Reform Account an amount equal to the annual revenue derived from a tax rate of 0.5% imposed under the Sales and Use Tax Act. The State Constitution provides that the State Legislature shall annually appropriate such amount exclusively for the purpose of property tax reform.
- (3) Upon the end of the fiscal year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending balance, unless otherwise provided for in the annual appropriations act.
- (4) Pursuant to P.L. 2008, c. 22, the LTOCEF was created. Funds were appropriated for retiring and defeasing debt, as well as for various capital improvements. However, as a result of the economic downturn, monies in the LTOCEF were appropriated for other purposes. There are no amounts currently on deposit in the LTOCEF or currently anticipated to be deposited therein.
- (5) Appropriations include original, supplemental, and de-appropriations, except for Fiscal Year 2012 where the appropriations shown are as contained in the Fiscal Year 2012 Appropriations Act. In Fiscal Year 2012, \$484.1 million is appropriated to make a pension contribution to the defined benefit pension plans for State, higher education, and local government and education employees, whose benefits are funded by the State. The pension contribution amount funds one-seventh of the actuarially recommended pension contribution pursuant to P.L.2010, c.1 and reflects projected savings from recent pension benefit reforms.
- (6) The ending undesignated fund balance for Fiscal Year 2012 may be reduced as a result of additional spending and/or reduction in anticipated revenues. See "FINANCIAL RESULTS AND ESTIMATES — Appropriations" herein.



(1) Fiscal Year 2011 Adjusted Resources represent the total amount of revenues for Fiscal Year 2011, subject to adjustment pending completion of the annual audit, plus the total amount of undesignated budgeted fund balances as of July 1, 2010.

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



(1) Fiscal Year 2012 Anticipated Resources represent the total amount of estimated revenues for Fiscal Year 2012 as set forth in the Fiscal Year 2012 Appropriations Act, plus the total amount of estimated undesignated budgeted fund balances as of July 1, 2011.

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

Revenues

The following tables set forth actual revenues for Fiscal Years ended June 30, 2008 through 2010, and estimated revenues for Fiscal Years 2011 and 2012 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund, and such revenues as a percent of total revenue. The Fiscal Year 2011 estimates are as of June 30, 2011 and are subject to adjustment pending completion of the annual audit. The Fiscal Year 2012 estimates are as presented in the Fiscal Year 2012 Appropriations Act.

REVENUES (\$ Millions)

	2012 Estimated	2011 Estimated	2010 Actual	2009 Actual	2008 Actual
General Fund:					
Sales and Use Tax	\$ 8,521.4	\$ 8,219.4	\$ 7,879.9	\$ 8,264.2	\$ 8,915.5
Less: Property Tax Dedication	(628.0)	(605.0)	(576.6)	(611.8)	(666.0)
Net Sales and Use Tax	7,893.4	7,614.4	7,303.3	7,652.4	8,249.5
Motor Fuels Tax	535.0	525.1	535.3	538.2	563.3
Corporation Taxes	2,340.7	2,208.8	2,144.6	2,665.2	3,062.4
Motor Vehicle Fees(1)	492.7	412.0	378.6	361.7	401.3
Cigarette Tax	205.5	214.0	204.9	216.3	251.2
Other Major Taxes	1,909.2	1,786.9	1,712.9	1,768.3	1,953.5
Medicaid Uncompensated Care	441.5	507.4	514.8	493.9	505.4
Other Miscellaneous Taxes, Fees and Revenues	2,103.0	2,113.3	2,033.4	2,204.4	2,256.2
Lottery Funds	1,030.0	930.0	924.0	887.2	882.1
Tobacco Litigation Settlement(2)	54.6	53.8	56.9	69.3	117.6
Other Transfers	555.6	655.8	792.8	524.3	583.6
Total General Fund(3)	17,561.2	17,021.5	16,601.5	17,381.2	18,826.1
Property Tax Relief Fund:					
Gross Income Tax	11,132.0	10,536.0	10,322.9	10,476.2	12,605.5
Plus: Property Tax Dedication	645.5	622.0	594.9	611.8	666.0
Gross Property Tax Relief Fund	11,777.5	11,158.0	10,917.8	11,088.0	13,271.5
Gubernatorial Elections Fund	0.7	0.7	0.4	0.5	0.5
Casino Control Fund	53.1	66.7	64.1	64.5	73.0
Casino Revenue Fund	248.2	257.0	296.1	351.0	413.0
Total	\$29,640.7	\$28,503.9	\$27,879.9	\$28,885.2	\$32,584.1

- (1) Beginning in Fiscal Year 2008, certain State Department of Transportation revenues have been included in Motor Vehicle Fees which had previously been included within Other Miscellaneous Taxes, Fees and Revenues. These include Auto Body Repair Shop Licensing, Drunk Driving Fines, Graduated Driver's License, Heavy Duty Diesel Fines, Motor Vehicle Database — Automated Access, Motor Vehicle Inspection Fund, Parking Offenses, Salvage Title Program, Special Plate Fees and Uninsured Motorists Program.
- (2) The State has transferred to the Tobacco Settlement Financing Corporation (the "Corporation"), a special purpose entity established pursuant to PL2002, c.32 (the "Act"), the State's right to receive all tobacco settlement receipts (the "TSRs") expected to be received by the State after December 1, 2003 from the settlement of the litigation with the participating tobacco companies. The Corporation has pledged 76.26% of the TSRs as security for its bonds. In January 2007, the Corporation issued \$3,622,208,081.50 of its Tobacco Settlement Asset-Backed Bonds, Series 2007-1, the proceeds of which were used to refund in full, the prior Series 2002 and Series 2003 Tobacco Settlement Asset-Backed Bonds. The remaining 23.74% of the TSRs (the "Unpledged TSRs") are not pledged to the bonds and are payable to the State. Fiscal Year 2008, 2009 and 2010 actual payments and Fiscal Year 2011 and 2012 estimated payments received or to be received by the State reflect Unpledged TSRs.

In each of the years 2006 through and including 2011 certain of the tobacco companies withheld a portion of their annual payment (approximately \$30 million of a scheduled approximate \$242 million annual payment in 2006, approximately \$27 million of a scheduled approximate \$261 million annual payment in 2007, approximately \$22 million of a scheduled approximate \$284 million annual payment in 2008, approximately \$21 million of a scheduled approximate \$287 million annual payment in 2009, approximately \$27 million of a scheduled approximate \$266 million annual payment in 2010, and approximately \$35 million of a scheduled approximate \$261 million annual payment in 2011) primarily based on claims that the settling states, of which the State is one, did not diligently enforce a statute (the "Model Statute"), which requires tobacco companies that did not enter into the settlement to make certain payments for in-state tobacco product sales. On April 18, 2006, the State filed suit against the participating tobacco companies seeking a declaratory judgment that the State is diligently enforcing the Model Statute. On September 27, 2007, the court ordered the parties to arbitrate the 2003 diligent enforcement action dispute, which ruling was upheld on appeal. A multi-state arbitration of the 2003 diligent enforcement action dispute began in July 2010 when a three-member panel was appointed and is on-going. On April 15, 2011, notice was given by the tobacco companies to the State that they are seeking arbitration of diligent enforcement disputes for the years 2004 through 2008. While 2009 and 2010 are not subject to the court's order or the notice given by the tobacco companies, the diligent enforcement dispute between the parties for those years is also ripe. In the event that the State is determined to not have diligently enforced the Model Statute in any year, the State faces a reduction in the amount of annual payments it receives in the subsequent years. In no event can the reduction exceed the amount of the payment due in the year that it failed to diligently enforce the Model Statute.

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

**Revenues
(% of Total)**

	<u>2012 Estimated</u>	<u>2011 Estimated</u>	<u>2010 Actual</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
General Fund:					
Sales and Use Tax	28.7%	28.8%	28.3%	28.6%	27.4%
Less: Property Tax Dedication	<u>(2.1)</u>	<u>(2.1)</u>	<u>(2.1)</u>	<u>(2.1)</u>	<u>(2.0)</u>
Net Sales and Use Tax	26.6	26.7	26.2	26.5	25.4
Motor Fuels Tax	1.8	1.8	2.0	1.9	1.7
Corporation Taxes	7.9	7.8	7.7	9.2	9.4
Motor Vehicle Fees	1.7	1.4	1.4	1.3	1.2
Cigarette Tax	0.7	0.8	0.7	0.7	0.8
Other Major Taxes	6.4	6.3	6.2	6.1	6.0
Medicaid Uncompensated Care	1.5	1.8	1.8	1.7	1.5
Other Miscellaneous Taxes, Fees and Revenues	7.1	7.4	7.3	7.7	6.9
Lottery Funds	3.5	3.3	3.3	3.1	2.7
Tobacco Litigation Settlement	0.2	0.2	0.2	0.2	0.4
Other Transfers	<u>1.9</u>	<u>2.3</u>	<u>2.8</u>	<u>1.8</u>	<u>1.8</u>
Total General Fund	59.3	59.8	59.6	60.2	57.8
Property Tax Relief Fund:					
Gross Income Tax	37.6	37.0	37.0	36.3	38.7
Plus: Property Tax Dedication	<u>2.2</u>	<u>2.2</u>	<u>2.1</u>	<u>2.1</u>	<u>2.0</u>
Gross Property Tax Relief Fund	39.8	39.2	39.1	38.4	40.7
Gubernatorial Elections Fund	—	—	—	—	—
Casino Control Fund	0.2	0.2	0.2	0.2	0.2
Casino Revenue Fund	<u>0.7</u>	<u>0.8</u>	<u>1.1</u>	<u>1.2</u>	<u>1.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Fiscal Year 2011 and Fiscal Year 2012 Estimated Revenues

Sales and Use Tax — The Sales and Use Tax collections for Fiscal Year 2011 are estimated to increase 4.3% from Fiscal Year 2010. The Sales and Use Tax collections for Fiscal Year 2012 are estimated to increase 3.7% from Fiscal Year 2011. This growth in Sales and Use Tax collections primarily reflects continuing improvement in consumer spending and a slowly recovering economy.

Gross Income Tax — The Gross Income Tax collections for Fiscal Year 2011 are estimated to increase 2.1% from Fiscal Year 2010. The Gross Income Tax collections for Fiscal Year 2012 are estimated to increase 5.7% from Fiscal Year 2011. The Fiscal Year 2011 estimate includes a change to the Gross Income Tax to take into account the reduction of the New Jersey Earned Income Tax Credit from 25% of the federal benefit to 20%. The Fiscal Year 2011 estimate also takes into account the fact that the temporary income tax for those earning over \$400,000 which expired December 31, 2009 was not renewed along with the one-year Fiscal Year 2010 change to the property tax deduction. The Fiscal Year 2012 estimate is based on moderately higher-than-expected receipts for Fiscal Year 2011 due primarily to a growth in income.

Corporation Business Tax — The Corporation Business Tax collections for Fiscal Year 2011 are estimated to increase 3.0% from Fiscal Year 2010. The Corporation Business Tax collections for Fiscal Year 2012 are estimated to increase 6.0% from Fiscal Year 2011. Corporation Business Tax collections are projected to be increased by recovering corporate profitability and a reduction in refunds and loss carryforwards, as the impact of the recession on State taxable earnings and liabilities diminishes.

Casino Revenues — The Casino Revenue Fund accounts for the taxes imposed on the casinos and other related activities. They include casino parking fees, per room per day fees on casino hotel rooms, and a tax on multi-casino progressive slot machine revenue. Collections for Fiscal Year 2011 are estimated to decrease 13.2% from Fiscal Year 2010. Collections for Fiscal Year 2012 are estimated to decrease 3.4% from Fiscal Year 2011. The Fiscal Year 2012 estimate reflects a slowly recovering economy and expanding competition from other forms of gambling originating both offshore and from facilities built in other states.

Other Revenues — Continuing the same action taken in Fiscal Year 2011, the Fiscal Year 2012 Appropriations Act diverts all revenue for Enterprise Zone Assistance Fund (“UEZ”) revitalization projects and local program administration to the General Fund. The Fiscal Year 2012 Appropriations Act includes up to an additional \$100.0 million in State Lottery revenues due to projected management reforms. The Fiscal Year 2012 Appropriations Act also includes non-recurring revenue totaling \$96.4 million, which is primarily composed of taking balances in other funds and transferring them to the General Fund. In comparison, the Fiscal Year 2011 Appropriations Act included \$214.3 million of non-recurring revenue, of which \$79.6 million is estimated from changes in the laws governing unclaimed property, and the remaining \$134.7 million is comprised of taking balances in other funds and transferring them to the General Fund. For a description of claims concerning other revenue sources, see “LITIGATION — *Mid-Atlantic Solar Energy Indus. Ass’n v. Christie*” and “— *Challenges to L. 2010, c.25*” herein.

Federal Aid

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2008 through 2010, which are non-budgeted revenues, amounted to \$8,815.5 million, \$10,530.6 million, and \$12,364.8 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2011 are estimated to be \$12,817.3 million and are subject to adjustment, pending the completion of the annual audit. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2012 as contained in the Fiscal Year 2012 Appropriations Act are estimated to be \$11,732.9 million. Such federal aid receipts for Fiscal Year 2012 are composed of \$4,434.9 million for medical payments, \$48.6 million for social services block grants, \$790.5 million for welfare, \$1,690.5 million for other human services, \$845.6 million for Title I and other education, \$483.2 million for labor, \$1,324.8 million for transportation, and the remainder for all other federal aid programs.

The American Recovery and Reinvestment Act of 2009 (“ARRA”) provided federal fiscal stimulus funding to the State for Fiscal Years 2010 and 2011. Funding across both fiscal years totaled approximately \$3,322.1 million. Fiscal Year 2010 funding of \$2,289.0 million reflected \$1,034.5 million for enhanced Medicaid funding, with the remainder primarily for fiscal stabilization which the State used as a resource for the General Fund. The Fiscal Year 2011 Appropriations Act assumed that the State would receive \$1,033.1 million of federal ARRA stimulus funding; that amount subsequently was reduced by approximately \$200 million during Fiscal Year 2011. There is no federal stimulus funding expected in Fiscal Year 2012, as all ARRA funding expired on June 30, 2011. See “FINANCIAL RESULTS AND ESTIMATES — Appropriations — *Appropriations of Federal Aid*” herein.

Appropriations

Appropriations — Fiscal Year 2008 through Fiscal Year 2012

The following table sets forth the composition of annual appropriations, including supplemental appropriations and de-appropriations in Fiscal Years 2008 through 2011, if any, from the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund, and the Casino Revenue Fund. Should tax revenues be less than the amount anticipated in the annual Appropriations Act, the Governor may, pursuant to statutory authority, prevent any expenditure under any appropriation. The amounts for Fiscal Years 2008 through 2010 are actual and final. The amounts for Fiscal Year 2011 are based on appropriations contained in the Fiscal Year 2011 Appropriations Act, including supplemental appropriations and de-appropriations, and are subject to adjustment pending completion of the annual audit. The amounts appropriated for Fiscal Year 2012 reflect the amounts shown in the Fiscal Year 2012 Appropriations Act.

The State has made appropriations for principal and interest payments for general obligation bonds for Fiscal Years 2008 through 2011 in the amounts of \$438.8 million, \$270.9 million, \$261.1 million, and \$204.7 million, respectively. The Fiscal Year 2012 Appropriations Act includes an appropriation in the amount of \$276.9 million for

Fiscal Year 2012, representing principal and interest payments for general obligation bonds. This appropriation reflects the anticipated savings from utilizing available, uncommitted amounts and residual project balances held in general obligation bond funds, and bond premium remaining from the sale of general obligation bonds in December 2009, to offset debt service on general obligation bonds.

The Fiscal Year 2012 Appropriations Act also appropriates \$1,856.5 million for debt service on obligations supported by State revenue subject to annual appropriation. The total Fiscal Year 2012 general obligation bonds and obligations supported by State revenue subject to annual appropriation debt service appropriations is \$2,133.4 million or approximately 7.2% of total State appropriations for Fiscal Year 2012. Such appropriations take into account projected increases in debt service due to planned future issuances of bonds and notes; \$505.9 million of Fiscal Year 2011 appropriations that will carry forward into Fiscal Year 2012, and are net of projected debt service savings due to planned debt restructurings of obligations supported by State revenue subject to annual appropriation; the use of available, uncommitted amounts and residual project balances held in general obligation bond funds, and bond premium remaining from the sale of general obligation bonds in December 2009, to offset debt service on general obligation bonds; and the use of fund balances from independent State authorities to offset debt service on obligations supported by State revenue subject to annual appropriation.

In Fiscal Year 2012, \$484.1 million is appropriated to make pension contributions to the defined benefit pension plans for State (\$159.2 million), P-12 education (\$289.7 million) higher education (\$12.5 million), and local government (\$22.7 million) employees, whose benefits are funded by the State. The pension contribution amount funds one-seventh of the actuarially recommended pension contribution pursuant to P.L. 2010, c.1 and reflects projected savings from recent pension benefit reforms described herein. See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein.

On June 28, 2011, the Governor signed into law pension and health benefit reforms that over the long term are expected to reduce State and local pension and health benefit liabilities below the levels that could be expected without such reform. See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein. These enacted reforms are expected to yield less savings in Fiscal Year 2012 than those which could have been anticipated if the Governor’s proposed reforms had been enacted, resulting in additional employee health benefit costs of approximately \$215 million. This additional spending need can be satisfied through the exercise of the Budget Director’s existing authority contained in the Fiscal Year 2012 Appropriations Act (“Directory Letter”) or require approval by the Joint Budget Oversight Committee of the State Legislature (“JBOC”), either of which could, absent other actions, reduce the Fiscal Year 2012 Appropriations Act ending fund balance by an equivalent amount.

The Fiscal Year 2012 Appropriations Act also assumes that joint employer and employee plan design committees will achieve savings of \$150 million through health plan design changes. Committees have been established by legislation to create, modify or terminate health plans at their discretion and alter employee cost sharing to achieve savings. Committee composition is evenly divided between union and executive branch appointees. A majority of the entire committee is needed to make changes to effectuate plan design changes. No assurance can be given that the committees will take the actions relating to health plan design changes at a time which will enable the achievement of the assumed \$150 million in savings for Fiscal Year 2012. Failure to achieve all or a portion of such savings may require a Directory Letter or JBOC approval, either of which, absent other actions, could reduce the Fiscal Year 2012 Appropriations Act ending fund balance by an equivalent amount.

Governor Christie vetoed approximately \$1.3 billion from the Fiscal Year 2012 budget presented to him for signature by the State Legislature primarily because it included overly optimistic revenue assumptions, unsupported spending assumptions, and an income tax increase that the Governor did not support. The Governor also noted that it underfunded school construction debt service and the Senior and Disabled Citizen’s Property Tax Freeze program by approximately \$30 million each. A Directory Letter or JBOC approval may be required to fund such underfunded amounts which, absent other actions, could reduce the Fiscal Year 2012 Appropriations Act ending fund balance by an equivalent amount.

The Governor’s vetoes included a \$139 million reduction to the Transitional Aid to Localities program. On July 18, 2011, Governor Christie announced his commitment to restore funding to the Transitional Aid to Localities program enacted by the State Legislature through new legislation. Restoring such funding may be effected through a Directory Letter, JBOC approval, or a supplemental appropriation. Such restoration, absent other actions, could reduce the Fiscal Year 2012 Appropriations Act ending fund balance by an equivalent amount.

The Fiscal Year 2012 Appropriations Act complies with the New Jersey Supreme Court's decision in *Abbott v. Burke (Challenge to Proposed Fiscal Year 2011 School Aid Funding Levels)*, to provide \$4.4 billion in aid to Abbott districts, or an increase of \$498.3 million from Fiscal Year 2011. In addition, the Fiscal Year 2012 Appropriations Act also appropriated \$3.3 billion in aid to non-Abbott districts, or an increase of \$335.1 million from Fiscal Year 2011.

Appropriations of Federal Aid

The Fiscal Year 2011 Appropriations Act assumed that the State would receive \$1.033 billion of federal ARRA stimulus funding. That amount was subsequently reduced by approximately \$200 million during Fiscal Year 2011. There is no federal stimulus funding expected in Fiscal Year 2012, as all ARRA funding expired on June 30, 2011. The Fiscal Year 2012 Appropriations Act includes \$74.7 million as a result of an approved waiver to provide federal Medicaid matching funds for health care costs of low-income individuals that were previously 100% State funded (the "General Assistance" population). Federal approval is pending for the State's plan to generate \$74 million of new federal Medicaid matching funds from a health care facility assessment to help fund hospital charity care. Also pending is federal approval to generate \$300 million in savings from a comprehensive waiver that will redesign the Medicaid program in a manner that creates efficiencies and better manages care. Included in the \$300 million is \$107 million in expected federal reimbursement for past State Medicaid costs that should have been paid by Medicare. The State included the reimbursement as estimated revenue in the Fiscal Year 2009 and 2010 Appropriation Acts in anticipation of the enactment of federal legislation. No such federal legislation was enacted in either of those previous Fiscal Years. The comprehensive waiver provides another opportunity for the State to receive these funds without the need for federal legislation.

If the actions described in the preceding paragraph do not occur, other budgetary actions will be necessary.

Besides the comprehensive waiver, the Fiscal Year 2012 Appropriations Act incorporates other savings and efficiencies in the Medicaid program. These changes, which total approximately \$200 million, involve increases in co-payments, fraud prevention, provider reimbursement reductions and mandates that additional populations and services be enrolled into managed care plans.

APPROPRIATIONS FOR BUDGETED STATE FUNDS⁽¹⁾⁽²⁾
(\$ MILLIONS)

	For the Fiscal Year Ended June 30,				
	2012 Estimated	2011 Estimated	2010 Actual	2009 Actual	2008 Actual
General Fund:					
Legislative Branch	\$ 71.5	\$ 77.3	\$ 74.8	\$ 73.7	\$ 75.5
Chief Executive's Office	5.7	5.7	4.7	5.3	5.1
Department of:					
Agriculture	19.6	19.7	22.5	22.9	26.4
Banking and Insurance	63.0	61.3	67.5	70.3	70.3
Children and Families	1,058.4	1,066.0	1,066.4	1,075.7	1,064.4
Community Affairs	72.0	224.7	261.2	304.9	145.4
Corrections	1,090.4	1,114.7	1,147.1	1,141.9	1,129.3
Education	556.7	1,084.7	664.5	1,075.8	751.1
Environmental Protection	332.8	392.3	379.8	428.6	466.2
Health and Senior Services	1,170.8	1,228.5	1,067.9	1,323.6	1,464.5
Human Services	5,164.1	4,686.7	4,404.4	4,789.3	4,665.9
Labor and Workforce Development(3)(4)	154.5	158.2	144.8	273.7	394.5
Law and Public Safety	508.5	524.5	530.4	547.7	592.2
Military and Veterans Affairs	93.4	95.3	90.9	93.7	93.7
Personnel(3)	—	—	—	—	22.4
Public Advocate(5)	—	—	16.5	17.0	19.2
State	1,148.8	1,160.1	1,261.7	1,243.1	1,291.4
Transportation	1,390.1	1,254.7	1,277.2	1,335.1	1,290.0
Treasury	1,231.7	1,127.1	1,180.0	1,386.7	1,488.2
Miscellaneous Executive Commissions	1.0	1.3	1.5	1.5	1.4
Inter-Departmental Accounts — Employee Benefits and Miscellaneous	3,202.0	3,211.6	2,874.1	3,320.6	4,197.5
Judicial Branch	663.5	663.5	641.4	635.5	594.4
Total General Fund	<u>\$17,998.5</u>	<u>\$18,157.9</u>	<u>\$17,179.3</u>	<u>\$19,166.6</u>	<u>\$19,849.0</u>
Property Tax Relief Fund:					
Department of:					
Community Affairs	\$ 511.9	\$ 511.8	\$ 819.7	\$ 847.5	\$ 1,160.3
Education	10,056.9	9,770.6	8,954.9	10,496.8	10,257.4
Environmental Protection	—	—	10.0	10.0	9.8
Human Services	—	—	—	—	148.1
Treasury	825.2	585.1	1,463.8	2,041.9	2,636.1
Total Property Tax Relief Fund	<u>11,394.0</u>	<u>\$10,867.5</u>	<u>\$11,248.4</u>	<u>\$13,396.2</u>	<u>\$14,211.7</u>
Gubernatorial Elections Fund	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8.8</u>	<u>\$ 6.2</u>	<u>\$ —</u>
Casino Control Fund					
Department of:					
Law and Public Safety	\$ 46.8	\$ 42.2	\$ 44.0	\$ 46.0	\$ 44.6
Treasury	9.1	24.5	26.6	29.4	29.4
Total Casino Control Fund	<u>\$ 55.9</u>	<u>\$ 66.7</u>	<u>\$ 70.6</u>	<u>\$ 75.4</u>	<u>\$ 74.0</u>
Casino Revenue Fund					
Department of:					
Health and Senior Services	\$ 90.3	\$ 95.2	\$ 172.4	\$ 248.8	\$ 280.8
Human Services	130.4	130.4	130.5	130.5	112.9
Labor and Workforce Development	2.2	2.2	2.2	2.4	2.4
Law and Public Safety	0.1	0.1	0.1	0.1	0.1
Transportation	25.1	29.1	30.2	33.0	36.9
Treasury	—	—	—	—	—
Total Casino Revenue Fund	<u>\$ 248.1</u>	<u>\$ 257.0</u>	<u>\$ 335.4</u>	<u>\$ 414.8</u>	<u>\$ 433.1</u>
Total Appropriations	<u><u>\$29,696.5</u></u>	<u><u>\$29,349.1</u></u>	<u><u>\$28,842.5</u></u>	<u><u>\$33,059.2</u></u>	<u><u>\$34,567.8</u></u>

Note:

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

- (3) The Fiscal Year 2009 Appropriations Act assumed the elimination of the Department of Personnel and transfer of its functions, powers and duties, primarily to a new Civil Service Commission. Legislation was enacted which provided for the creation of the Civil Service Commission established in but not of the Department of Labor and Workforce Development. The Fiscal Year 2009 Appropriations Act also provided language provisions to effectuate the transfer of their respective appropriations to the corresponding departments.
- (4) During Fiscal Year 2008 and Fiscal Year 2009, \$260.0 million and \$150.0 million, respectively, was transferred from the General Fund to the Department of Labor and Workforce Development for deposit into the Unemployment Insurance Trust Fund ("Trust Fund"). This funding measure enabled the Trust Fund to meet federal solvency requirements.
- (5) Pursuant to P.L. 2010, c. 34, the Department of the Public Advocate was abolished as a department of the Executive Branch of State government, effective June 30, 2010.

State Unemployment Insurance Trust Fund

In Fiscal Year 2011, the Unemployment Insurance Trust Fund (the "Fund"), which provides funding for unemployment benefits in the State, received approximately \$2.3 billion in contributions from employers and workers while paying out approximately \$2.8 billion in regular, annual State unemployment benefits (excluding benefits paid entirely by the federal government). In Fiscal Year 2012, contributions from employees and workers are expected to approximate \$2.7 billion, while regular State unemployment benefits will approximate \$2.5 billion. As a result of claims in excess of the contributions since Fiscal Year 2009, the Fund has been depleted and the State has borrowed approximately \$1.6 billion as of July 6, 2011 from the U.S. Department of Labor for cash advances to provide funding for unemployment insurance benefits. The State expects to continue to borrow funds from the federal government as needed, the amount of which could be significant. Repayments of these advances are solely the obligation of the Fund and are not obligations of the State's General Fund.

Under current law, the unemployment tax rate imposed on employers during a Fiscal Year is determined by statutory formula based on the status of the Fund in relation to total taxable wages as of March 31st of the preceding Fiscal Year. Because the Fund is currently in deficit, such statutory formula provides for an increase in the employer tax rate. In Fiscal Year 2010, the employer tax rate was increased in accordance with the statutory formula. Subsequent legislation limited increases in employer taxes in both Fiscal Year 2011 and Fiscal Year 2012 to less than that called for by such statutory formula. No change in the employee rate has occurred.

The following tables set forth appropriations by department and by major category for Fiscal Year 2011 and 2012.

**STATE OF NEW JERSEY
APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
FOR THE FISCAL YEAR ENDING JUNE 30, 2012
(\$ MILLIONS)**

<u>Government Branch</u>	<u>Direct State Services</u>	<u>Grants In-Aid</u>	<u>State Aid</u>	<u>Capital Construction</u>	<u>Debt Service</u>	<u>Total</u>
Executive						
Chief Executive	\$ 5.7	\$ —	\$ —	\$ —	\$ —	\$ 5.7
Agriculture	7.2	6.8	5.6	—	—	19.6
Banking and Insurance	63.0	—	—	—	—	63.0
Children and Families	315.2	743.3	—	—	—	1,058.5
Community Affairs	37.2	19.2	527.5	—	—	583.9
Corrections	963.6	106.3	20.5	—	—	1,090.4
Education	66.3	1.7	10,545.6	—	—	10,613.6
Environmental Protection	208.4	17.3	8.7	91.6	6.8	332.8
Health and Senior Services	53.1	1,200.8	7.2	—	—	1,261.1
Human Services	633.4	4,135.1	526.0	—	—	5,294.5
Labor and Workforce Development	89.7	67.0	—	—	—	156.7
Law and Public Safety	538.1	17.3	—	—	—	555.4
Military and Veterans Affairs	90.3	3.1	—	—	—	93.4
State	29.0	1,104.8	15.0	—	—	1,148.8
Transportation	45.4	309.4	25.1	1,035.3	—	1,415.2
Treasury	443.8	972.9	379.2	—	270.1	2,066.0
Miscellaneous Commissions	1.0	—	—	—	—	1.0
Interdepartmental	<u>2,168.2</u>	<u>857.4</u>	<u>—</u>	<u>176.3</u>	<u>—</u>	<u>3,201.9</u>
Subtotal	<u>5,758.6</u>	<u>9,562.4</u>	<u>12,060.4</u>	<u>1,303.2</u>	<u>276.9</u>	<u>28,961.5</u>
Legislature	71.5	—	—	—	—	71.5
Judiciary	<u>663.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>663.5</u>
Grand Total	<u>\$6,493.6</u>	<u>\$9,562.4</u>	<u>\$12,060.4</u>	<u>\$1,303.2</u>	<u>\$276.9</u>	<u>\$29,696.5</u>

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. The appropriations for Fiscal Year 2012 are as contained in the Fiscal Year 2012 Appropriations Act.

STATE OF NEW JERSEY
ADJUSTED APPROPRIATIONS FOR BUDGETED STATE FUNDS(1)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(\$ MILLIONS)

<u>Government Branch</u>	<u>Direct State Services</u>	<u>Grants In-Aid</u>	<u>State Aid</u>	<u>Capital Construction</u>	<u>Debt Service</u>	<u>Total</u>
Executive						
Chief Executive	\$ 5.7	\$ —	\$ —	\$ —	\$ —	\$ 5.7
Agriculture	7.2	6.9	5.6	—	—	19.7
Banking and Insurance	61.3	—	—	—	—	61.3
Children and Families	337.7	728.2	—	—	—	1,065.9
Community Affairs	38.8	21.2	676.5	—	—	736.5
Corrections	992.5	107.2	15.0	—	—	1,114.7
Education	66.3	4.7	10,784.3	—	—	10,855.3
Environmental Protection	211.0	17.6	8.2	92.5	63.0	392.3
Health and Senior Services	54.4	1,262.0	7.2	—	—	1,323.6
Human Services	556.9	3,655.7	604.5	—	—	4,817.1
Labor and Workforce						
Development	99.5	61.0	—	—	—	160.5
Law and Public Safety	549.6	17.2	—	—	—	566.8
Military and Veterans Affairs	92.3	3.1	—	—	—	95.4
State	30.4	1,114.7	15.0	—	—	1,160.1
Transportation	83.5	276.2	29.1	895.0	—	1,283.8
Treasury	460.8	771.7	362.5	—	141.7	1,736.7
Miscellaneous Commissions	1.3	—	—	—	—	1.3
Interdepartmental	<u>2,090.8</u>	<u>986.4</u>	<u>—</u>	<u>134.4</u>	<u>—</u>	<u>3,211.6</u>
Subtotal	<u>5,740.0</u>	<u>9,033.8</u>	<u>12,507.9</u>	<u>1,121.9</u>	<u>204.7</u>	<u>28,608.3</u>
Legislature	<u>77.3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77.3</u>
Judiciary	<u>663.5</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>663.5</u>
Grand Total	<u><u>\$6,480.8</u></u>	<u><u>\$9,033.8</u></u>	<u><u>\$12,507.9</u></u>	<u><u>\$1,121.9</u></u>	<u><u>\$204.7</u></u>	<u><u>\$29,349.1</u></u>

(1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund, and the Gubernatorial Elections Fund. Adjusted appropriations include supplemental appropriations and de-appropriations. Lapses in appropriations are not included. See “SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES GENERAL STATE FUNDS” herein.

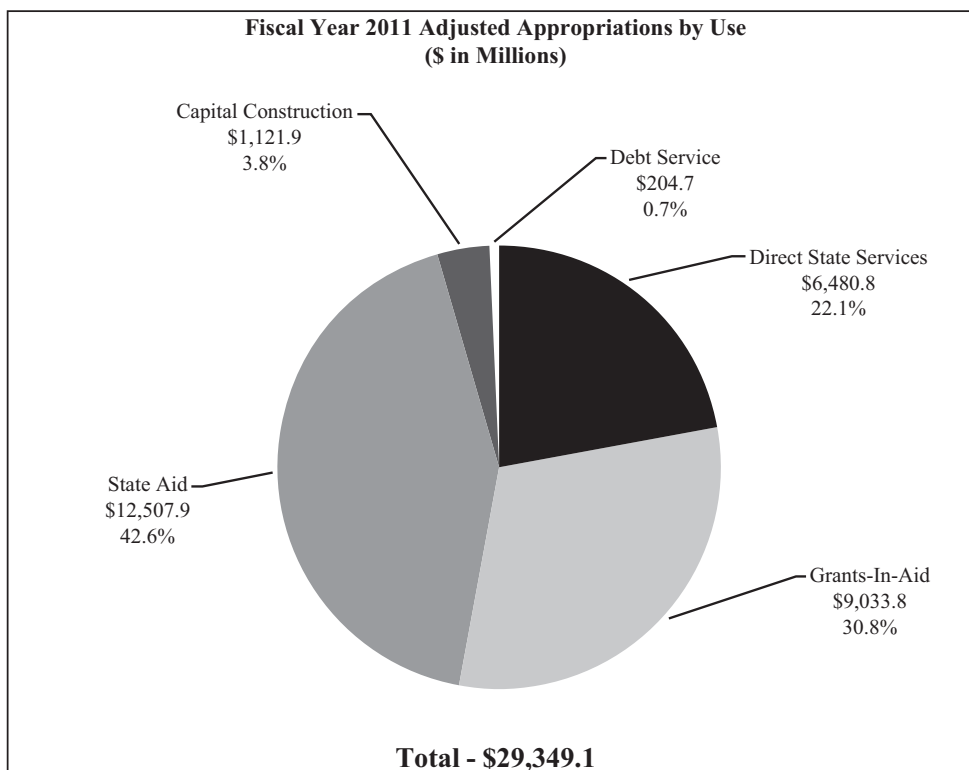
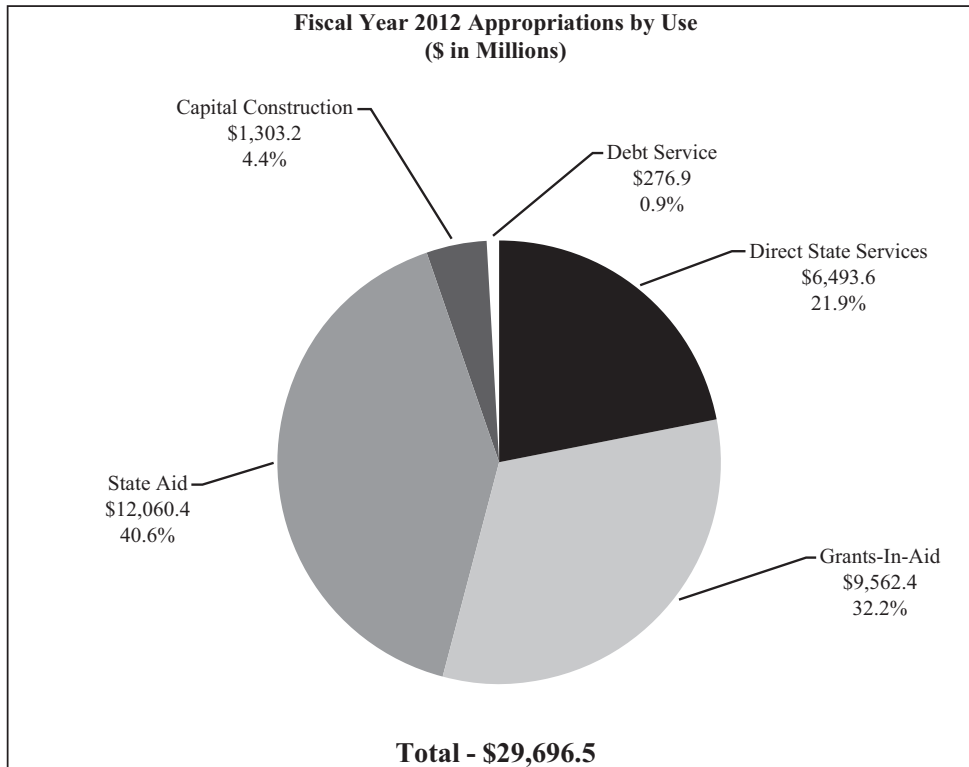
The following table sets forth, by major category, the original, supplemental and de-appropriations for Fiscal Year 2011 and the appropriations for Fiscal Year 2012 as contained in the Fiscal Year 2012 Appropriations Act.

SUMMARY OF APPROPRIATIONS
(\$ Millions)

	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011(1)</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
State Aid	\$12,060.4	\$12,507.9	\$(447.5)	(3.6)%
Grants-in-Aid	9,562.4	9,033.8	528.6	5.9
Direct State Services	6,493.6	6,480.8	12.8	0.2
Capital Construction	1,303.2	1,121.9	181.3	16.2
Debt Service	<u>276.9</u>	<u>204.7</u>	<u>72.2</u>	<u>35.3</u>
	<u>\$29,696.5</u>	<u>\$29,349.1</u>	<u>\$ 347.4</u>	<u>1.2%</u>

(1) Adjusted appropriations reflect any supplemental appropriations and de-appropriations. Lapses in appropriations are not included. See "SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES GENERAL STATE FUNDS" herein.

The 3.6% reduction in State Aid is predominantly attributable to decreases in funding for transitional aid to localities, for the School Construction and Renovation Fund (largely offset by supplemental appropriations in Fiscal Year 2011 that will be available for use in Fiscal Year 2012), and by reductions in human services for income maintenance programs. The 5.9% increase in Grants-in-Aid reflects increases in Medicaid, property tax credits, and community programs for the disabled, partially offset by fringe benefits cost reductions to colleges and universities. The 16.2% increase in Capital Construction reflects an increase for Transportation Trust Fund and New Jersey Building Authority debt service. The 35.3% increase in Debt Service reflects projected debt service growth of \$111.3 million offset by the use of available, uncommitted amounts held in general obligation bond funds and residual project balances and available bond premium from the sale of general obligation bonds in December 2009, for debt service costs of general obligation bonds.



Programs Funded in Fiscal Year 2012

Of the \$29,646.5 million appropriated for Fiscal Year 2012 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund and the Gubernatorial Elections Fund, \$12,060.4 million (40.6%) is appropriated for State Aid, \$9,562.4 million (32.2%) is appropriated for Grants-in-Aid, \$6,493.6 million (21.9%) is appropriated for Direct State Services, \$1,303.2 million (4.4%) is appropriated for Capital Construction and \$276.9 million (0.9%) is appropriated for Debt Service on State General Obligation Bonds. See “FINANCIAL RESULTS AND ESTIMATES — Appropriations” above.

State Aid

State Aid is the largest portion of Fiscal Year 2012 appropriations. These consist of payments to, or on behalf of, local government entities including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.

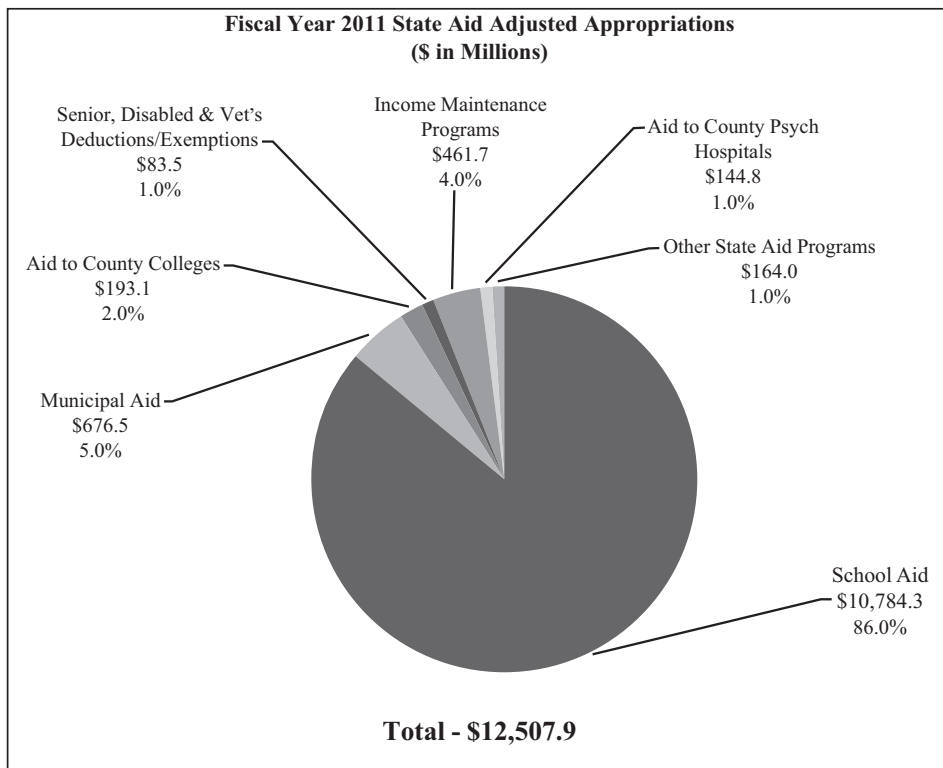
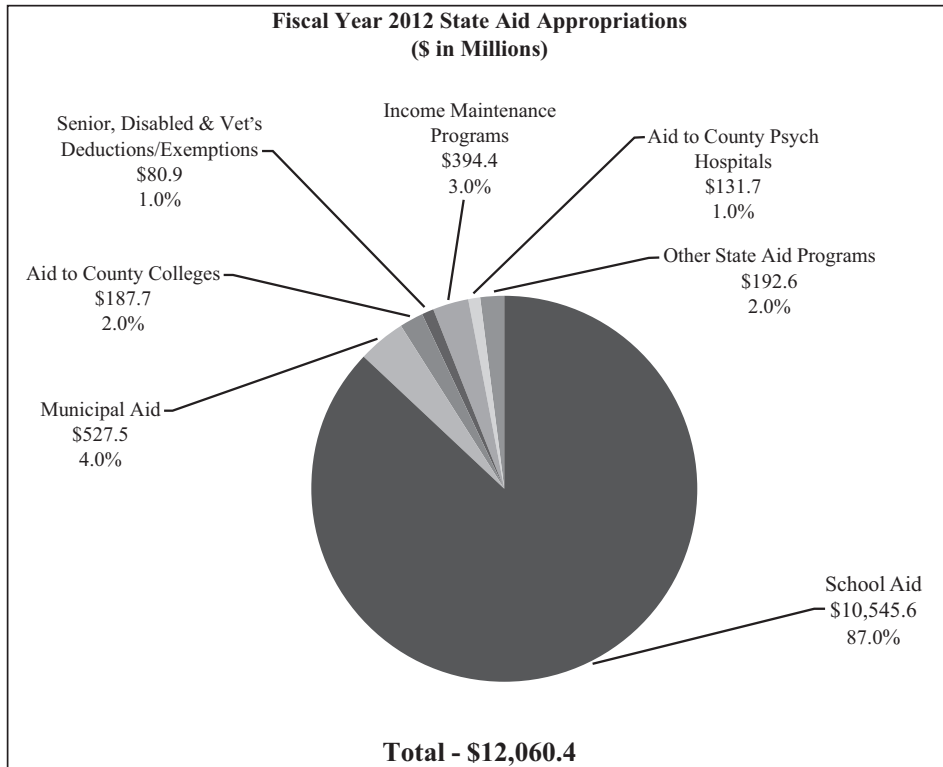
The largest State Aid appropriation, in the amount of \$10,545.6 million, is provided for local preschool, elementary and secondary education programs. Of this amount, \$8,307.0 million is formula aid for P-12 education, including School Choice Aid, will be distributed. In Fiscal Year 2011, each district’s formula aid allocation was reduced by an amount equal to approximately 5% of its Fiscal Year 2010 general fund budget, and in Fiscal Year 2012, each non-Abbott district will realize a 40% restoration of that reduction, while Abbott districts will receive aid in accordance with the School Funding Reform Act, in order to comply with the New Jersey Supreme Court’s decision in *Abbott v. Burke (Challenge to Proposed Fiscal Year 2011 School Aid Funding Levels)*. See “LITIGATION — *Abbott v. Burke (Challenge to Proposed Fiscal Year 2011 School Aid Funding Levels)*” herein. In addition to formula aid for P-12 education, \$77.2 million is appropriated in School Building Aid, and \$58.1 million is appropriated for the School Construction Debt Service Aid. Approximately \$405.5 million was appropriated in a supplemental appropriation for Fiscal Year 2011. However, this spending authority was not used in Fiscal Year 2011, and because of language contained in the Fiscal Year 2012 Appropriations Act, this spending authority carries forward in Fiscal Year 2012, to support the School Construction and Renovation Program in Fiscal Year 2012. This funding will provide aid for qualifying local debt issued for school construction, as well as service State school construction debt on new and existing bond issues. Also, \$1,893.4 million is appropriated on behalf of school districts as the employers’ share of the social security and teachers’ pensions and benefits programs, including debt service on pension obligation bonds. \$100.4 million was appropriated in a supplemental appropriation for Fiscal Year 2011. However, this spending authority was not used in Fiscal Year 2011, and because of language contained in the Fiscal Year 2012 Appropriations Act, this spending authority carries forward in Fiscal Year 2012, to support Fiscal Year 2012 debt service on pension obligation bonds.

Appropriations to the Department of Community Affairs total \$527.5 million in State Aid for Fiscal Year 2012. Consolidated Municipal Property Tax Relief Aid is appropriated in the amount of \$505.4 million. These appropriations also include \$10.0 million for the Transitional Aid to Localities program. Under this program, aid is awarded through a competitive process and requires recipient municipalities to submit to additional State oversight, with the goal of reducing reliance on this aid in the future.

Appropriations for the Department of Human Services total \$526.0 million in State Aid for Fiscal Year 2012. The principal programs funded by these appropriations are \$131.7 million for patients in county psychiatric hospitals and \$394.4 million for various income maintenance programs for the economically disadvantaged.

Appropriations for the Department of the Treasury total \$379.2 million in State Aid for Fiscal Year 2012. The principal programs funded by these appropriations are aid to county colleges (\$187.7 million) and the cost of senior citizens, disabled and veterans property tax deductions and exemptions (\$80.9 million).

\$20.5 million is appropriated for the Department of Corrections for inmate addiction services at county penal facilities.



Grants-in-Aid

The second largest portion of the appropriations in Fiscal Year 2012 is for Grants-in-Aid. These represent payments to individuals or public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State. The amount appropriated in Fiscal Year 2012 for Grants-in-Aid is \$9,562.4 million.

\$4,135.1 million is appropriated for programs administered by the Department of Human Services. Of that amount, \$2,714.3 million is for medical services provided under the Medicaid program (excluding FamilyCare), \$605.0 million is for community programs for the developmentally disabled, \$342.1 million is for community programs for the mentally ill, \$253.6 million is for health insurance for adults and children through the FamilyCare program, \$168.5 million is for assistance programs for the economically disadvantaged and homeless, and \$38.8 million is for addiction services.

\$1,200.8 million is appropriated for programs administered by the Department of Health and Senior Services. Of that amount, \$833.8 million is for medical services for the aged, \$95.7 million is for pharmaceutical assistance to the aged and disabled, \$92.6 million is for the Early Childhood Intervention Program, \$28.2 million is for AIDS services, and \$45.1 million is for other programs for the aged.

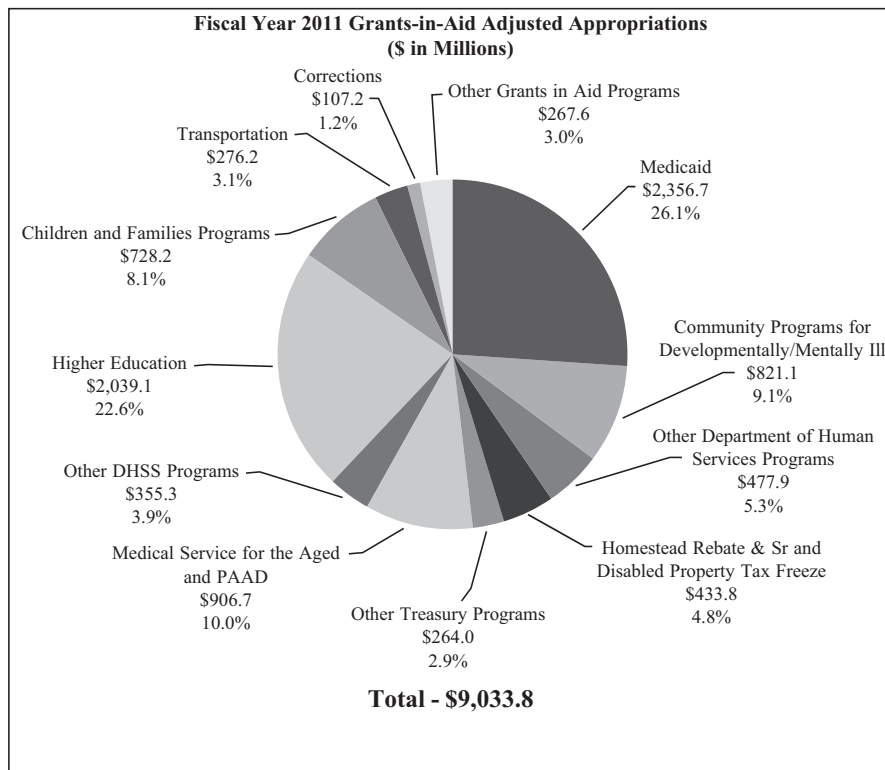
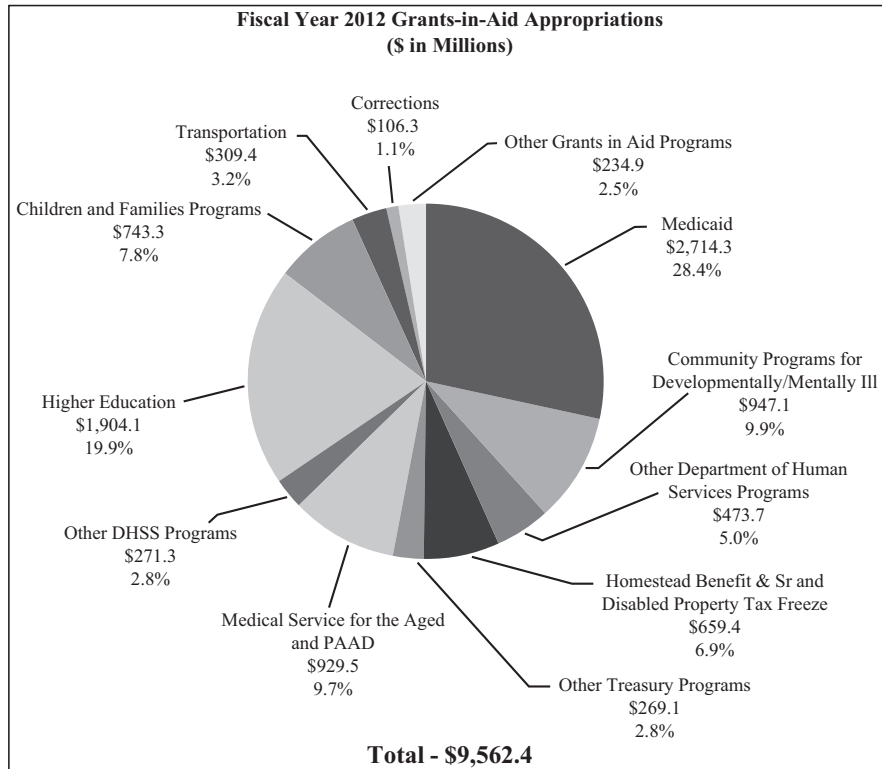
\$972.9 million is appropriated for the Department of the Treasury. Included in this amount is \$458.0 million for the Fiscal Year 2012 Homestead Benefit Program, which will provide credits directly on local property tax bills for eligible homeowners. Seniors earning up to \$150,000 and non-seniors earning up to \$75,000 will receive benefits at double the Fiscal Year 2011 level. Also included in the appropriation is \$201.4 million for the Senior and Disabled Citizen's Property Tax Freeze, \$175.0 million for Business Employment Incentive Program grants, and \$68.9 million for energy assistance programs in the Board of Public Utilities.

\$716.5 million is appropriated for State colleges and universities. Other higher education appropriations are \$410.9 million for various grant programs including \$364.8 million for student financial assistance, \$35.9 million for debt service on the Higher Education Capital Improvement Program, and \$7.5 million for debt service for the Dormitory Safety Trust Fund and the Equipment Leasing Fund. In addition, \$766.6 million is appropriated for fringe benefit costs of State college and university employees.

\$743.3 million is appropriated for programs administered by the Department of Children and Families. Of that amount, \$419.1 million is for child protective and permanency services, \$265.4 million is for child behavioral health services, and \$58.8 million is for community programs intended to prevent child abuse and neglect.

\$309.4 million is appropriated for the Department of Transportation for bus and railroad subsidies.

\$106.3 million is appropriated for the Department of Corrections (including the State Parole Board), consisting of \$64.6 million for the purchase of community services, \$36.1 million for alternative parole programs and \$5.6 million for payments to county penal facilities to house State inmates.



Direct State Services

The third largest portion of the appropriations in Fiscal Year 2012 is to Direct State Services, which supports the operation of State government's departments, the Executive Office, several commissions, the State Legislature and the Judiciary. In Fiscal Year 2012, appropriations for Direct State Services aggregate to \$6,493.6 million. Some of the major appropriations for Direct State Services during Fiscal Year 2012 are described below.

\$1,748.1 million is appropriated in the Interdepartmental Accounts for fringe benefits for active and retired State employees, including pensions and non-contributory insurance (\$202.0 million), health benefits (\$1,042.6 million), employer taxes (\$396.9 million), and a portion of the debt service on State Pension Funding bonds (\$106.6 million) issued by the New Jersey Economic Development Authority. In addition, \$96.0 million is appropriated for the remaining costs of the January 2011 across-the-board raises for represented employees, Fiscal Year 2012 regularly scheduled employee increments, and contractual across-the-board increases for eligible employees. Contracts for most State employees expired on June 30, 2011, and the Fiscal Year 2012 Appropriations Act assumes no across-the-board increases for these employees in Fiscal Year 2012. For more information, see "STATE EMPLOYEES — Contract Status" herein.

\$963.6 million is appropriated for the Department of Corrections (including the State Parole Board) and \$538.1 million is appropriated for the Department of Law and Public Safety (including the Juvenile Justice Commission). Among programs funded by these appropriations are the administration of the State's correctional facilities and parole activities, and the investigative and enforcement activities of the State Police.

\$633.4 million is appropriated for programs administered by the Department of Human Services. Of that amount, \$514.5 million is appropriated for mental health and developmentally disabled programs, including the operation of five psychiatric institutions (\$363.5 million), one of which is proposed to be closed by the end of Fiscal Year 2012, and seven developmental centers (\$128.2 million); \$40.2 million is appropriated for administration of the various income maintenance programs, including Work First New Jersey; and \$33.9 million is appropriated for administration of the Medicaid program.

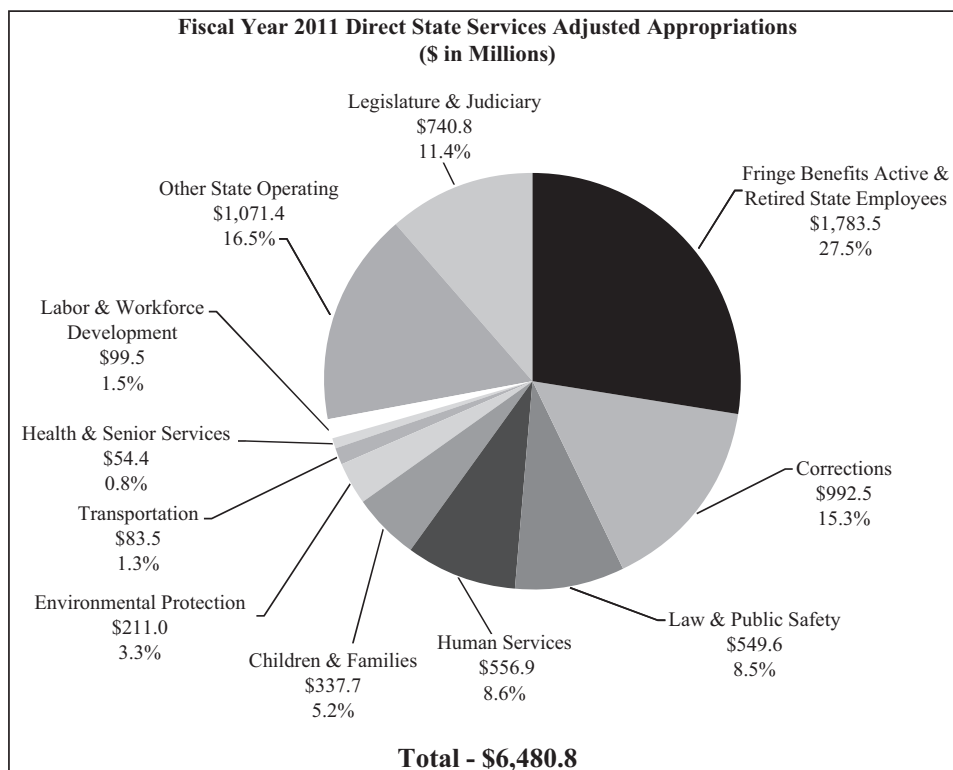
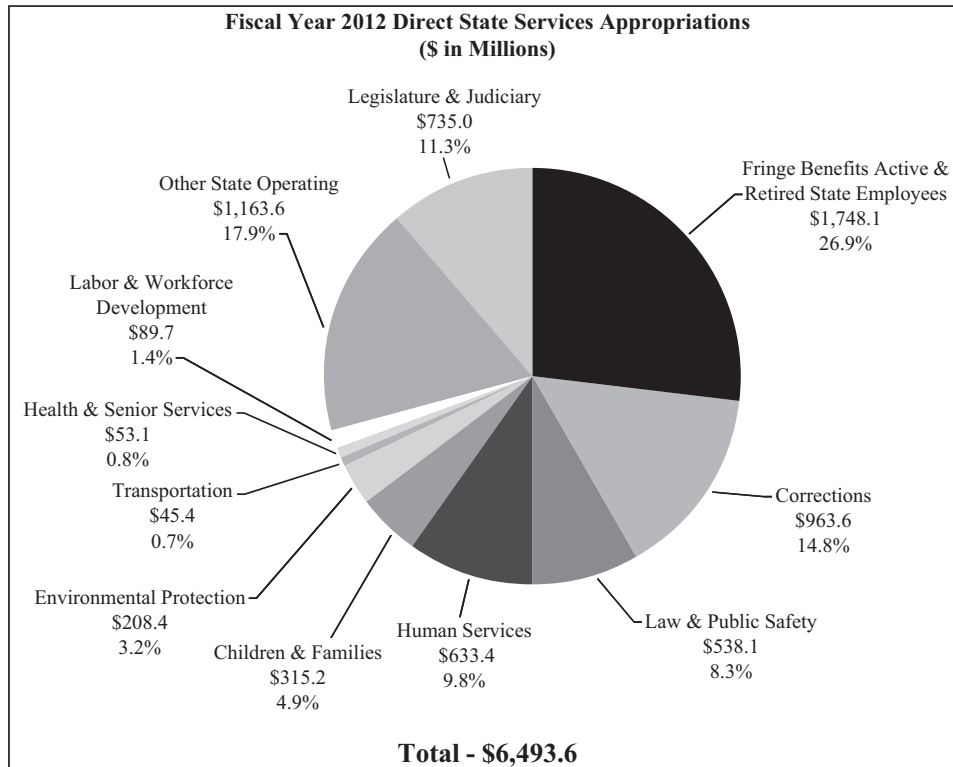
\$315.2 million is appropriated for programs administered by the Department of Children and Families for various children's services programs.

\$208.4 million is appropriated for the Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

\$89.7 million is appropriated for the Department of Labor and Workforce Development for the administration of programs for workers compensation, unemployment and temporary disability insurance, workforce development, health safety inspection, and the Civil Service Commission.

\$53.1 million is appropriated for the Department of Health and Senior Services for the prevention and treatment of diseases, regulation of health care facilities, the uncompensated care program and senior services programs.

\$45.4 million is appropriated for the Department of Transportation for the various programs it administers, such as the maintenance and improvement of the State highway system and winter operations.



Capital Construction

Capital construction is funded by a combination of appropriations and bond proceeds. The Fiscal Year 2012 Appropriations Act includes an appropriation of \$1,303.2 million for this purpose. This amount includes \$1,035.3 million for transportation debt service, which is being credited to the Transportation Trust Fund Account of the General Fund. Of the remainder, \$98.0 million is for payments for debt service on bonds issued for open space and farmland preservation and is being credited to the Garden State Preservation Trust Fund Account of the General Fund, \$68.3 million is for debt service on New Jersey Building Authority bonds, \$44.8 million is for hazardous substance remediation and brownfields, \$31.5 million is for shore protection and flood control projects, \$15.3 million is for capital improvements for parks, forestry and wildlife management areas, and \$10.0 million is for energy efficiency projects.

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

For Fiscal Year 2012, requests for Capital Construction funding were substantially greater than the amount recommended by the Commission. The appropriations for Capital Construction contained in the Fiscal Year 2012 Appropriations Act are largely based on the recommendations of the Commission. There can be no assurance that the amounts appropriated are sufficient to maintain or improve the State’s capital facilities and infrastructure assets, or that such capital funding requests will not be substantially greater in future years.

Debt Service on General Obligation Bonds

The State finances certain capital projects through the sale of general obligation bonds of the State. These bonds are backed by the faith and credit of the State. Certain state tax revenues and certain other fees are pledged to meet the principal payments, interest payments, and redemption premium payments, if any, required to fully pay the bonds. For a listing of bonded indebtedness that was authorized and outstanding as of June 30, 2011, see “OUTSTANDING BONDED INDEBTEDNESS OF THE STATE” herein. The appropriation for debt service on the State’s general obligation bonds is \$276.9 million for Fiscal Year 2012. This assumes the application of available, uncommitted amounts and residual project balances held in general obligation bond funds and available bond premium from the sale of general obligation bonds in December 2009 to pay a portion of the debt service costs on general obligation bonds. For more information, see “FINANCIAL RESULTS AND ESTIMATES — Appropriations” above.

Expenditures

As used herein, the term “expenditures” refers to a fiscal year’s net disbursements plus amounts obligated for payment in a subsequent fiscal year for both budgeted and non-budgeted funds. See “STATE FINANCES — New Jersey’s Budget and Appropriation System”. The table on the following page displays the expenditures for Fiscal Years 2008 through 2010.

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

EXPENDITURES
(\$ Millions)

	For the Fiscal Year Ended June 30		
	2010	2009	2008
<u>General Fund:</u>			
Legislative Branch	\$ 77.7	\$ 78.4	\$ 77.5
Chief Executive's Office	6.1	5.6	5.7
Department of:			
Agriculture	349.6	345.9	314.9
Banking and Insurance	62.7	66.4	73.4
Children and Families	1,482.5	1,509.3	1,469.7
Community Affairs	818.6	952.7	719.2
Corrections	1,270.1	1,174.6	1,204.8
Education	2,827.7	1,872.4	1,537.0
Environmental Protection	524.2	541.0	538.8
Health and Senior Services	3,302.6	3,345.9	3,263.8
Human Services	10,773.4	10,124.3	9,608.1
Labor and Workforce Development	775.6	911.3	1,001.2
Law and Public Safety	1,013.2	1,033.2	1,078.1
Military and Veterans Affairs	143.4	131.9	168.3
Personnel	—	—	26.3
Public Advocate	16.6	18.3	19.6
State	1,378.2	1,337.1	1,380.7
Transportation	1,643.9	1,758.6	1,666.4
Treasury	2,683.6	2,596.1	2,835.5
Miscellaneous Executive Commission	1.5	1.5	1.4
Inter-Departmental Accounts	2,997.6	2,970.3	4,017.4
Judicial Branch	765.8	762.6	749.4
Total General Fund	<u>\$32,914.6</u>	<u>\$31,537.4</u>	<u>\$31,757.2</u>
<u>Property Tax Relief Fund:</u>			
Department of:			
Community Affairs	\$ 572.1	\$ 663.2	\$ 1,010.7
Education	8,873.6	9,380.0	10,224.4
Environmental Protection	9.8	9.7	9.8
Human Services	—	—	148.0
Treasury	1,452.2	1,999.3	2,461.0
Total Property Tax Relief Fund	<u>\$10,907.7</u>	<u>\$12,052.2</u>	<u>\$13,853.9</u>
<u>Gubernatorial Elections Fund</u>	<u>\$ 9.5</u>	<u>\$ 5.6</u>	<u>\$ —</u>
<u>Casino Control Fund:</u>			
Department of:			
Law and Public Safety	\$ 37.6	\$ 40.6	\$ 43.5
Treasury	23.9	27.2	28.1
Total Casino Control Fund	<u>\$ 61.5</u>	<u>\$ 67.8</u>	<u>\$ 71.6</u>
<u>Casino Revenue Fund:</u>			
Department of:			
Health and Senior Services	\$ 212.0	\$ 274.2	\$ 276.3
Human Services	130.5	130.5	112.9
Labor and Workforce Development	2.2	2.4	2.4
Law and Public Safety	0.1	0.1	0.1
Transportation	30.2	33.0	36.9
Total Casino Revenue Fund	<u>\$ 375.0</u>	<u>\$ 440.2</u>	<u>\$ 428.6</u>
Total Expenditures	<u><u>\$44,268.3</u></u>	<u><u>\$44,103.2</u></u>	<u><u>\$46,111.3</u></u>

Balance Sheets

The comparative balance sheets for the General Fund as of June 30, 2009 and 2010 and the balance sheets of the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2010 are set forth below:

GENERAL FUND COMPARATIVE BALANCE SHEETS (Audited)

	As of June 30	
	2010	2009
ASSETS		
Cash and Cash Equivalents	\$ 64,028,433	\$ 67,740,804
Investments	1,035,837,385	1,910,941,276
Receivables, Net of Allowances for Uncollectibles		
Federal Government	757,902,693	661,461,461
Departmental Accounts	1,937,552,115	1,868,539,872
Loans	22,170,371	22,174,096
Other	188,796,332	194,772,306
Due from Other Funds	984,490,015	891,656,405
Advances to Other Funds	—	7,000,000
Deferred Charges	—	—
Other	18,285,712	19,692,387
Total Assets	<u>\$5,009,063,056</u>	<u>\$5,643,978,607</u>
LIABILITIES		
Accounts Payable and Accruals	\$1,680,584,610	\$1,667,594,314
Deferred Revenue	242,516,470	238,547,680
Due to Other Funds	224,767,267	482,193,013
Other	180,958,529	155,586,223
Total Liabilities	<u>\$2,328,826,876</u>	<u>\$2,543,921,230</u>
Fund Balances		
Reserved for:		
Encumbrances	\$ 798,977,939	\$ 868,404,612
Other	47,327,263	46,156,341
Unreserved:		
Designated-Continuing Appropriations	1,039,665,375	1,571,316,854
Designated-Unrealized Gains	—	—
Undesignated	794,265,603	614,179,570
Total Fund Balances	<u>\$2,680,236,180</u>	<u>\$3,100,057,377</u>
Total Liabilities and Fund Balances	<u>\$5,009,063,056</u>	<u>\$5,643,978,607</u>

See the 2010 CAFR incorporated herein by reference, for the notes which are an integral part of these financial statements and for further information concerning the other funds of the State.

**BALANCE SHEETS
AS OF JUNE 30, 2010
(Audited)**

	Casino Control Fund(1)	Casino Revenue Fund(2)	Gubernatorial Elections Fund(3)	Property Tax Relief Fund(4)
ASSETS				
Cash and Cash Equivalents	\$ 51,001	\$ —	\$ —	\$ —
Investments	—	—	—	—
Receivables, Net of Allowances for Uncollectibles				
Departmental Accounts	9,670,761	31,430,011	—	410,087,329
Other Assets Due from Other Funds	8,237,155	35,528,845	—	15,168,961
Total Assets	<u>\$17,958,917</u>	<u>\$66,958,856</u>	<u>\$ —</u>	<u>\$425,256,290</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 4,563,033	\$20,959,335	\$ —	\$ 44,010,317
Deferred Revenue	9,053,500	22,000	—	—
Due to Other Funds	—	—	—	230,438,669
Other	—	—	—	138,751,880
Total Liabilities	<u>\$13,616,533</u>	<u>\$20,981,335</u>	<u>\$ —</u>	<u>\$413,200,866</u>
Fund Balances				
Reserved for Encumbrances	\$ 325,817	\$45,977,521	\$ —	\$ 1,985,029
Unreserved:				
Designated for Continuing Appropriations	4,016,567	—	—	70,345
Undesignated	—	—	—	10,000,050
Total Fund Balances	<u>\$ 4,342,384</u>	<u>\$45,977,521</u>	<u>\$ —</u>	<u>\$ 12,055,424</u>
Total Liabilities and Fund Balances	<u>\$17,958,917</u>	<u>\$66,958,856</u>	<u>\$ —</u>	<u>\$425,256,290</u>

- (1) The Casino Control Fund is used to account for fees from the issuance and annual renewal of casino licenses. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement. The Casino Control Fund was established by N.J.S.A. 54:12-143, approved June 2, 1977.
- (2) The Casino Revenue Fund is used to account for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other expenses of eligible senior citizens and disabled residents. The Casino Revenue Fund was established by N.J.S.A. 54:12-25, approved June 2, 1977.
- (3) The Gubernatorial Elections Fund is used to account for receipts from the dollar designations on New Jersey Gross Income Tax returns. When indicated by the taxpayer, one dollar of the tax is reserved from Gross Income Tax revenues and credited to the Gubernatorial Elections Fund. These funds are available for appropriation pursuant to The New Jersey Campaign Contributions and Expenditures Reporting Act (P.L. 1973, c. 83), as amended. The Gubernatorial Elections Fund was established by the New Jersey Gross Income Tax Act, N.J.S.A. 54A:9-25, approved July 8, 1976.
- (4) The Property Tax Relief Fund is used to account for revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax that is constitutionally dedicated toward property tax reform. Revenues realized from the Gross Income Tax and derived from a tax rate of 0.5% imposed under the Sales and Use Tax are dedicated by the State Constitution. All receipts from taxes levied pursuant to the New Jersey Gross Income Tax on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the Fund, pursuant to formulas established by the State Legislature, to counties, municipalities and school districts. The Property Tax Relief Fund was established by the New Jersey Gross Income Tax Act, N.J.S.A. 54A:9-25, approved July 8, 1976.

OUTSTANDING BONDED INDEBTEDNESS OF THE STATE

The following table sets forth the authorized and outstanding general obligation bonded indebtedness of the State as of June 30, 2011. See also “OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION” and “MORAL OBLIGATION FINANCING” herein.

Name	Year Authorized	Final Maturity	Amount Authorized	Amount Unissued	Amount Retired(1)	Amount Outstanding
Clean Waters Bonds	1976	2023	\$ 120,000,000	\$ 3,400,000	\$ 115,850,000	\$ 750,000
State Land Acquisition and Development Bonds . . .	1978	2022	200,000,000	—	199,075,000	925,000
Natural Resources Bonds	1980	2023	145,000,000	9,600,000	130,800,000	4,600,000
Energy Conservation Bonds	1980	2023	50,000,000	1,600,000	48,340,000	60,000
Water Supply Bonds	1981	2023	350,000,000	73,150,000	268,275,000	8,575,000
Hazardous Discharge Bonds	1981	—	100,000,000	43,000,000	57,000,000	—
New Jersey Green Acres Bonds	1983	—	135,000,000	14,500,000	120,500,000	—
Pinelands Infrastructure Trust Bonds	1985	2023	30,000,000	6,750,000	22,715,000	535,000
Hazardous Discharge Bonds	1986	—	200,000,000	48,000,000	152,000,000	—
Green Acres, Cultural Centers and Historic Preservation Bonds	1987	2022	100,000,000	1,000,000	95,045,000	3,955,000
Jobs, Education & Competitiveness Bonds	1988	2015	350,000,000	—	349,220,000	780,000
New Jersey Open Space Preservation Bonds	1989	2023	300,000,000	22,600,000	275,475,000	1,925,000
Public Purpose Buildings and Community-Based Facilities Construction Bonds	1989	2015	125,000,000	5,000,000	119,110,000	890,000
Stormwater Management and Combined Sewer Overflow Abatement Bonds	1989	2023	50,000,000	13,000,000	32,465,000	4,535,000
New Jersey Green Acres, Clean Water, Farmland & Historic Preservation Bonds	1992	2023	345,000,000	12,880,000	320,785,000	11,335,000
Developmental Disabilities Waiting List Reduction and Human Services Facilities Construction Bonds	1994	2023	160,000,000	—	153,995,000	6,005,000
Green Acres, Farmland and Historic Preservation, and Blue Acres Bonds	1995	2023	340,000,000	21,000,000	307,685,000	11,315,000
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bonds	1996	2023	300,000,000	116,500,000	136,480,000	47,020,000
Statewide Transportation and Local Bridge Bonds . .	1999	2023	500,000,000	—	464,540,000	35,460,000
Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project Bonds	2003	2023	200,000,000	42,250,000	84,495,000	73,255,000
Green Acres, Farmland, Blue Acres, and Historic Preservation Bonds	2007	2023	200,000,000	59,000,000	81,320,000	59,680,000
Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bonds	2009	—	400,000,000	400,000,000	—	—
Refunding Bonds(2)	1985	2023	6,134,329,598	—	3,839,034,598	2,295,295,000
Totals			<u>\$10,834,329,598</u>	<u>\$893,230,000</u>	<u>\$7,374,204,598</u>	<u>\$2,566,895,000</u>

- (1) The amounts shown under the “Amount Retired” column include bonds for which provision for payment has been made through the issuance of refunding bonds.
- (2) The amount shown under the “Amount Authorized” column represents the aggregate amount of refunding bonds issued. The refunding bond act does not limit the amount of refunding bonds which may be issued, provided certain other restrictions are met. The issuance of refunding bonds may defease bonds previously issued under any bond act.

The following table sets forth the future debt service on outstanding general obligation bonds as of June 30, 2011.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 182,230,000	\$133,826,000	\$ 316,056,000
2013	333,755,000	115,303,047	449,058,047
2014	232,710,000	96,404,852	329,114,852
2015	298,270,000	84,173,838	382,443,838
2016	350,950,000	68,731,781	419,681,781
2017	222,440,000	53,768,663	276,208,663
2018	204,730,000	42,857,041	247,587,041
2019	202,580,000	32,478,397	235,058,397
2020	232,930,000	21,318,963	254,248,963
2021	170,290,000	11,175,563	181,465,563
2022	95,900,000	5,004,494	100,904,494
2023	40,110,000	1,426,856	41,536,856
Totals	<u>\$2,566,895,000</u>	<u>\$666,469,494</u>	<u>\$3,233,364,494</u>

TAX AND REVENUE ANTICIPATION NOTES

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

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

On July 1, 2011 the State Treasurer adopted a resolution authorizing the issuance of TRANs for Fiscal Year 2012. Additionally, on July 1, 2011, the State Treasurer entered into a Note Purchase Contract with J.P. Morgan Securities LLC (“J.P. Morgan”) under which TRANs may be issued to and purchased by J.P. Morgan, in one or more series, from time to time, in an amount not to exceed \$2,250,000,000. It is expected that any TRANs issued to and purchased by J.P. Morgan under the Note Purchase Contract will be refunded and retired with the proceeds of publicly offered series of TRANs. As of the date of this State Appendix no TRANs have been issued. However, it is anticipated that one or more series of TRANs will be issued to and purchased by J.P. Morgan in the late summer or early fall of 2011.

OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION

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

The State expects that additional obligations supported by State revenues subject to appropriation will be issued during Fiscal Year 2012. The amount of such obligations issued in the future could be significant. The amendment to the Debt Limitation Clause, described under “CERTAIN CONSTITUTIONAL PROVISIONS — Debt Limitations” herein, may reduce future authorizations of obligations supported by State revenues subject to appropriation. The State Legislature is not legally obligated to appropriate amounts for the payment of such debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. Future legislative action may depend in part on various factors including the financial condition of the State.

The following tables set forth the bond obligations that are supported by State revenues subject to appropriation by the State Legislature. The first table summarizes by issuer and by program the principal amount outstanding on June 30, 2011 and the estimated Fiscal Year 2012 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2011 on all such obligations subject to annual appropriation as described herein. The data contained in the tables has not been adjusted to reflect subsequent activity. The tables include certain data that are (1) for governmental entities or programs that are not considered part of the State’s long-term obligations for financial reporting purposes under generally accepted accounting principles or (2) a component unit of the State. These items are therefore not reflected in Note 10 — Long-Term Obligations and the Schedule of Long-Term Debt in the 2010 CAFR. In addition, there are certain obligations which are included in such Note 10, which are not included in the following tables or elsewhere in this Appendix I.

SUMMARY OF OBLIGATIONS SUBJECT TO ANNUAL APPROPRIATION AS OF JUNE 30, 2011

Issuer	Type of Agreement	Principal Amount Outstanding(1)	Fiscal Year 2012 Debt Service(2)
Garden State Preservation Trust	Contract	\$ 1,067,534,410	\$ 97,994,778
New Jersey Building Authority	Lease	618,075,000	88,563,700
New Jersey Economic Development Authority			
Trenton Office Complex	Lease	9,695,000	10,203,988
Economic Recovery Fund	Contract	154,019,901	23,602,636
Liberty State Park — Park Projects	Lease	12,065,343	1,368,293
Liberty State Park — Science Center Projects	Lease	85,850,000	7,425,906
Market Transition Facility	Contract	43,335,000	44,418,375
New Jersey Performing Arts Center	Lease	26,920,000	7,426,400
State Pension Funding	Contract	2,483,560,608	270,471,677
Department of Human Services Programs	Service Contract	19,925,000	2,993,599
New Jersey Transit Light Rail System	Lease	328,925,000	53,430,980
State Office Buildings Projects	Lease	37,285,000	5,265,013
School Facilities Construction	Contract	8,344,824,000	381,761,762
Municipal Rehabilitation	Contract	155,120,000	14,111,423
Motor Vehicle Commission(3)	Contract	159,998,107	—
Business Employment Incentive Program	Contract	120,970,000	33,358,477
Designated Industries Economic Growth and Development	Contract	11,460,000	5,505,602
Motor Vehicle Surcharges Revenue	Contract	807,502,356	64,906,169
Motor Vehicle Surcharges Revenue- Special Needs Housing	Contract	206,508,197	5,546,175
Cigarette Tax Revenue	Contract	1,055,760,000	111,018,519
Lafayette Yard Hotel Project	Lease	15,420,000	1,828,510
New Jersey Educational Facilities Authority			
Capital Improvement Fund	Contract	409,105,000	43,885,594
Dormitory Safety Trust Fund	Contract	28,880,000	6,991,794
Equipment Leasing Fund	Contract	450,000	457,200
Public Library Project Grant Program	Contract	33,605,000	3,758,200
New Jersey Health Care Facilities Financing Authority			
Greystone Park Psychiatric Hospital Project	Contract	185,585,000	15,622,751
Hospital Asset Transformation Program	Contract	439,180,000	28,450,700
New Jersey Sports and Exposition Authority(4)	Contract	548,950,000	71,994,070
New Jersey Transportation Trust Fund Authority . . .	Contract	12,380,145,716	854,689,325
State of New Jersey Certificates of Participation			
James J. Howard Marine Science Laboratory	Lease	2,995,000	1,143,375
New Jersey Transit, Transportation Equipment . . .	Lease	865,055,000	105,228,469
State-Supported County College Bonds	Statutory	203,243,922	31,930,308
State Equipment Line of Credit	Lease	82,417,914	20,336,627
TOTALS		\$30,944,365,474	\$2,415,690,391

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

(2) For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2011. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Bonds" herein).

(3) These bonds consist of capital appreciation bonds with no maturities or payments due in Fiscal Year 2012.

(4) Amounts do not include contingent State contract bond obligations in connection with certain Standby Deficiency Agreements. See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — New Jersey Sports and Exposition Authority" herein for a description of such contingent obligations.

**ESTIMATED FUTURE DEBT SERVICE SUBJECT TO APPROPRIATION
AS OF JUNE 30, 2011**

<u>Fiscal Year</u>	<u>Principal(1)</u>	<u>Estimated Interest(1)(2)</u>	<u>Total</u>
2012	\$ 889,057,216	\$ 1,526,633,174	\$ 2,415,690,391
2013(3)	1,699,964,674	1,519,225,911	3,219,190,585
2014	1,220,783,858	1,478,202,989	2,698,986,847
2015	1,253,167,180	1,440,874,919	2,694,042,099
2016(4)	1,561,675,437	1,371,916,866	2,933,592,303
2017	1,462,430,054	1,348,732,432	2,811,162,487
2018(5)	1,865,808,184	1,309,367,610	3,175,175,794
2019	1,578,857,856	1,283,830,724	2,862,688,581
2020	1,425,448,181	1,248,415,234	2,673,863,415
2021	1,439,735,033	1,166,184,951	2,605,919,984
2022	1,399,741,564	1,129,419,418	2,529,160,982
2023	1,431,753,695	1,066,344,138	2,498,097,833
2024	1,362,245,597	1,010,101,586	2,372,347,183
2025	1,238,550,701	1,087,584,085	2,326,134,786
2026	1,408,040,764	872,395,978	2,280,436,742
2027	1,510,294,055	750,741,980	2,261,036,035
2028	1,449,246,994	673,995,141	2,123,242,135
2029	1,365,830,214	636,762,636	2,002,592,850
2030	652,989,162	511,653,115	1,164,642,278
2031	482,269,239	496,995,119	979,264,358
2032	486,934,382	487,527,515	974,461,897
2033	540,299,086	452,499,311	992,798,396
2034	575,646,831	432,439,782	1,008,086,613
2035	524,609,809	410,832,856	935,442,665
2036	366,159,570	510,445,133	876,604,703
2037	331,869,324	476,888,801	808,758,125
2038	272,451,526	491,868,549	764,320,075
2039	204,743,420	569,818,342	774,561,763
2040	380,985,782	456,235,330	837,221,113
2041	562,776,082	151,745,343	714,521,425
	<u>\$30,944,365,474</u>	<u>\$26,369,678,968</u>	<u>\$57,314,044,442</u>

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

(2) For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2011. (See "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION — Variable Rate Bonds" herein).

(3) The principal amount includes \$750,000,000 School Facilities Construction Notes, 2010 Series B that mature June 15, 2013. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

(4) The principal amount includes \$242,495,000 School Facilities Construction Notes, 2011 Series E that mature February 1, 2016. It is anticipated that these Notes will be refunded prior to their maturity. Estimated interest on the Notes is included in this table.

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

Garden State Preservation Trust

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

New Jersey Building Authority

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

New Jersey Economic Development Authority

The New Jersey Economic Development Authority (the “NJEDA”) has been authorized to issue bonds for various purposes described below.

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

The Market Transition Facility Bonds have been issued pursuant to legislation enacted June 1994 to pay the current and anticipated liabilities and expenses of the Market Transition Facility, which issued private passenger automobile insurance policies for drivers who could not be insured by private insurance companies on a voluntary basis. Debt service on the bonds is payable pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature.

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

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

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

EFCFA was amended in July 2008 to increase the amount of bonds, notes or other obligations authorized to be issued by the NJEDA in additional aggregate principal amounts not to exceed: \$2,900,000,000 for the State share of costs for school facilities projects in the “SDA Districts” (formerly “Abbott Districts”), \$1,000,000,000 for the State share of costs for school facilities projects in all other districts, and \$50,000,000 for the State share of costs for county vocational school district facilities projects. In regard to this increase in the amount of bonds authorized to be issued by NJEDA pursuant to this amendment, debt service on these bonds or refunding bonds issued by NJEDA and any additional costs authorized pursuant to Section 14 of EFCFA shall first be payable from revenues received from the New Jersey Gross Income Tax except that debt service on bonds issued to pay for administrative, insurance, operating and other expenses of the NJEDA and the Schools Development Authority in connection with school facilities projects shall be payable from the General Fund. The additional bonds issued pursuant to this amendment are also payable pursuant to the contract between the State Treasurer and the NJEDA, mentioned above, subject to appropriation by the State Legislature.

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

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

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

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

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

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

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

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority (“NJEFA”) issues bonds pursuant to seven separate legislative programs to finance: (i) the purchase of equipment to be leased to institutions of higher learning; (ii) grants to the State’s public and private institutions of higher education for the development, construction and improvement of instructional, laboratory, communication and research facilities; (iii) grants to public and private institutions of higher education to develop a technology infrastructure within and among the State’s institutions of higher education; (iv) capital projects at county colleges; (v) grants to public and private institutions of higher education to finance the renewal, renovation, improvement, expansion, construction, and reconstruction of educational facilities and technology infrastructure; (vi) grants to public libraries to finance the acquisition, expansion and rehabilitation of buildings to be used as public library facilities and the acquisition and installation of equipment to be located therein; and (vii) loans to public and private institutions of higher education and public or private secondary schools, military schools or boarding schools located in the State which are required under the Dormitory Safety Trust Fund Act to install automatic fire suppression systems for the cost or a portion of the cost of the construction, reconstruction, development, extension or improvement of dormitory safety facilities, including fire prevention and sprinkler systems. The debt service on the bonds issued under these programs is payable by the State pursuant to contracts between the NJEFA and the State Treasurer subject to appropriation by the State Legislature.

New Jersey Health Care Facilities Financing Authority

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

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

New Jersey Sports and Exposition Authority

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

In connection with the Atlantic City Convention Center Structured Lease Financing, the NJSEA issued its State Contract Bonds, Series B Standby Deficiency Agreement Series of 2001, Equity Termination Value Standby Deficiency Agreement Series of 2010 and Swap Payment Standby Deficiency Agreement Series of 2001, in the maximum amount payable as to principal and interest of \$100 million. These Standby Deficiency Bonds also constitute additional bonds under the general resolution for this program, but are contingent obligations and no amounts are currently outstanding nor is it expected that the NJSEA will be required to make payments.

The Standby Deficiency Bonds are supported by a letter of credit from The Bank of New York Mellon, which expires in December 2012. The reimbursement obligation to The Bank of New York Mellon under the Letter of Credit and Reimbursement Agreement is secured by a State Contract Bond Equity Termination Value Standby Deficiency Agreement Series of 2010 in the maximum amount of \$69,854,023.66.

New Jersey Transportation Trust Fund Authority

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

Pursuant to the New Jersey Transportation Trust Fund Authority Act of 1984, as amended (the “TTFA Act”), the principal amount of the TTFA’s bonds, notes or other obligations which could be issued in any fiscal year commencing with the fiscal year beginning July 1, 2006 and ending with the fiscal year beginning on July 1, 2010, generally could not exceed \$1,600,000,000 in any fiscal year, as such amount was required to be reduced in each of those fiscal years by the amount by which the appropriation of State funds to the Transportation Trust Fund Account for that fiscal year exceeded \$895,000,000; provided, however, that if a portion of that permitted amount of debt, less any reduction as provided above, was not incurred in a fiscal year, an amount not greater than the unused portion may be incurred in a subsequent fiscal year in addition to the amount otherwise permitted, subject to the restrictions of the TTFA Act and the approval of JBOC.

Pursuant to the TTFA Act, during any Fiscal Year in which the TTFA has outstanding bonds, the State Treasurer shall, to the extent appropriated by the State Legislature, credit to the Transportation Trust Fund Account various revenues. The Act further provides that, subject to appropriations being made from time to time by the State Legislature for the purposes of the Act, the State Treasurer shall pay to the TTFA such monies. These payment arrangements are set forth in a contract (the “State Contract”) entered into among the TTFA, the State Treasurer and the Commissioner of Transportation.

\$1,035 million was appropriated to the TTFA for Fiscal Year 2012. That amount includes \$535.0 million from the Motor Fuels Tax, \$222.5 million from the Petroleum Gross Receipts Tax, \$265.8 million from the Sales Tax, and a contribution of \$12 million from the State’s toll road authorities pursuant to agreements between such authorities and the TTFA. Although the State Legislature has always provided appropriations to the TTFA in each Fiscal Year which exceeded the annual debt service on all of the TTFA’s outstanding indebtedness in such Fiscal Year, in several Fiscal Years those appropriations have been less than the minimum amounts specified in the State Contract for such Fiscal Year.

As of June 30, 2011, the amount of unused statutory bond cap totaled \$1,641 million. In Fiscal Year 2012, it is projected that a substantial portion of the unused statutory bond cap will be issued. Any issuance of TTFA bonds under the unused statutory bond cap requires the prior approval of JBOC. Once the existing statutory bond cap has been used, the TTFA will have no ability to issue additional bonds (other than refunding bonds) unless and until there is legislative authority or a new bond cap.

State of New Jersey Certificates of Participation

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

State Supported County College Bonds

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

Lines of Credit

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

Variable Rate Obligations

As of June 30, 2011, two of the independent State authorities described herein had in aggregate \$465,575,000 of variable rate demand bonds outstanding, with interest rates that reset weekly. Such variable rate demand bonds are secured by respective agreements with the State Treasurer, and are further supported by bank-issued letters of credit.

Additionally, as of June 30, 2011, the NJEDA had outstanding \$1,278,115,000 in aggregate of floating rate notes, which bear interest at a rate that resets quarterly, monthly, or weekly based on either the London InterBank Offering Rate ("LIBOR") plus a fixed spread or the Securities Industry and Financial Markets Association ("SIFMA") rate plus a fixed spread. There are no letters of credit in support of these notes.

The following table provides a summary of the State-supported variable rate bonds outstanding as of June 30, 2011.

**Summary of Variable Rate Obligations
As of June 30, 2011**

Issuer	Series	Type-Reset Period	Amount Outstanding	Index Rate (if applicable)	Interest Rate	Letter of Credit Bank
Building Authority	2003 Series A-1	VRDB-Weekly	\$ 50,375,000	N/A	0.05%	Barclays
	2003 Series A-2	VRDB-Weekly	50,450,000	N/A	0.05	Barclays
	2003 Series A-3	VRDB-Weekly	33,625,000	N/A	0.05	Barclays
	2003 Series A-4	VRDB-Weekly	33,625,000	N/A	0.05	Barclays
Economic Development Authority - School Facilities Construction	2010 Series B	FRN-Quarterly	750,000,000	3-Month LIBOR + 1.00%	1.245	None
	2011 Series C	FRN-Weekly	65,620,000	SIFMA + 1.80%	1.890	None
	2011 Series D	FRN-Monthly	150,000,000	70% 1-Month LIBOR + 1.80%	1.934	None
	2011 Series E	FRN-Weekly	242,495,000	SIFMA + 1.70%	1.790	None
	2011 Series E	FRN-Weekly	25,000,000	SIFMA + 1.90%	1.990	None
	2011 Series F	FRN-Monthly	45,000,000	70% 1-Month LIBOR + 1.90%	2.034	None
Transportation Trust Fund Authority	2009 Series C	VRDB-Weekly	150,000,000	N/A	0.06	JP Morgan Chase Bank
	2009 Series D	VRDB-Weekly	147,500,000	N/A	0.06	Sumitomo Mitsui Bank
			Total			
						<u>\$1,743,690,000</u>

Swap Agreements

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

Various independent State authorities have entered into swap agreements with eleven different counterparties. The following table sets forth for each swap agreement: the issuer, counterparty, outstanding notional amount, effective date, termination date, fixed rate and floating index as of June 30, 2011.

State of New Jersey
Interest Rate Swap Agreement Summary
As of June 30, 2011

<u>Bond Issuer</u>	<u>Counterparty</u>	<u>Outstanding Notional Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Fixed Rate</u>	<u>Floating Index</u>
NJBA						
	Citibank, N.A., New York	\$ 70,595,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Citibank, N.A., New York	30,250,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	23,525,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	10,090,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Morgan Stanley Capital Services, Inc.	23,525,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
	Morgan Stanley Capital Services, Inc.	10,090,000	8/20/2003	6/15/2023	3.64000%	62% 1-Month LIBOR+20 bps
		\$ 168,075,000				
NJEDA (School Facilities Construction Bonds)						
	Variable-to-Fixed Swaps					
	Bank of America, N.A.	\$ 98,356,046	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Bank of Montreal*	250,000,000	11/1/2009	11/1/2012	3.15250%	No Floating Payment
			11/1/2012	9/1/2034	4.54850%	62% 1-Month LIBOR+40 bps
	Deutsche Bank AG - New York Branch	10,020,000	11/1/2006	11/1/2011	4.32375%	75% 1-Month LIBOR+5.25 bps
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	78,167,500	3/1/2006	3/1/2031	4.29590%	70.8% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	93,187,500	9/1/2006	9/1/2031	4.40740%	71.98% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	112,069,166	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	IXIS Financial Products, Inc.	221,028,333	11/1/2008	9/1/2033	4.48900%	62% 1-Month LIBOR+40 bps
	Merrill Lynch Capital Services, Inc.	324,060,672	5/1/2010	3/1/2035	4.25100%	62% 1-Month LIBOR+40 bps
	Royal Bank of Canada	144,273,333	5/1/2009	3/1/2034	4.51240%	62% 1-Month LIBOR+40 bps
	UBS AG, Stamford Branch	64,322,500	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	UBS AG, Stamford Branch	74,572,500	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	UBS AG, Stamford Branch	116,097,500	9/1/2007	9/1/2032	4.39900%	71.57% 1-Month LIBOR
	Wells Fargo Bank, N.A.	140,596,116	9/1/2004	9/1/2029	4.06250%	71.13% 1-Month LIBOR
	Wells Fargo Bank, N.A.	80,045,366	3/1/2005	3/1/2030	4.17625%	74.24% 1-Month LIBOR
	Wells Fargo Bank, N.A.	163,445,431	3/1/2006	3/1/2031	4.29590%	70.8% 1-Month LIBOR
	Fixed-to-Variable Swap					
	UBS AG, Stamford Branch	\$ 380,515,000	5/1/2008	9/1/2015	3.03590%	75% 1-Month LIBOR
		\$2,350,756,963				
NJTTEA						
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	85,000,000	1/30/2003	12/15/2017	3.56500%	67% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	50,000,000	1/30/2003	12/15/2018	3.63000%	67% 1-Month LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	85,000,000	1/30/2003	12/15/2018	3.53700%	67% 1-Week LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	62,500,000	1/30/2003	12/15/2019	3.67500%	67% 1-Week LIBOR
	Goldman Sachs Mitsui Marine Derivative Products, L.P.	62,500,000	1/30/2003	12/15/2019	3.67500%	67% 1-Week LIBOR
		\$ 345,000,000				
	Total	\$2,863,831,963				

* This swap pays at a fixed rate with no floating rate receipt through November 1, 2012. Beginning November 1, 2012 the swap has both fixed and floating payments as indicated.

As of June 30, 2011, the mark-to-market value of the swap agreements are negative, indicating that the independent State authorities have no credit exposure to the swap counterparties. If the ratings of a counterparty were to be reduced below levels specified in the documentation relating to the swap agreements with the independent State authority and at such time the independent State authority did have in excess of a specified amount of credit exposure to such counterparty, the counterparty would be required to provide collateral to support all or a portion of the independent State authority's credit exposure. No assurance can be given that the ratings of the counterparties will be maintained at current levels or that the mark-to-market value of the swaps will not change to create credit exposure by the independent State authority to one or more counterparties.

The various independent State authorities are not required to post collateral under any of the swap agreements listed in the above table. If ratings on the bonds relating to the swaps generally fall below BBB or Baa2 by one or more rating agencies, then the counterparty may have the option to terminate the swaps. In some cases, the independent State authority may have the option to post collateral to prevent a termination. If a termination were to occur at a time where the swaps had a negative mark-to-market value, then the independent State authority would be required to make a termination payment in the amount of the negative mark to market. At June 30, 2011, the aggregate negative mark-to-market on the swaps listed in the above table was \$387.4 million.

MORAL OBLIGATION FINANCING

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

The following table sets forth the moral obligation bonded indebtedness issued by State entities as of June 30, 2011.

	<u>Principal Amount Outstanding</u>	<u>Fiscal Year 2012 Debt Service</u>
New Jersey Housing and Mortgage Finance Agency	\$ 28,245,000	\$ 5,129,681
South Jersey Port Corporation	290,570,000	25,902,380
Higher Education Student Assistance Authority	<u>2,083,320,000</u>	<u>147,985,216</u>
	<u>\$2,402,135,000</u>	<u>\$179,017,277</u>

New Jersey Housing and Mortgage Finance Agency

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

South Jersey Port Corporation

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

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

<u>Fiscal Year</u>	<u>Amounts paid for debt service</u>
2007	\$ 6,878,287
2008	6,881,543
2009	7,459,997
2010	11,534,236
2011	7,013,289

Higher Education Student Assistance Authority

The Higher Education Student Assistance Authority ("HESAA") has not had a revenue deficiency which required the State to appropriate funds to meet its moral obligation. It is anticipated that the HESAA's revenues will continue to be sufficient to pay debt service on its bonds. HESAA has issued auction rate bonds whose interest costs have increased due to the ongoing failures in the auction rate bond market; however, cash flows from the repayment of student loans originally funded from bond proceeds have been sufficient to meet debt service obligations. HESAA issued \$350.0 million fixed rate bonds in July 2008. This issue funded new loans and included a surety bond as the deposit in the debt service reserve fund. To the extent that the surety is drawn upon, the State Legislature may be required to replenish the debt service reserve fund, subject to appropriation. Subsequent to July 2008, HESAA issued additional fixed rate bonds, but did not utilize a surety bond as the deposit in the debt service reserve fund.

STATE EMPLOYEES

Public Employer-Employee Relations Act

The State, as a public employer, is covered by the New Jersey Public Employer-Employee Relations Act, as amended (N.J.S.A. 34:13A-1 *et seq.*), which guarantees public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiations representatives for units of public employees found to be appropriate for collective negotiations purposes. Approximately 67,000 full-time Executive Branch employees are paid through the State payroll system. Of the 67,000 employees, 62,500 are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are ten civilian units which presently represent more than 50,000 employees in the Executive Branch. The Health Care and Rehabilitation Services Unit is represented by the American Federation of State, County and Municipal Employees ("AFSCME") and includes about 9,600 employees. The Administrative and Clerical Services Unit, the Primary Supervisory Unit, the Professional Unit and the Higher Level Supervisory Unit are all represented by the Communications Workers of America ("CWA") and include about 7,500 employees, 9,800 employees, 15,400 employees and 3,000 employees, respectively. The Crafts Unit, the Inspection and Security Unit, and the Operations, Maintenance and Services Unit are all represented by the International Federation of Professional and Technical Engineers ("IFPTE") and include about 5,000 employees. The Deputy Attorneys General ("DAsG") unit and the State Government Managers ("Managers") Unit are both represented by the International Brotherhood of Electrical Workers ("IBEW") and include approximately 400 employees and 1,100 employees, respectively. There are approximately 11,000 employees represented by thirteen law enforcement units.

Negotiation Process

The New Jersey Public Employer-Employee Relations Act specifies a negotiation process for non-police and non-fire units which includes mediation and advisory fact-finding in the event of a negotiations impasse. This process is geared to the public employer's budget submission process. Thus, in the case of the State, unless there is a multi-year agreement then in effect, negotiations begin in October of the year (or no later than 120 days) prior to the new budget, and the entire process, including mediation and fact-finding, should be completed prior to the Governor's submission of a budget to the State Legislature in late January or early February of each year, so that the budget process can reflect the results of negotiations. In the event that negotiations are not completed by the budget submission date, a later supplemental appropriations request may be made. The economic provisions included in these negotiated agreements generally take effect at the beginning of each fiscal year or at other times provided in the agreements. Police and fire negotiations units may also submit to mediation and fact-finding in the event that negotiations with the State produces an impasse and the parties agree to do so, but where no agreement is achieved by exhaustion of these processes, police and fire units are additionally entitled to submit their final demands to binding interest arbitration. Approximately 11,000 State employees come under the binding interest arbitration process. Of the 11,000, approximately 3,000 are in the State Police.

Contract Status

Contracts for most State employees expired on June 30, 2011 and the Fiscal Year 2012 Appropriations Act assumes no across the board increases for these employees in Fiscal Year 2012.

The State is currently in negotiations with the Executive Branch civilian units AFSCME, CWA, and IFPTE for successor contracts to those that expired on June 30, 2011. These groups represent approximately 50,000 State employees.

The State is currently in negotiation with its Law Enforcement units which include: the New Jersey Policemen Benevolent Associations State Law Enforcement Unit ("SLEU"), the New Jersey Policemen Benevolent Associations Local 105 (PBA 105), New Jersey Law Enforcement Supervisors Association ("NJLESA"), the New Jersey Superior Officers Law Enforcement Association ("NJLESOA"), the New Jersey Law Enforcement Commanding Officers Unit ("NJLECOA — Cpts"), and the New Jersey Internal Investigation Unit ("NJIA"), for successor contracts to those that expired on June 30, 2011. These groups represent approximately 7,300 employees.

The three State Police units: State Troopers Fraternal Association (“STFA — Troopers”), State Troopers Non-Commissioned Officers Association (“STNCOA — Sergeants”), and State Troopers Superiors Officer Associations (“STSOA — Lieutenants”), representing approximately 2,800 members, entered into interest arbitration for the successor contracts to the contracts that expired June 30, 2008. The interest arbitration hearing is completed and the award is pending.

The negotiations process for developing a four-year contract for the new Chiefs subunit of NJLECOA is in the interest arbitration process. This subunit includes approximately six employees.

The State has commenced negotiations for a new contract with one of the new civilians groups, DAsG represented by IBEW Local 33, which includes approximately 400 employees and one of the new State Investigators unit represented by FOP Lodge 91, Rank and File unit, which includes approximately 125 employees.

The State will be commencing negotiations with the new State Government Managers Unit represented by IBEW, which includes approximately 1,100 employees, and the remaining two new State Investigators’ units represented by the N.J. Division of Criminal Justice Non-Commissioned Officers Association and the N.J. Division of Criminal Justice Superior Officers Association, which include approximately twenty-seven employees and twenty employees, respectively.

FUNDING PENSION PLANS

General. Almost all of the public employees of the State and its counties, municipalities and political subdivisions are members of pension plans administered by the State. The State operates seven defined benefit pension plans (collectively, the “Pension Plans”). Public Employees’ Retirement System (“PERS”) and Teachers’ Pension and Annuity Fund (“TPAF”) are the largest plans, which as of June 30, 2010, the date of the latest actuarial valuations for all systems, covered 309,099 and 157,023 active members, respectively, and 141,973 and 80,714 retired members, respectively. The other systems are Police and Firemen’s Retirement System (“PFRS”) (as of June 30, 2010, 44,204 active members and 35,973 retired members), Consolidated Police and Firemen’s Pension Fund (“CP&FPF”) (as of June 30, 2010, no active members and 396 retired members), State Police Retirement System (“SPRS”) (as of June 30, 2010, 3,030 active members and 2,652 retired members), Judicial Retirement System (“JRS”) (as of June 30, 2010, 432 active members and 505 retired members) and Prison Officers’ Pension Fund (“POPF”) (as of June 30, 2010, no active members and 149 retired members). From June 30, 2005 to June 30, 2010, the total number of active members and retired members of all of the State-administered plans increased by 3,502 and 39,918, respectively, which represented increases of 0.7% and 17.9%, respectively.

The State is not the only employer sponsoring PERS and PFRS. Local governments within the State participate as employers as well. In both of these Pension Plans, the assets that the State and the local governments contribute are invested together and generate one investment rate of return. However, both of these Pension Plans segregate the active and retired members and the related actuarial liabilities between the State on one hand and the local governments on the other hand. As experience with the State’s active and retired members changes, these Pension Plans adjust the actuarial liabilities of the State without affecting the actuarial liabilities of the local governments, and the same occurs with the experience with the local governments’ active and retired members. As of June 30, 2010, those members of the PERS and PFRS for which the State is responsible for making contributions were, with respect to PERS, 91,126 active members and 45,369 retired members and, with respect to PFRS, 7,572 active members and 4,605 retired members.

Although PERS and PFRS segregate the active and retired members of the State and the local governments, under certain State statutes, the State is responsible for making certain contributions to PFRS and PERS on behalf of local employers. With respect to PERS, the normal cost portion of the actuarially recommended contribution relating to the retirement benefit increase provided to the local governmental members of PERS under Chapter 133, P.L. 2001 continues to be charged against the Benefit Enhancement Fund that was established for the local governmental employer component of PERS (the “Local Governmental BEF”). The Local Governmental BEF is a special reserve fund whose assets are included in the actuarial value of assets of the local government portion of PERS and PFRS. The PERS actuarial valuation as of June 30, 2010 valued the Benefit Enhancement Fund in the local governmental portion of PERS at approximately \$311.1 million. Although local governmental employers participating in the PERS are, for the most part, responsible for funding the normal cost and the unfunded actuarial accrued liability relating to the local

governmental members of PERS, Chapter 133 stipulates that if the assets in the Local Governmental BEF are insufficient to pay the normal cost portion of these increased retirement benefits for a valuation period, the State will pay that amount of this normal cost portion for the local employers not covered by the assets in the Local Governmental BEF. With respect to PFRS, the State also makes a contribution with respect to active and retired members of the local governments to cover certain benefit enhancements. For Fiscal Year 2012, the State is expected to make a contribution of \$53.4 million of which \$22.5 million will be applied toward funding for enhanced benefits for local PFRS participants. For Fiscal Year 2011 and Fiscal Year 2010, the State did not make a pension contribution to the Pension Plans, so no amount was contributed by the State on behalf of local PFRS participants. For Fiscal Year 2009, the State made a \$13.0 million contribution to the PFRS of which \$5.8 million was applied toward the cost of such enhanced benefits of local PFRS members; for Fiscal Year 2008, the State contributed \$60.0 million toward enhanced benefits on behalf of local PFRS members. See “FUNDING PENSION PLANS — *Current and Historical Contributions and Funding Status*”, herein.

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

The July 1, 2010 actuarial valuation reports, which cover the period July 1, 2009 through and including June 30, 2010, have been revised to reflect the adoption of the recently enacted pension reform legislation, P.L. 2011, c.78 (the “2011 Pension and Health Benefit Reform Legislation”). The 2011 Pension and Health Benefit Reform Legislation contains a number of provisions that impact the benefits received from and contributions made to the Pension Plans. Some of the provisions of 2011 Pension and Health Benefit Reform Legislation have an immediate impact on the revised July 1, 2010 actuarial valuation results, such as the suspension of the pension adjustment program which provides for the payment of automatic cost-of-living adjustments for all current and future retirees and the change in the amortization method from a level percent of pay to a level dollar method for all the Pension Plans except the CP & FPF and the POPF. Other provisions, specifically the increased employee contribution requirements and the benefit design changes impacting only prospective new Pension Plan members, will impact actuarial valuation results in future years. The revised July 1, 2010 actuarial valuation reports have not yet been accepted by the Boards of Trustees of the respective Pension Plans.

The purpose of an actuarial valuation is to calculate the actuarial accrued liability in each of the Pension Plans, which estimates on the basis of demographic and economic assumptions the present value of benefits each of the Pension Plans will pay to its retired members and active members upon retirement. The State contracts with the independent actuaries that provide annual actuarial valuations for each of the Pension Plans, performed in accordance with State statutes and generally recognized and accepted actuarial principles and practices. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an unfunded actuarial accrued liability (“UAAL”) of the applicable Pension Plan. An actuarial valuation will express the percentage that a Pension Plan is funded through a “Funded Ratio” which represents the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan. An actuarial valuation will also state an actuarially recommended contribution rate, which is a recommended rate of covered payroll that the State and other sponsoring employers contribute to the applicable Pension Plan. The actuarially recommended contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members’ current year service, and (2) an amortized portion of the UAAL. The amount that the State actually contributes to the Pension Plans is subject to annual appropriation by the State Legislature. In adopting the annual Appropriations Act, the State Legislature is not required to follow the recommendations of the actuaries or the Governor in determining the appropriation for the State’s contribution to the Pension Plans. However, in accordance with the 2011 Pension and Health Benefit Reform Legislation, members of the Pension Plans now have a contractual right to the annual required contribution being made by the State and local participating employers and failure by the State and local participating employers to make

the annual required contributions is deemed an impairment of the contractual right of each member. See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein.

Ordinarily, the actuarial valuations of the Pension Plans are completed approximately 6-8 months after the end of a Fiscal Year. As a result, the actuarially recommended contribution rates of the actuarial valuations of the Pension Plans (other than for the PFRS) apply not to the Fiscal Year immediately following the Fiscal Year covered by the actuarial valuations but the second immediately following Fiscal Year. For example, the actuarially recommended rates of contribution in the actuarial valuations of the Pension Plans as of June 30, 2010 are applicable to Fiscal Year 2012. For PFRS, however, the contributions specified in an actuarial valuation apply to the third Fiscal Year following the Fiscal Year covered by the actuarial valuation.

To calculate the actuarial value of assets and actuarial accrued liability of each of the Pension Plans, the actuarial valuations use several actuarial assumptions. Some examples of these assumptions include an expected rate of return of assets, assumed inflation rates, age of retirement of active members, future pay increases for current employees, assumed rates of disability and post-employment life expectancies of retirees and beneficiaries. If the experience of the Pension Plans is different from these assumptions, the UAAL of the Pension Plans may increase or decrease to the extent of any variances. Consequently, the actuarially recommended rates of contribution may be impacted, which may increase the amount of the State’s recommended contributions to the Pension Plans.

In the case of the expected rate of return of assets, the actual rate of return on the Pension Plans depends on the performance of their respective investment portfolios. The investment portfolios of the respective Pension Plans can be highly volatile. The value of the securities in the investment portfolios can dramatically change from one Fiscal Year to the next, which could, in turn, contribute to substantial increases or decreases in the applicable UAAL. For Fiscal Year 2009, the investment rate of return of the assets of the Pension Plans was negative 15.48%, contributing to the increase in the UAAL of the Pension Plans between Fiscal Year 2008 and Fiscal Year 2009. For Fiscal Year 2010, the investment rate of return was 13.36%, which had a positive impact on the UAAL of the Pension Plans.

In addition, the actuarial valuations of the Pension Plans use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the Pension Plans. For example, the Pension Plans use an asset valuation method of smoothing the difference between the market value of assets and the actuarial value of assets over a five-year period to prevent extreme fluctuations that may result from temporary or cyclical economic and market conditions. As of June 30, 2010, the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans’ actuaries, was approximately \$70.5 billion, which amount includes contribution receivables from the State and local employers. To the extent these receivables do not materialize, adjustments will be made by the actuaries in the next year’s valuations. As of June 30, 2010, the aggregate actuarial value of all assets of the Pension Plans was \$87.9 billion. Based on these figures, the Pension Plans have a net unsmoothed loss of approximately \$17.4 billion.

Effective with the revised July 1, 2010 actuarial valuations, in accordance with the 2011 Pension and Health Benefit Reform Legislation, the Pension Plans, except the CP&FPF and the POPF, changed the amortization method that calculates the amount of the UAAL that is included in the actuarially recommended rates of contribution from a level percent of pay method to a level dollar method. Under the new amortization method, the UAAL will initially be amortized over an open-ended 30 year period. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 valuation for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20 year period. This change in the amortization method will ensure that a portion of the UAAL is retired each year. Previously, under the percent of pay amortization method, none of the UAAL of the Pension Plans was being retired which contributed to the deteriorating financial condition of the Pension Plans over the last several years.

State law also requires the Pension Plans to conduct experience investigations every three years, which examine the demographic and economic assumptions used in the Pension Plans’ actuarial valuations to ensure that those assumptions are consistent with the Pension Plans’ respective historical experiences. Changes recommended by the actuaries are reviewed and considered for implementation by the appropriate Pension Board.

In accordance with the 2011 Pension and Health Benefit Reform Legislation, new pension committees are to be established as follows: two new pension committees in PERS and PFRS, one for the State part of the Pension

Plan and one for the local part of the Pension Plan, and one new pension committee in TPAF and SPRS. In JRS, the State House Commission will have the same authority as the committees under the other active Pension Plans. Prior to the enactment of the 2011 Pension and Health Benefit Reform Legislation, State law provided that any changes in the retirement benefits of the Pension Plans had to be approved by the State Legislature, and that each bill submitted to the State Legislature had to be accompanied by a fiscal note stating the cost of the proposal. (See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein for a discussion of these new committees.)

Any changes in the funding methods of the Pension Plans must be approved by the State Legislature. The State Legislature is under no requirement to adopt the recommendations of an actuary in determining the funding of the Pension Plans. State law provides that the retirement benefits of the Pension Plans are not subject to negotiations between the State and other public employers and the employee members of the Pension Plans. The State’s annual contribution to the Pension Plans is contingent upon the annual Appropriations Act, which is also subject to the approval of the State Legislature and the Governor. However, as described in more detail below, the 2011 Pension and Health Benefit Reform Legislation contains a provision stating that members of the Pension Plans now have a contractual right to the annual required contribution being made by the State and local participating employers. The annual required contribution includes both the annual normal cost contribution and the annual unfunded accrued liability contribution and is thus equivalent to the actuarially recommend contribution discussed herein.

The Division of Investment of the New Jersey Department of the Treasury, which is under the independent supervision of the State Investment Council, invests the assets of the Pension Plans. State law and regulations govern the types of investments which are permitted.

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

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

Benefits. Nearly all State employees participate in one of the Pension Plans, with eight to ten years of employment required before retirement benefits become vested. Upon retirement, members of PERS and TPAF enrolled before May 22, 2010 are eligible for annual retirement benefits equal to 1/55 of final average compensation for each year of service credit. This is in accordance with legislation enacted by the State Legislature in 2001 which increased the retirement benefits under PERS and TPAF by changing the retirement benefit formula from 1/60 to 1/55 of final average compensation for each year of service. For members of PERS and TPAF enrolling on or after May 22, 2010, the annual retirement benefits will be based on 1/60 of final average compensation for each year of service credit. For members enrolled before May 22, 2010, final average compensation equals the average compensation for the final three years of service before retirement or highest three years’ compensation if other than the final three years. For members enrolling on or after May 22, 2010, the final average compensation equals the average compensation calculated using a five-year period instead of a three-year period. Also available to such participants are an early retirement benefit after 25 years of service or if enrolled on or after June 28, 2011, 30 years of service, and a veteran’s retirement benefit after 20 and 25 years of service, if age requirements for those retirement benefits are met.

In accordance with the 2011 Pension and Health Benefit Reform Legislation, the pension adjustment program, which provides for an adjustment in retirement benefits after a participant in one of the Pension Plans has been retired for two years, has been suspended for all current and future retirees effective July 1, 2011. The pension adjustment program may be reactivated at a future date as specified in the statute (see “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein). The pension adjustment program is non-contributory and covers all eligible retirees and survivors of the Pension Plans. Prior to the suspension of pension adjustment benefits, eligible retirees received a cost-of-living adjustment based on 60.0% of the change in the Consumer Price Index from the year of retirement to the year immediately preceding the year of adjustment with no cap on the amount of such increase. In all Pension Plans, except CP&FPF and POPF, the Pension Plans directly funded the cost-of-living increases and these

cost-of-living increases were included in the actuarial accrued liability of the Pension Plans. The State funded cost-of-living increases in the CP&FPF and POPF on a “pay-as-you-go” basis.

From Fiscal Year 2005 to Fiscal Year 2010 the total net assets of all of the Pension Plans, which includes both the assets relating to State and local government active and retired members, as reported in their respective Audited Financial Reports, decreased by \$1.1 billion from \$73.1 billion to \$72.0 billion and the total expenditures incurred by the Pension Plans over the same period increased by \$2.3 billion from \$5.1 billion to \$7.4 billion. The amount of these expenditures is expected to increase in future fiscal years. This resulted in an increase in the Annual Expenditures to Net Assets Ratio from 7.02% for Fiscal Year 2005 to 10.32% for Fiscal Year 2010. It is likely that the Annual Expenditures to Net Assets Ratio will worsen and increase in future fiscal years. Net assets represent the difference between a Pension Plan’s total assets and its liabilities and mainly consist of investment holdings, which are stated at market value, and member and employer receivables. Expenditures include retirement benefit payments, including cost-of-living adjustments, contributory and noncontributory death benefit payments, member withdrawals and administrative expenses.

The revised June 30, 2010 actuarial reports, which set forth the actuarial valuations as of June 30, 2010, include certain information described in the actuarial valuations as “risk measures” in either tabular or textual format for each of the individual Pension Plans. This information was designated to provide an indicator, described in several of the individual actuarial valuations as a “simplistic measure” of the number of years that the assets of the Pension Plans can cover benefit payments. The benefit payments used in the data are those actually paid out to retirees in Fiscal Year 2010 and exclude increases in the number of retirees, future increases in those payments, State and member contributions and investment income. Differences in the Pension Plans make the aggregation of such individual data in a single combined presentation inappropriate. For PERS-State, as of June 30, 2010, the ratio of market assets to the prior year’s benefit payment is 8.0. This ratio worsened and decreased by 2.4% from the previous year’s ratio of 8.2. For TPAF, as of June 30, 2010, the ratio of market assets to the prior year’s benefit payment is 8.7. This ratio worsened and decreased by 2.2% from the previous year’s ratio of 8.9.

Prior Legislative Changes Affecting Benefit Levels. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans. The result of these increases in retirement benefits was to increase the actuarial accrued liability of the affected Pension Plans which also had the effect of increasing the actuarially recommended contributions for the State for the affected Pension Plans. For example, on June 24, 2008, Governor Corzine signed an Early Retirement Incentive program into law for certain full-time employees of the Executive and Judicial Branches of State government. The increase in the unfunded aggregate UAAL of the Pension Plans caused by the Early Retirement Incentive program for the 1,488 State employees who elected to retire under this program was estimated to be \$184.7 million. As a result of the enactment of the 2011 Pension and Health Benefit Reform Legislation, the pension committees that will be established pursuant to the new statute will also have the authority to increase retirement benefits in the future once targeted funded levels are reached. See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein. In addition, the State Legislature may from time to time in the future adopt additional legislation increasing the retirement benefits payable under the Pension Plans.

In addition, the State Legislature has in the past adopted laws that limited future retirement benefits payable by the Pension Plans. These laws are expected to limit the future growth of the actuarial accrued liability of the affected Pension Plans which also has the effect of limiting the growth of the actuarially recommended contributions for the State for the affected Pension Plans in future plan years. For example, the 2011 Pension and Health Benefit Reform Legislation suspends the automatic cost-of-living adjustments payable to retirees and beneficiaries of the Pension Plans, raises the years of service needed for early retirement benefits from 25 to 30 years and raises the early retirement age from 55 to 65 for new members of PERS and TPAF enrolled on or after June 28, 2011, and changes the special retirement benefit under PFRS from 65% with 25 years of service to 65% with 30 years and 60% with 25 years for new members enrolled on or after June 28, 2011. In the future, the pension committees that will be established pursuant to the 2011 Pension and Health Benefit Reform Legislation will have the authority to adopt certain changes that would increase retirement benefits payable by the Pension Plans when targeted funded ratios are achieved in the Pension Plans. See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein.

The State Legislature also adopted laws in Fiscal Year 2010 affecting PERS and TPAF members enrolling on or after May 22, 2010 which limits membership in the Pension Plan to only full-time employees and changes the retirement benefit formula back to 1/60 of final average compensation for each year of service credit. The State Legislature also adopted laws in Fiscal Year 2009 which raised the minimum annual salary required to establish eligibility for membership under certain Pension Plans and increased the retirement age at which full pension benefits are payable from 60 to 62 for certain employees hired on or after November 2, 2008. The State Legislature also adopted laws in Fiscal Year 2007 which raised the employee contribution rate for PERS and TPAF active members from 5.0% to 5.5%, raised the early retirement age at which full retirement benefits are payable from 55 to 60 for new employees enrolled in the PERS and TPAF on or after July 1, 2007, and provides that new employees hired on or after July 1, 2007 are subject to a maximum compensation limit for PERS and TPAF pension contributions.

Calculations of actuarial accrued liability reflect legislation in effect at the time calculations are made. Legislation enacted after any such calculation could significantly increase or decrease the actuarial accrued liability reflected in any such calculations.

Current and Historical Contributions and Funding Status. From Fiscal Year 1997 through Fiscal Year 2003, the State made minimal contributions to the Pension Plans because the actuarial value of the assets in each of the Pension Plans exceeded the actuarial accrued liability and the State used that excess as a credit against the actuarially recommended contributions. Beginning with the actuarial valuations of the Pension Plans as of June 30, 2002, several of the Pension Plans (including PERS and TPAF) suffered from adverse market conditions and the Funded Ratio of these Pension Plans declined rapidly. As a result, the actuarial recommended contributions in those actuarial valuations steeply increased and the State was not financially in the position to absorb the entire amount of the actuarially recommended contributions. For Fiscal Years 2004, 2005, 2006, 2007 and 2008, the State paid approximately 20.0%, 30.0%, 40.0%, 57.5%, and 50.1%, respectively, of the total actuarially recommended contributions of all of the Pension Plans.

However, for PERS and TPAF, the annual Appropriation Acts for Fiscal Years 2004, 2005 and 2006 authorized the use of the Benefit Enhancement Fund (the "State BEF") to offset the State's contribution to PERS and TPAF for those years. The State BEF is a special reserve fund within PERS and TPAF, and which assets are included in the actuarial value of assets, to which the required normal contributions to provide retirement benefit increases under P.L. 2001, Chapter 353 and P.L. 2001, Chapter 133 was charged. The fund was established in Fiscal Year 2002 and credited with excess assets equivalent to member contributions for Fiscal Years 2000 and 2001 by transferring reserves in the Contingent Reserve Fund to the State BEF. Amounts in the State BEF for each of PERS and TPAF were calculated within the respective actuarial value of assets and the related retirement benefits were calculated within the respective actuarial accrued liabilities. Therefore, because the State used amounts from the State BEF to satisfy its contributions in Fiscal Years 2004 through 2006, from an actuarial perspective, the State did not contribute any funds to PERS or TPAF in Fiscal Years 2004 and 2005 and the State contributed minimal amounts in Fiscal Year 2006. Amounts in the State BEF available to be used to make the State contributions became fully depleted in Fiscal Year 2006 and the State made a contribution to PERS and TPAF representing approximately 57.5% of the actuarially recommended contributions of those Pension Plans for Fiscal Year 2007 and approximately 50.1% of the actuarially recommended contributions for Fiscal Year 2008 .

For Fiscal Year 2009, although \$1.047 billion was included in the Fiscal Year 2009 Appropriations Act as the State's pension contribution to the Pension Plans, due to budgetary constraints, the actual contribution made by the State was \$106.3 million representing only 4.8% of the total actuarially recommended contribution to the Pension Plans of \$2.231 billion. This contribution, which was due on June 30, 2009, was paid by the State on September 14, 2009. For Fiscal Year 2010, although \$100 million was included in the Fiscal Year 2010 Appropriations Act as the State's contribution to the Pension Plans, the State did not make a contribution due to ongoing budgetary constraints. The \$100 million contribution originally expected to be made for Fiscal Year 2010 represented only 4% of the total actuarially recommended contribution for the State to the Pension Plans of \$2.519 billion. Based on the Fiscal Year 2011 Appropriations Act, the State made no contribution to the Pension Plans in Fiscal Year 2011. The recommended contribution as determined by the actuaries for the Pension Plans for Fiscal Year 2011 was \$3.060 billion. For Fiscal Year 2012, pursuant to P.L. 2010, c.1, and as reflected in the Fiscal Year 2012 Appropriations Act, the State is expected to make a pension contribution of \$484 million to the Pension Plans,

representing 1/7th of the full actuarially recommended contribution of \$3.388 billion determined on the basis of the revised June 30, 2010 valuations (June 30, 2009 valuation for PFRS). See “FUNDING PENSION PLANS — *Recent Developments on Pension Plans and on the State’s Financial Condition*” herein.

In accordance with P.L. 2010, c.1, the State is to resume making the actuarially recommended contributions to the Pension Plans on a gradual basis over a period of seven years beginning in Fiscal Year 2012. The \$484 million contribution for Fiscal Year 2012 represents 1/7th of the actuarially recommended contribution to the Pension Plans. In each subsequent fiscal year, the State’s contribution must increase by at least an additional 1/7th of the actuarially recommended contribution so that full actuarially recommended contributions are made beginning in Fiscal Year 2018 and each year thereafter. Although no assurance can be given that the State Legislature will make such appropriations in accordance with this law, the 2011 Pension and Health Benefit Reform Legislation contains a provision stating that members of the Pension Plans now have a contractual right to the annual required contribution being made by the State and local participating employers and failure by the State and local employers to make annual required contributions is deemed an impairment of the contractual right of each member. This contractual right could limit the State’s ability to reduce or limit pension contributions in response to future budgetary constraints. Contributing only 4% of the full recommended contribution in Fiscal Year 2009, making no contributions for Fiscal Year 2010 and Fiscal Year 2011, and funding the minimum contribution of \$484 million for Fiscal Year 2012 is expected to cause the UAAL of the Pension Plans to increase significantly, which would lower the overall funded ratio of the Pension Plans and increase the need for future State pension contributions to ensure the fiscal integrity of the Pension Plans. See “FUNDING PENSION PLANS — *Pension and Health Benefit Reform*” herein for a description of the major pension changes required under the 2011 Pension and Health Benefit Reform Legislation and the expected impact of such changes on the financial condition of the Pension Plans going forward. No assurances can be given as to the level of the State’s pension contributions in future fiscal years.

Pension and Health Benefit Reform. On June 28, 2011, the 2011 Pension and Health Benefit Reform Legislation was enacted that over the long-term is expected to improve the overall financial condition of the Pension Plans, raise the funded ratios of the Pension Plans to more financially sound levels, lower future actuarially recommended contributions from levels which likely would have been required without the 2011 Pension and Health Benefit Reform Legislation and reduce the unfunded actuarial accrued liability of the Pension Plans. See “FUNDING PENSION PLANS — *Impact of Pension Reforms on Overall Financial Condition of the Pension Plans*” herein. The major reform measures include raising the member contribution rates in the PERS, TPAF, PFRS, SPRS and JRS, suspending pension adjustment benefits in all Pension Plans, limiting future retirement benefits payable to new members in the PERS and TPAF by raising the service retirement age from 60 to 65 and increasing the number years needed to qualify for early retirement benefits from 25 to 30 years with a one quarter of 1% reduction for each month under age 65, and reducing the special retirement benefit for new PFRS members from 65% of final compensation after 25 years of service and 70% of final compensation after 30 years of service to 60% of final compensation after 25 years and 65% of final compensation after 30 years. The pension reforms also include the establishment of new pension committees for the Pension Plans as follows: two new committees each in PERS and PFRS, one for the State part of the Pension Plan and one for the local part of the Pension Plan and one new committee each in TPAF and SPRS. These six new committees will have the discretionary authority when targeted funded ratios are achieved to modify the member contribution rate, formula for calculation of final compensation or final salary, fraction used to calculate a retirement allowance, and age at which a member may be eligible for service, early retirement and disability retirement benefits. The committees will also have the authority to reactivate the cost of living adjustment on pensions and to modify the basis for the calculation of the cost of living adjustment and set the duration and extent of the activation when targeted funded ratios are reached. These committees must give priority consideration to the reactivation of the cost of living adjustment. The State House Committee will have the same authority with regard to JRS. The target funded ratio is initially set at 75% in Fiscal Year 2012 and increases annually in equal increments to 80% over the next seven years. The pension reforms also include a change in the amortization method that calculates the amount of the UAAL that is included in the annual pension contribution. Under the new amortization method, the UAAL will be amortized over an open-ended 30 year period and paid in level dollars. In addition, beginning with the July 1, 2019 actuarial valuation (July 1, 2018 valuation for PFRS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20 year period. This change in the amortization method will

ensure that a portion of the UAAL is retired each year. Previously, the UAAL was amortized over a 30-year period as a level percent of pay. When a UAAL is amortized on a level percentage of pay, the amortized portion of the UAAL is smaller in the earlier years of the assumed amortization schedule because payroll costs are assumed to increase over time. By changing the amortization of the UAAL to a level dollar amount, this will mean the assumed amortization schedule will be stable over the whole period, but it will also likely increase the amount of the State's actuarially recommended contributions in the earlier years.

Impact of Pension Reforms on Overall Financial Condition of the Pension Plans. As a result of the 2011 Pension and Health Benefit Reform Legislation, the calculation of the overall funded ratio of the State Pension Plans improved from 56.4% to 65.2% and the total UAAL included in the revised actuarial valuation of the State Pension Plans decreased by \$11.5 billion from \$37.1 billion to \$25.6 billion as of the revised June 30, 2010 actuarial valuations. The increase in the overall funded ratio and reduction in the UAAL as of June 30, 2010 is primarily due to the suspension of cost-of-living adjustments on pension benefits as of July 1, 2011. Going forward, the reform measures are expected to provide savings to the State by lowering the actuarially recommended contributions from levels projected without the 2011 Pension and Health Benefit Reform Legislation. However, the State expects funding levels to decrease and the UAAL to increase over the next several years as a result of the State contributing less than the full recommended contributions.

Pursuant to P.L. 2010, c.1, the State is to resume making contributions to the Pension Plans on a phased-in basis over a seven-year period beginning in Fiscal Year 2012. If the State makes the specified phased-in contributions over the next seven years and resumes making full contributions in Fiscal Year 2018, then the State expects that after Fiscal Year 2018 the funded status of the Pension Plans should begin to improve and the UAAL should begin to decrease as a result of the reform measures. These expectations assume the Pension Plans will have investment returns on Pension Plan assets of 8.25% per year. If returns are less than 8.25% or if the Pension Plans have one or more years of investment losses, this would cause the UAAL of the Pension Plans to be higher than forecasted by the actuaries, which would lower the overall funded ratio of the Pension Plans. No assurance can be given as to the level of the State's investment returns or the State's pension contributions in future fiscal years.

Restatement of Rates of Return of the Pension Fund Portfolios. The performance numbers for the Pension Plans for Fiscal Years 2009 and 2010 have been restated to reflect changes resulting from a review of previously reported numbers by outside consultants. In a departure from prior practice, the rates of return for the Fiscal Years 2009 and 2010 had not been reviewed and verified by outside consultants before being released. Such review and verification process has been reinstituted by the Director of the Division of Investment.

The Division had previously reported that the rate of return on the Pension Fund portfolios was a negative 14.28% in Fiscal Year 2009 and a positive 14.84% in Fiscal Year 2010. Following the review by outside consultants, the revised verified figures, included herein, show a negative 15.48% investment rate of return in Fiscal Year 2009 and a positive 13.36% investment rate of return in Fiscal Year 2010. There was no change in the market value of assets as of June 30, 2009 and June 30, 2010, or the dollar amounts of the investment income, employer and employee contributions and disbursements for Fiscal Year 2009 and Fiscal Year 2010.

These revisions to the calculated rates of return do not affect any of the amounts contained in the actuarial valuations of the Pension Plans for the Fiscal Years 2009 or 2010 which are presented herein, including the UAALs and market values of assets.

REVISED FUNDING STATUS
PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of June 30, 2010
(In Millions)

<u>Pension Plan</u>	<u>Actuarial Value of Assets(2)</u>	<u>Actuarial Accrued Liability(3)</u>	<u>Unfunded Actuarial Accrued Liability(4)</u>	<u>Funded Ratio(5)</u>	<u>Market Value of Assets(6)</u>
State					
PERS	\$10,252.6	\$ 17,429.2	\$ 7,176.6	58.8%	\$ 8,293.1
TPAF	33,265.3	49,543.3	16,278.0	67.1%	25,763.6
PFRS	2,190.6	3,672.4	1,481.8	59.7%	1,800.0
CP&FPF	10.6	11.8	1.2	89.9%	8.8
SPRS	2,019.4	2,497.1	477.7	80.9%	1,656.2
JRS	329.0	554.5	225.5	59.3%	261.5
POPF	11.0	5.6	(5.4)	195.5%	11.0
Subtotal	<u>48,078.5</u>	<u>73,713.9</u>	<u>25,635.4</u>	<u>65.2%</u>	<u>37,794.2</u>
Local					
PERS	18,481.9	23,918.7	5,436.8	77.3%	14,745.2
PFRS	21,297.1	25,602.0	4,304.9	83.2%	17,985.5
Subtotal	<u>39,779.0</u>	<u>49,520.7</u>	<u>9,741.7</u>	<u>80.3%</u>	<u>32,730.7</u>
Total	<u>\$87,857.5</u>	<u>\$123,234.6</u>	<u>\$35,377.1</u>	<u>71.3%</u>	<u>\$70,524.9</u>

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the revised actuarial valuation reports as of June 30, 2010 for PERS, TPAF, PFRS, SPRS and JRS which take into account certain of the pension reforms included in the 2011 Pension and Health Benefit Reform Legislation, and the actuarial valuation report as of June 30, 2010 for CP&FPF and POPF.

- (1) Due to the effect of certain of the pension reforms included in the 2011 Pension and Health Benefit Reform Legislation, the June 30, 2010 valuation reports for PERS, TPAF, PFRS, SPRS and JRS were revised. As a result of such reform measures, the overall funded ratio of the State increased from 56.4% to 65.2% and unfunded actuarial accrued liability decreased by \$11.5 billion from \$37.1 billion to \$25.6 billion. On the local employer side, the overall funded ratio of the local employers increased from 70.4% to 80.3% and the unfunded actuarial accrued liability decreased by \$7.0 billion from \$16.7 billion to \$9.7 billion. In total, the overall funded ratio of the Pension Plans increased from 62.0% to 71.3% and the total unfunded actuarial accrued liability of the Pension Plans decreased by \$18.5 billion from \$53.9 billion to \$35.4 billion. The increase in the overall funded ratio of the Pension Plans and the reduction in the overall unfunded actuarial accrued liability is primarily due to the suspension of the cost-of-living adjustments as of July 1, 2011. The State provides additional information concerning the Actuarial Value of Assets, Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of the Pension Plans under the caption "REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS PENSION TRUST FUNDS AND HEALTH BENEFITS PROGRAM FUND" in the Required Supplemental Information portion of the 2010 CAFR; such information does not take into account any of the reforms included in the 2011 Pension and Health Benefit Reform Legislation.
- (2) The actuarial value of assets of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and represents the market-related value of the assets held by the Pension Plan as adjusted to reflect various actuarial methods including the smoothing of actuarial losses and gains (including investment losses and gains) over a five-year period.
- (3) The actuarial accrued liability of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and is an estimate based on demographic and economic assumptions of the present value of

benefits that the Pension Plan will pay during the assumed life expectancies of the applicable retired members and active members after they retire.

- (4) The UAAL of each of the Pension Plans is set forth in the actuarial valuation relating to a Pension Plan and reflects the amount of the excess of the actuarial accrued liability of a Pension Plan over its actuarial value of assets. The indicated amounts reflect the UAAL as calculated pursuant to the requirements of the Government Accounting Standards Board (“GASB”) for purposes of presentation in the Comprehensive Annual Financial Report of the State. These amounts differ immaterially from the UAAL of the Pension Plans calculated strictly pursuant to the actuarial methods required by State statutes and the actuarial assumptions adopted by the applicable Pension Plan boards.
- (5) The Funded Ratio of each of the Pension Plans is presented in the actuarial valuation relating to a Pension Plan and reflects the quotient obtained by dividing the actuarial value of assets of the Pension Plan by the actuarial accrued liability of the Pension Plan. The indicated percentages reflect the Funded Ratio as calculated pursuant to the requirements of the Governmental Accounting Standards Board (“GASB”) for purposes of presentation in the Comprehensive Annual Financial Report of the State. These percentages differ immaterially from the Funded Ratios of the Pension Plans calculated strictly pursuant to the actuarial methods required by State statutes and the actuarial assumptions adopted by the applicable Pension Plan boards.
- (6) The market value of assets as shown in the actuarial valuation reports for the Pension Plan and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Investment. The market value of assets of each of the Pension Plans is as set forth in the actuarial valuation reports for the Pension Plans and represents the full market value of the assets held by the Pension Plan, including expected receivable contributions from the State, local employers and participants, and excludes assets held in the Contributory Group Insurance Premium Fund and the Noncontributory Group Insurance Premium Fund.

HISTORICAL FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS(1)
Actuarial Valuations as of June 30, 2004 through June 30, 2010
(In Millions)

<u>Valuation Year Ending June 30,</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Market Value of Assets</u>
State					
2004	\$49,574.1	\$58,017.6	\$ 8,443.5	85.4%	\$41,414.1
2005	49,755.1	62,796.5	13,041.4	79.2%	42,918.2
2006	50,659.2	67,266.3	16,607.1	75.3%	45,780.2
2007	52,433.4	71,655.8	19,222.4	73.2%	50,720.1
2008	52,718.2	75,763.2	23,045.0	69.6%	46,999.9
2009	50,229.5	80,956.2	30,726.7	62.0%	36,540.1
2010	48,078.5	73,713.9	25,635.4	65.2%	37,794.2
Local					
2004	33,176.5	36,846.9	3,670.4	90.0%	28,284.3
2005	33,854.1	39,730.9	5,876.8	85.2%	29,786.4
2006	34,981.1	43,181.5	8,200.4	81.0%	31,988.1
2007	37,190.7	46,326.3	9,135.6	80.3%	36,282.1
2008	38,655.2	50,044.3	11,389.1	77.2%	35,022.9
2009	38,890.1	53,972.1	15,082.0	72.1%	29,678.8
2010	<u>39,779.0</u>	<u>49,520.7</u>	<u>9,741.7</u>	<u>80.3%</u>	<u>32,730.7</u>

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of June 30, 2004 through June 30, 2010 for all the Pension Plans, including the revised actuarial valuation reports for June 30, 2010 reflecting certain aspects of the 2011 Pension and Health Benefit Reform Legislation.

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

SCHEDULE OF STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Year Ending June 30, 2011
(In Millions)

<u>Pension Plan</u>	<u>Actuarially Recommended Contributions(1)</u>	<u>Actual Contributions(2)(5)</u>	<u>Amount Unfunded(3)(5)</u>
State			
PERS	\$ 754.2	\$ 0.0	\$ 754.2
TPAF	1,828.3	0.0	1,828.3
PFRS(4)	339.5	0.0	339.5
CP&FPF	0.1	0.0	0.1
SPRS	103.7	0.0	103.7
JRS	34.7	0.0	34.7
POPF	0.0	0.0	0.0
Subtotal	<u>3,060.5</u>	<u>0.0</u>	<u>3,060.5</u>
Local			
PERS	756.7	756.7	—
PFRS	854.6	854.6	—
Subtotal	<u>1,611.3</u>	<u>1,611.3</u>	<u>—</u>
Total	<u>\$4,671.8</u>	<u>\$1,611.3</u>	<u>\$3,060.5</u>

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the June 30, 2009 actuarial valuation reports for all of the Pension Plans except with respect to PFRS for which the information was derived from the actuarial valuation report as of June 30, 2008. Information regarding the actual contributions for the State was obtained from the Division of Pensions and Benefits. Information with respect to the actual contributions of local governments was derived from the actuarial valuation report of PERS as of June 30, 2009 and the actuarial valuation report of PFRS as of June 30, 2008. This schedule was not impacted by the reform changes in the 2011 Pension and Health Benefit Reform Legislation since it is based on such June 30, 2009 and June 30, 2008 actuarial valuation reports.

- (1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2011 are based on the information contained in the actuarial valuations for the Pension Plans as of June 30, 2009, except in the PFRS where the contribution will be based on the actuarial valuation prepared as of June 30, 2008. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2011 by local government employers who have adopted ERI programs for their employees.
- (2) The State did not make a contribution to the Pension Plans for Fiscal Year 2011. For local participating employers, full contributions based on the actuarially recommended amounts were made.
- (3) Represents the difference between the actuarially recommended pension contribution and the expected contribution from the State and the local participating employers.
- (4) The State's actuarially recommended contribution to the PFRS includes contributions on behalf of local active and retired members to cover certain benefit enhancements. Of the total actuarially recommended amount of \$339.5 million for Fiscal Year 2011, \$144.7 million represents contributions on behalf of local participants.
- (5) Estimated

SCHEDULE OF STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Year Ending June 30, 2012
(In Millions)

<u>Pension Plan</u>	<u>Actuarially Recommended Contributions(1)</u>	<u>Expected Contributions(2)(5)</u>	<u>Amount Unfunded(3)(5)</u>
State			
PERS	\$ 874.3	\$ 124.9	\$ 749.4
TPAF	2,011.6	287.4	1,724.2
PFRS(4)	373.5	53.4	320.1
CP&FPF	1.2	0.2	1.0
SPRS	89.7	12.8	76.9
JRS	38.4	5.5	32.9
POPF	0.0	0.0	0.0
Subtotal	<u>3,388.7</u>	<u>484.2</u>	<u>2,904.5</u>
Local			
PERS	786.2	786.2	—
PFRS	950.7	950.7	—
Subtotal	<u>1,736.9</u>	<u>1,736.9</u>	<u>—</u>
Total	<u>\$5,125.6</u>	<u>\$2,221.1</u>	<u>\$2,904.5</u>

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions was derived from the revised June 30, 2010 actuarial valuation reports for all of the Pension Plans except with respect to PFRS for which the information was derived from the actuarial valuation report as of June 30, 2009. For PERS, TPAF, PFRS, SPRS, and JRS, the June 30, 2010 actuarial valuations were revised to reflect certain of the pension reforms included in the 2011 Pension and Health Benefit Reform Legislation. Information regarding the expected contributions for the State is based on P.L. 2010, c.1 which requires the State to make a contribution of at least 1/7th of the full actuarially recommended contribution in Fiscal Year 2012. However, the actual provision of the contribution each fiscal year is subject to appropriation by the State Legislature and, therefore, there can be no assurance that the State Legislature will make such appropriations in accordance with this law. Information with respect to the expected contributions of local governments was derived from the revised actuarial valuation report of PERS as of June 30, 2010 and the actuarial valuation report of PFRS as of June 30, 2009.

- (1) The actuarially recommended contributions to the indicated Pension Plans in Fiscal Year 2012 are based on the information contained in the actuarial valuations for the Pension Plans as of June 30, 2010, which have been revised in PERS, TPAF, PFRS, SPRS and JRS to reflect certain of the pension reforms in the 2011 Pension and Health Benefit Reform Legislation except in the PFRS where the contribution will be based on the actuarial valuation prepared as of June 30, 2009. The PERS and PFRS local employer pension contribution excludes early retirement incentive (ERI) contributions payable in Fiscal Year 2012 by local government employers who have adopted ERI programs for their employees. As a result of the pension reforms, the actuarially recommended contribution of the State for Fiscal Year 2012 decreased by \$153.3 million from \$3,542.0 million to \$3,388.7 million and the actuarially recommended contribution for PERS local employers decreased by \$43.0 million from \$829.2 million to \$786.2 million. The actuarially recommended contribution for PFRS local employer was not impacted by the reform changes since the Fiscal Year 2012 recommended contribution is based on the June 30, 2009 actuarial valuation.

- (2) Pursuant to P.L. 2010, c.1, the State's minimum contribution to the Pension Plans in Fiscal Year 2012 is 1/7th of the full actuarially recommended contribution amount. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.
- (3) Represents the difference between the actuarially recommended pension contribution and the expected contribution from the State and the local participating employers.
- (4) The expected contribution by the State to the PFRS includes contributions on behalf of local active and retired members to cover certain benefit enhancements. Of the total expected contribution of \$53.4 million for Fiscal Year 2012, \$22.5 million represents contributions on behalf of local participants.
- (5) Estimated

AGGREGATE STATE & LOCAL EMPLOYER CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 2006 through June 30, 2012(1)
(In Millions)

<u>Fiscal Year Ending June 30,</u>	<u>Actuarially Recommended Contributions(2)</u>	<u>Actual and Expected Contributions(3)</u>	<u>Amount Unfunded</u>
State			
2006	\$ 1,450.8	\$ 164.4	\$ 1,286.4
2007	1,778.6	1,023.2	755.4
2008	2,089.8	1,046.1	1,043.7
2009	2,230.7	106.3	2,124.4
2010	2,518.8	0.0	2,518.8
2011	3,060.5	0.0	3,060.5
2012	3,388.7	484.2	2,904.5
Subtotal	<u>16,517.9</u>	<u>2,824.2</u>	<u>13,693.7</u>
Local			
2006	678.1	353.8	324.3
2007	842.5	605.6	236.9
2008	1,089.1	993.4	95.7
2009	1,168.7	1,043.9	124.8
2010	1,281.1	1,281.1	—
2011	1,611.3	1,611.3	—
2012	1,736.9	1,736.9	—
Subtotal	<u>8,407.7</u>	<u>7,626.0</u>	<u>781.7</u>
Total	<u>\$24,925.6</u>	<u>\$10,450.2</u>	<u>\$14,475.4</u>

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions of the State was derived from the actuarial valuation reports as of June 30, 2004 through June 30, 2010, including the revised June 30, 2010 actuarial valuation reports, for all of the Pension Plans except for PFRS for which the information was derived from the actuarial valuation reports of PFRS as of June 30, 2003 through June 30, 2009. Information regarding the actual contributions of the State for Fiscal Years 2005 through 2011 was provided by the Division of Pensions and Benefits. Information regarding expected contributions of the State for Fiscal Year 2012 is as set forth in the Fiscal Year 2012 Appropriations Act. However, the actual provision of the contribution each fiscal year is subject to appropriation by the State Legislature and, therefore, there can be no assurance that the State Legislature will make such appropriations in accordance with the law. Information regarding the actuarially recommended contributions and the actual and estimated contributions of local governments was derived from the actuarial valuation reports of PERS as of June 30, 2004 through June 30, 2010, including the revised June 30, 2010 actuarial valuation reports, and the actuarial valuation reports of PFRS as of June 30, 2003 through June 30, 2009.

- (1) Please refer to the footnotes of the immediately preceding table for an explanation of the categories set forth in the columns of this table. Each of the columns of this table reflects an aggregate of all of the Pension Plans. Thus, each of indicated categories reflects a sum of that category of all of the Pension Plans (except with respect to the Funded Ratio which is a weighted average Funded Ratio of all of the Pension Plans)
- (2) For all pension plans except PFRS, the State and local employer contributions relating to an actuarial valuation as of the end of a Fiscal Year are made in the second succeeding Fiscal Year. For example, the State and local employers' contributions relating to the actuarial valuation as of June 30, 2010 will be made in Fiscal Year 2012. For PFRS, the State and local employer contributions are made in the third succeeding Fiscal Year. For example, the State and local employers' contributions relating to the June 30, 2009 actuarial valuation will be made in Fiscal Year 2012.
- (3) Pursuant to P.L. 2010, c.1, the State's minimum contribution to the Pension Plans in Fiscal Year 2012 is 1/7th of the full actuarially recommended contribution amount, as determined based on the revised June 30, 2010

actuarial valuations except for PERS which is based on the June 30, 2009 valuation. Such contributions to the Pension Plans by the State are subject to appropriation by the State Legislature. For local participating employers, full contributions based on the actuarially recommended amounts are expected.

Impact of State's Pension Plan Funding Actions. The UAAL of the Pension Plans has consistently risen since Fiscal Year 2004 in part as a result of the State not contributing the full amount of the actuarially recommended contributions with respect to the Pension Plans since Fiscal Year 2003. From Fiscal Year 1997 through Fiscal Year 2003, the actuarially recommended contributions were minimal because the actuarial value of the assets in each of the Pension Plans exceeded the actuarial accrued liability and the State used that excess as a credit against the actuarially recommended contributions. Beginning with Fiscal Year 2004, excess valuation assets were nearly fully depleted and full contributions were required in most of the Pension Plans. For the Fiscal Years ended 2004, 2005, 2006, 2007 and 2008, the State's contributions to the Pension Plans, including amounts transferred from the State BEF within the PERS and TPAF in Fiscal Years 2004, 2005 and 2006, were approximately 20.0%, 30.0%, 40.0%, 57.5%, and 50.1%, respectively, of the total actuarially recommended contributions of all of the Pension Plans. See "FUNDING PENSION PLANS 2011 — *Current and Historical Contributions and Funding Status*" for a description of the State BEF.

While the State had increased its contributions to more significant levels for Fiscal Years 2007 and 2008, as a result of deteriorating economic conditions, for Fiscal Year 2009, the State only contributed \$106.3 million representing 4.8% of the actuarially recommended contributions. For Fiscal Year 2010, although \$100 million was included in the Fiscal Year 2010 Appropriations Act as the State's contribution to the Pension Plans, the State did not make a contribution due to ongoing budgetary constraints. The State also made no contribution to the Pension Plans for Fiscal Year 2011. For Fiscal Year 2012, in accordance with P.L. 2010, c.1, and based on the Fiscal Year 2012 Appropriations Act the State is expected to make a contribution of \$484 million representing 1/7th of the full actuarially recommended pension contributions determined on the basis of the revised 2010 actuarial valuations of the Pension Plans. The Pension Plans have experienced increasing deterioration in their funded status as a result of these low levels of State funding which has been exacerbated by declines in the valuations of fund assets in Fiscal Years 2008 and 2009. The aggregate Funded Ratio of the Pension Plans has declined from approximately 85.4% as of June 30, 2004 to 65.2% as of June 30, 2010, based on the revised 2010 actuarial valuations of the Pension Plans. Absent an unanticipated increase in the value of fund assets the aggregate Funded Ratio of the Pension Plans will continue to decline as a result of the State not making the full recommended contributions to the Pension Plans. Under P.L. 2010, c.1, the State is to make phased-in pension contributions over the next seven years. However, the pension reforms in the 2011 Pension and Health Benefit Reform Legislation are expected to lower the actuarially recommended contributions of the State in future fiscal years and improve the overall funded ratio of the Pension Plans once the State resumes making full contributions - currently anticipated to occur in Fiscal Year 2018. Despite the reforms included in the 2011 Pension and Health Benefit Reform Legislation, as a result of the phased-in contributions of the State to the Pension Plans, a change in the amortization method of the UAAL and other factors, the State expects that the amount of its contributions to the Pension Plans will substantially increase through Fiscal Year 2018 and that its contribution for Fiscal Year 2018 will be substantially higher than the actuarially recommended contributions for Fiscal Year 2011 of approximately \$3.06 billion and for Fiscal Year 2012 of approximately \$3.388 billion.

The UAAL of the Pension Plans as of June 30, 2009 experienced a substantial increase from the prior year. One of the contributing factors to this increase was the loss realized on their investment portfolio. For the period from July 1, 2008 through June 30, 2009, the investment portfolio of the Pension Plans was a negative 15.48%. For Fiscal Year 2010, the rate of return on the investment portfolio of the Pension Plans was a positive 13.36%. Despite the positive return on investments, due to other factors described herein, the UAAL of the Pension Plans increased substantially.

The UAAL also makes numerous economic and demographic assumptions such as how high inflation will rise in the future, when the members of the Pension Plans will retire, how long these members will live and how many of these members will become disabled. If any of these assumptions prove to be materially worse than assumed, any resulting increase in the UAAL could be substantial, with the result that the financial condition of the Pension Plans would be worse than presented above.

Consequences of Deterioration of Financial Condition of the Pension Plans. The deterioration of the financial condition of the Pension Plans reflected by the increasing UAAL may have two consequences. First, the deterioration increases the amount of future actuarially recommended contributions of the State which has the effect

of deferring a substantial portion of the State's funding responsibilities to future Fiscal Years. Second, the deterioration reduces the amount of assets the Pension Plans have to pay benefits to their members. As discussed above, as the financial condition of the Pension Plans has deteriorated, the Pension Plans' Annual Expenditures to Net Assets Ratio has generally increased since Fiscal Year 2005. Although the accumulation of assets in the Pension Plans does not jeopardize the payment of pension benefits in the short term, the long-term impact of continuation of a funding policy that allows the State to contribute less than the aggregate actuarially recommended contributions could impact, at some point, the Pension Plans' ability to meet their obligations absent significant additional contributions by the State, increased investment returns or actions resulting in changes to liabilities of the Pension Plans. Future increased contributions by the State in future Fiscal Years, depending on the magnitude, would likely create a significant burden on all aspects of the State's budget. No assurances can be given as to the level of the State's pension contributions in future fiscal years. See the discussion of "risk measures" in the actuarial valuation reports in "*Benefits*" above.

SEC Order. In April 2007, the Securities and Exchange Commission ("SEC") initiated a confidential informal inquiry into New Jersey's pension system. On August 18, 2010, the SEC instituted administrative proceedings and imposed a cease-and-desist order (the "Order") resolving this inquiry into disclosures in bond documents relating to the State's pension funds. According to the Order, the SEC found that, between August 2001 and April 2007, the State acted negligently in failing to adequately disclose information concerning the TPAF and PERS in its bond documents. In agreeing to the Order, the State did not admit or deny the SEC's findings in the Order. Under the terms of the Order, the State was not required to pay any civil fines or penalties, and the SEC noted that it considered the State's cooperation during the inquiry as well as the remedial measures described in the Order instituting by the State to ensure compliance with its disclosure obligations under the federal securities law.

Litigation Affecting Pension Plans. See below under the captions "LITIGATION — *New Jersey Education Association et al. v. State of New Jersey et al.*," and "— *Professional Firefighters Association on New Jersey et al. v. State of New Jersey et al.*," "— *CWA v. State*" and "— *DePascale v. State of New Jersey*" for a description of claims pending against the State relating to the Pension Plans and the pension reforms included in the 2011 Pension and Health Benefit Reform Legislation.

Alternate Benefit Program. In addition to these defined benefit programs, the State also maintains the Alternate Benefit Program ("ABP"), which is a defined contribution plan for eligible employees of the public institutions of higher education in the State. Employer and employee contributions under the ABP are paid to authorized investment carriers who offer participants a variety of investment choices. The six investment carriers for this program are ING Life Insurance and Annuity Company, Met Life (formerly Travelers/CitiStreet), TIAA-CREF, AIG VALIC, AXA Financial (Equitable) and The Hartford. The State pays the employer pension contribution to the ABP at a rate equal to 8.0% of the member's base salary. In addition, the State provides funding to cover the cost of noncontributory group life insurance and long-term disability insurance coverage for ABP participants. For Fiscal Year 2010 and 2011, the State appropriated \$174.7 million and \$178.0 million, respectively, to cover pension contributions and to provide funding for noncontributory group life insurance and long-term disability benefits. For Fiscal Year 2012, the Fiscal Year 2012 Appropriations Act includes \$175.9 million as the State's contribution to the ABP to cover pension, noncontributory group life insurance, and long-term disability benefit costs. Since the ABP is a defined contribution plan and not a defined benefit plan, the State's sole obligation with respect to the ABP is to make the annual contributions and the State has no responsibility to ensure that the participating employees ultimately receive a level of benefit.

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

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

For Fiscal Year 2010 and 2011, the State contributed \$188,185 and \$453,036, respectively, to the DCRP on behalf of enrolled State employees to cover pension benefit costs. The Fiscal Year 2012 Appropriations Act includes \$773,000 as the State's contribution to the DCRP to cover pension benefit costs. No State contributions were required to be made for Fiscal Years 2010 and 2011 for noncontributory life insurance and long-term disability benefits costs. The Fiscal Year 2012 Appropriations Act includes \$197,000 as the State's contribution to cover such benefit costs.

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

Noncontributory Life Insurance. The State funds noncontributory insurance benefit costs for active and retired State employees. State appropriations are received on a monthly basis to cover actual benefit charges incurred and payable to beneficiaries of active and retired State employees plus administrative fees charged by the insurance providers. The State funds these benefit costs on a pay-as-you-go basis and does not actuarially determine the future liability of these benefit costs. The State expended \$71.6 million to cover noncontributory insurance benefit costs of the Pension Plans for the Fiscal Year 2011. For Fiscal Year 2012, the Fiscal Year 2012 Appropriations Act includes \$77.7 million for noncontributory insurance benefits for the Pension Plans.

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to the pension benefits, the State provides post-retirement medical ("PRM") benefits for certain State and other retired employees meeting the service credit eligibility requirements. This includes retired State employees of PERS, TPAF, PFRS, SPRS, JRS and ABP; local retired TPAF and other school board employees; and some local PFRS retirees. To become eligible for this State-paid benefit, a member of these Pension Plans must retire with 25 or more years of pension service credit or on a disability pension. These benefits are provided through the State Health Benefits Program ("SHBP") and the School Employees' Health Benefits Program ("SEHBP"), created under the provisions of P.L. 2007, Chapter 103 to provide medical and prescription drug coverage to active and retired education employees beginning July 1, 2008. The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement for covered retirees, spouses and dependents. In Fiscal Year 2011, the State paid PRM benefits for 120,635 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2011, the State expended \$1.223 billion to pay for PRM benefits for the eligible retirees in these groups mentioned above. The Fiscal Year 2012 Appropriations Act appropriates \$1.161 billion to cover anticipated pay-as-you-go PRM costs. The reduction in the amount to cover anticipated pay-as-you-go PRM costs for Fiscal Year 2012 as compared to Fiscal Year 2011 is attributable to projected savings from health benefits reforms included in the 2011 Pension and Health Benefit Reform Legislation and a change in the Medicare Part D subsidization option. However, since the projected savings from the reform measures are based on the health care reforms originally proposed by Governor Christie, which called for more drastic benefit reductions than mandated under the 2011 Pension and Health Benefit Reform Legislation, it is projected that the State will require additional funding in Fiscal Year 2012 above the \$1.161 billion appropriation to cover pay-as-you-go PRM benefit costs. The additional funding required to cover both active and retired employee medical benefits is approximately \$215 million. A portion of this total projected shortfall applies to funding for PRM benefits. See "FUNDING POST RETIREMENT MEDICAL BENEFITS — *Pension and Health Benefits Reform*" below.

In accordance with the provisions of GASB Statements No. 43 and 45, the State is required to quantify and disclose its obligations to pay PRM to current and future retirees. Based on the most recent valuation of these benefits and as summarized in the report, "Postemployment Benefits Other Than Pension Actuarial Valuation," submitted to the Division of Pensions and Benefits by AON Consulting (AON) in August, 2011, the Fiscal Year 2010 actuarial accrued liability of the State to provide PRM to active and retired members of the Pension Plans, which is based upon GASB 43 results as of July 1, 2010, has been measured to be \$59,282.0 million. An information copy of the valuation report is posted on the Division of Pensions and Benefits' website at <http://www.state.nj.us/treasury/pensions/financial-rpts-home.htm>. GASB 45 does not impose any requirement on the State to pre-fund its PRM actuarial accrued liability.

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

	GASB 43 Results (\$ millions) as of July 1, 2010		
	State	Education-State	Total
Actuarial Accrued Liability*			
Active	\$12,983.2	\$24,010.4	\$36,993.6
Retired	\$ 8,107.3	\$14,181.1	\$22,288.4
Total	\$21,090.5	\$38,191.5	\$59,282.0

* Assuming no pre-funding of obligations

The amounts set forth in this table exclude the actuarial accrued liability of the Local Governmental Employers who are participating in the State Health Benefits Program. The PRM actuarial accrued liability for the local governmental employers is \$12,089.8 million. The State has no legal responsibility with respect to the PRM obligations of Local Governmental Employers.

AON calculated the State PRM actuarial accrued liability based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by AON and approved by the State, and which conform to the requirements of GASB 43 and 45. AON used the Projected Unit Credit Actuarial Method to calculate the PRM actuarial accrued liability of the State and local participating employers. Many of the actuarial assumptions used to project the PRM actuarial accrued liability are the same as those used to determine the accrued actuarial liabilities of the Pension Plans. The discount rate used to determine the retiree healthcare liabilities is 4.5%, which is the maximum discount rate that GASB 43 and 45 permit when employers do not pre-fund their PRM actuarial accrued liabilities. When projecting the growth of expected claims of the lifetimes of the qualifying retirees, (1) AON assumed that healthcare expenses would increase at rates ranging from 8.0% to 9.0% in Fiscal Year 2011 and decrease to a 5.0% long-term trend for all medical benefits after 8 years and (2) AON assumed that prescription drug expenses would increase at a rate of 10.0% in Fiscal Year 2011 and decrease to a 5.0% long-term trend rate after 10 years. An information copy of the valuation report is posted on the Division of Pensions and Benefits' website at <http://www.state.nj.us/treasury/pensions/financial-rpts-home.htm>. The valuation reports for the years July 1, 2006 through July 1, 2009 are also posted on the web site.

SCHEDULE OF FUNDING PROGRESS FOR POST-RETIREMENT MEDICAL BENEFITS
Actuarial Valuations as of July 1, 2006 through July 1, 2010
(In Millions)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability(1)</u>	<u>Unfunded Actuarial Accrued Liability (UAA)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAA as a Percentage of Covered Payroll</u>
State & Education						
7/1/2006	\$0	\$58,059.0	\$58,059.0	0%	n/a	n/a
7/1/2007	\$0	\$50,649.5	\$50,649.5	0%	n/a	n/a
7/1/2008	\$0	\$55,913.5	\$55,913.5	0%	\$20,180.2	277.1%
7/1/2009	\$0	\$56,782.5	\$56,782.5	0%	\$20,794.2	273.1%
7/1/2010	\$0	\$59,282.0	\$59,282.0	0%	\$20,870.0	284.1%
Local						
7/1/2006	\$0	\$10,774.6	\$10,774.6	0%	n/a	n/a
7/1/2007	\$0	\$ 9,096.6	\$ 9,096.6	0%	n/a	n/a
7/1/2008	\$0	\$ 8,840.5	\$ 8,840.5	0%	\$2,411.7	366.6%
7/1/2009	\$0	\$10,010.4	\$10,010.4	0%	\$2,607.2	384.0%
7/1/2010	\$0	\$12,089.8	\$12,089.8	0%	\$2,844.1	425.1%

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the Postemployment Benefits Other Than Pension Actuarial Valuation Reports dated July 1, 2006 through July 1, 2010.

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

requirements commenced on June 28, 2011 for most State employees and upon the expiration of a collective bargaining agreement for others.

The 2011 Pension and Health Benefit Reform Legislation also calls for the establishment of two new committees, one for the SHBP and one for the SEHBP. The committees will be responsible for setting the amounts for maximums, co-pays, deductibles, maximums, and other such participant costs. In addition, the new committees will be responsible for providing employees with plan design options with varying out of pocket costs with regard to co-pays and deductibles, including a high deductible health plan that conforms to Internal Revenue Code Section 223. The State anticipates that the new plan options will be in place no earlier than January 1, 2012.

The State is continuing to assess how the health benefits reform will impact the future actuarial accrued liability of the SHBP and SEHBP. Since much of the health benefits reform relies on the decisions that the new committees discussed above will make, the State cannot assess any actuarial impacts that these decisions will have until after these decisions are made.

LITIGATION

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

Abbott v. Burke (Challenge to Proposed Fiscal Year 2011 School Aid Funding Levels). On June 8, 2010, the Education Law Center (“ELC”) filed with the New Jersey Supreme Court a motion in aid of litigants’ rights challenging the proposed levels of Fiscal Year 2011 school aid funding in the Governor’s Fiscal Year 2011 Budget Message. The ELC argues that the State’s failure to propose full funding of the School Funding Reform Act (“SFRA”) is a violation of the Court’s express mandates in *Abbott XX*. The ELC is seeking to enjoin the State from funding school districts in Fiscal Year 2011 at a level below that anticipated by the SFRA and from conducting the three-year review of the SFRA formula until such time as the SFRA is fully implemented. The State filed its opposition to ELC’s motion in aid of litigants’ rights on July 9, 2010. On January 13, 2011, the Court issued an order determining that it had an insufficient basis on which to make a decision whether school aid funding, at current levels, distributed through SFRA can provide for a thorough and efficient education as measured by the Core Curriculum Content Standards. The Court remanded the matter to a Special Master for a hearing on that question. On March 22, 2011, the Special Master issued his report, concluding that the State did not meet its burden in demonstrating that the present level of school funding distributed through SFRA can provide for a thorough and efficient education as measured by the Core Curriculum Content Standards. On May 24, 2011, the Court issued its decision in the matter. The Court granted the ELC’s motion which had challenged the proposed levels of Fiscal Year 2011 school aid funding in the Governor’s Fiscal Year 2011 Budget Message. The Court held that the amount of aid provided to Abbott school districts in Fiscal Year 2011 violated the Court’s decision in *Abbott XX* and the constitutional rights enforced therein. The Court ordered prospective relief for the 31 Abbott districts for Fiscal Year 2012. In making the calculation for Fiscal Year 2012, the Court stated that the funding formula must be adjusted to correct the State’s failure to provide the SFRA’s statutory level of formula funding to these Abbott districts during Fiscal Year 2011. The Court cited an estimate made by the Office of Legislative Services indicating that the cost of the remedy would be approximately \$500 million.

Appeal of Denial of Reimbursement by the Centers for Medicare and Medicaid Services. On June 3, 2010, the Regional Administrator of the federal Centers for Medicare and Medicaid Services (“CMS”) informed the New Jersey Department of Human Services (“DHS”) of a disallowance of federal reimbursement in the amount of \$50,500,277 previously paid to the DHS under the Medicaid program. The disallowance relates to expenditures for school-based health services in the State for the period July 1, 1998 through June 30, 2001. CMS alleges that DHS made improper claims for provision of services; that the claims contained insufficient documentation; and that the individuals who provided the services lacked proper qualifications. CMS’ findings are based on review of one hundred and fifty claims with the results extrapolated to all claims during that period in question. DHS appealed this disallowance to the Departmental Appeals Board of the United States Department of Health and Human Services. The State is vigorously defending this matter.

Disability Rights New Jersey et al. v. Jennifer Velez (II). Plaintiff, DRNJ and two clients of the New Jersey Department of Human Services, Division of Developmental Disabilities (“Department”) filed this action on September 29, 2005. On October 7, 2005, Plaintiff served defendant, Commissioner of Human Services (“Commissioner”) with a summons complaint and waiver of service. The Plaintiff alleges that the Department is in violation of Title II of the Americans With Disabilities Act (the “ADA”), as interpreted in *Olmstead v. L.C.*, 527 U.S. 581 (1999), Section 504 of the Rehabilitation Act and the Medicaid Act. The Plaintiff is seeking declaratory and prospective injunctive relief, attorneys fees, litigation expenses and other relief. More specifically, the Plaintiff seeks community placements for the people that Plaintiff alleges are in State-operated developmental centers while awaiting community placement. The State filed its answer on December 5, 2005.

On February 1, 2008, the Plaintiff filed an amended complaint, alleging that the Commissioner is in violation of the Fourteenth Amendment of the United States Constitution and the ADA because the Commissioner fails to provide for commitment hearings before a developmentally disabled individual is admitted to a State developmental center and fails to provide for on-going commitment hearings during an individual’s continued residence at a State developmental center. In addition, the Plaintiff seeks injunctive relief requiring that the State conduct hearings on notice and with representation for the developmentally disabled individual prior to admission

and annually thereafter. Pursuant to L. 2006, c. 61, on May 21, 2007, the Department submitted to the State Legislature an eight-year plan to make community placements for all people who are assessed to be appropriate for community placement and wish to be so placed. The State filed its answer on June 4, 2007. On March 25, 2010, both parties moved for summary judgment. On September 24, 2010, both parties' motions were denied by the court. On February 3, 2011, the Plaintiff filed a motion to amend the complaint, seeking to add three new plaintiffs. On April 7, 2011, the court permitted the Plaintiff to amend the complaint and add two new plaintiffs. On April 21, 2011, plaintiffs filed a second amended complaint. On May 26, 2011, the Department filed an answer to the second amended complaint. Discovery is continuing in this matter. The State is vigorously defending this matter.

Disability Rights New Jersey v. Jennifer Velez (III). Plaintiff, DRNJ filed suit on April 23, 2008 against the Commissioner of the Department seeking relief for individuals who are eligible for services from the Department, seeking reformation of the Department's Home and Community Based Waiver services, which are implemented by the Department pursuant to State and federal law. Part of that cost is borne by the federal government as part of the New Jersey Community Care Waiver, which is part of the State's Medicaid plan. DRNJ alleges that there are approximately 8,000 developmentally disabled persons on the waiting list for community placements. Although both State law and the Medicaid Act allow waiting lists, DRNJ's suit, brought under 42 U.S.C.A. § 1983, alleges that the waiver program, as currently utilized, violates Title II of the ADA, Section 504 of the Rehabilitation Act, and Sections 1396a(a)(8) and 1396n(c)(2)(C) and (d)(2)(c) of the Medicaid Act. DRNJ seeks an injunction requiring the State to provide the community services within specified reasonable time frames and to eliminate the waiting list within 3 years, as well as other relief, attorneys' fees other and costs. The State filed a motion for a more definite statement and to strike portions of the complaint, which motion was granted by the court on September 9, 2008. DRNJ filed an amended complaint on September 26, 2008. The State filed a motion to dismiss the complaint on December 31, 2008. The United States Attorney's Office was notified of the federal constitutional challenges involved in the motion to dismiss and filed a brief in opposition on June 29, 2009. On July 23, 2009, the court denied the State's motion to dismiss the complaint. Discovery in this matter is currently in process. The State is vigorously defending this matter.

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

FiberMark claims it is the successor to a 1991 landfill agreement ("1991 Agreement"), by which FiberMark was obligated to receive and treat leachate from the neighboring landfill in FiberMark's waste water treatment lagoons before discharge into the Musconetcong River. FiberMark claims that as part of a voluntary Chapter 11 bankruptcy petition for reorganization filed in the State of Vermont, the bankruptcy court granted FiberMark's motion to reject the 1991 Agreement on June 23, 2005. FiberMark claims it has had no responsibility to treat the leachate from the neighboring landfill since that date and has suffered damages from DEP's alleged illegal discharges of leachate onto Warren Glen, but that DEP forced FiberMark to continue treating leachate discharged from the neighboring landfill from March 2006 through September 13, 2007. In April 2007, DEP successfully rerouted the leachate so that it no longer runs onto Warren Glen and is permanently enjoined, on a prospective basis, from allowing leachate to run onto Warren Glen pursuant to a partial consent judgment entered into by the parties on September 12, 2007 in a related case, *FiberMark North America Inc. v. Jackson*, previously filed in the United States District Court. The State filed its answer to FiberMark's complaint filed in State court on June 23, 2008. The trial on this matter began on May 4, 2009. At the conclusion of FiberMark's presentation of its case on May 7, 2009, DEP

moved to dismiss the matter, which the court granted. On May 26, 2009, Fibermark filed several motions with the court. Fibermark also filed a notice of appeal with the Appellate Division. On July 6, 2009, Fibermark filed a motion with the Appellate Division requesting the Appellate Division compel the court to decide the motions previously filed with the court. By order dated September 18, 2009, the Appellate Division temporarily remanded the matter for 30 days to the court, for the trial judge to rule on the post-judgment motions previously filed with the court. On October 23, 2009, the court issued a decision from the bench denying FiberMark's motions. On October 28, 2009, the trial judge issued a written Supplemental Memorandum of Decision on Motion. This matter was returned to the Appellate Division. All briefs were filed and oral argument was held on May 3, 2011. On August 5, 2011, the Appellate Division issued a decision affirming the trial court's decision in part, reversing in part and remanding for further proceedings. The Appellate Division upheld the trial court's decision dismissal of FiberMark's claims, but disagreed with the trial court's dismissal of FiberMark's claim for damages resulting from its inability to cease operations and decommission and sell Warren Glen. The State is vigorously defending this matter.

New Jersey Department of Environmental Protection et al. v. Occidental Chemical Corporation, et al. In December 2005, the NJDEP, the Commissioner of NJDEP, and the Administrator of the New Jersey Spill Compensation Fund (collectively, "Plaintiffs") filed suit in the Superior Court, Law Division, Essex County against Occidental Chemical Corporation ("Occidental"), Maxus Energy Corporation ("Maxus"), Tierra Solutions, Inc. ("Tierra"), Repsol YPF, S.A. ("Repsol"), YPF, S.A. ("YPF"), YPF Holdings, Inc. and CLH Holdings, Inc. seeking costs and damages relating to the discharge of dioxin into the Passaic River and its environs by Diamond Shamrock Corporation, a predecessor of defendant Occidental. In November 2008, Maxus and Tierra filed counterclaims against the Plaintiffs seeking, among other things, (a) contribution under the New Jersey Spill Compensation and Control Act, *N.J.S.A.* 58:10-23.11 to -23.24 (the "Spill Act"), for an equitable share of any Passaic River cleanup and removal costs and damages for which Maxus and Tierra may be found liable, (b) claims under the Environmental Rights Act, *N.J.S.A.* 2A:35A-1 to 35A-14, and an injunction against the issuance of permits issued in violation of *N.J.S.A.* 58:14-7 and -8; (c) the abatement of discharges of untreated or inadequately treated wastewater in the Newark Bay Complex; the abatement of pollution sources from outside the Newark Bay Complex; and an order removing NJDEP as trustee for natural resources within the Newark Bay Complex, (d) a judgment finding NJDEP liable for aiding and abetting discharges of polluting matter into the Passaic River, and an injunction prohibiting NJDEP from permitting or condoning the further discharge of polluting matter into the Passaic River or its tributaries, (e) the reduction or extinction of any judgment rendered against Maxus and Tierra under the doctrine of recoupment, (f) a judgment that NJDEP is liable for public nuisance in the event that all or part of the Newark Bay Complex is determined to be a public nuisance; an order imposing on the Plaintiffs' an equitable share of any relief the court might order on the Plaintiffs' public nuisance claims, (g) an order setting off the Plaintiffs' share of liability for discharges of hazardous substances into the Newark Bay Complex and an order setting off any benefits that the Plaintiffs' have received from activities that contaminated the Newark Bay Complex against any liability that Maxus and Tierra may have, and (h) contribution for a proportionate share of cleanup and removal costs, damages or other losses for which Maxus and Tierra may be held liable or that they have incurred or may incur for the Newark Bay Complex. In February 2009, Maxus and Tierra filed third party complaints against the State, the Department of Agriculture ("NJDA"), New Jersey Transit and the Department of Transportation ("NJDOT") seeking contribution from each of these third party defendants. With respect to NJDOT, Maxus and Tierra allege that hazardous substances were discharged into the Newark Bay Complex from the Kearny Oil Lake Site while NJDOT owned and operated that site and that NJDOT is a discharger under the Spill Act. With respect to the NJDA, Maxus and Tierra allege that mosquito spraying conducted by the NJDA in the vicinity of the Passaic River or its tributaries contributed to the contamination in the Passaic River. The third party defendants, NJDOT and NJDA, joined in separate motions to dismiss portions of the third party complaint filed by Maxus and Tierra. In December 2010, the Special Master assigned to this matter recommended the dismissal of certain of Maxus and Tierra's counterclaims against Plaintiffs and cross claims against the State, as a third-party defendant. Specifically, the Special Master recommended dismissal of Maxus and Tierra's claims: (1) against DEP and the State involving their regulatory roles, including those for failure to enforce the law; (2) involving the State's ownership of submerged lands; (3) alleging that DEP and/or the State improperly issued certain permits; (4) against DEP involving spraying of DDT; (5) against DEP and the State involving the Kearny Oil Lake site; and (6) against DEP and the State alleging violation of the Public Trust Doctrine. Maxus and Tierra have appealed the Special Master's recommendation to the court. On March 8, 2011, the court adopted the Special Master's recommendations and dismissed certain of Maxus and Tierra's claims against

DEP and all of the claims against the State, as third party defendant. The dismissal of these claims against the State, as third party defendant, and against DEP were embodied in an order dated May 11, 2011.

On January 26, 2011, the Special Master recommended the denial of the motions of NJDOT and NJDA to dismiss portions of the third party complaint filed by Maxus and Tierra. NJDOT and NJDA filed motions to appeal the Special Master's recommendation during February 2011. NJDOT and NJDA filed motions with the court appealing the Special Master's recommendation to deny the motions of NJDOT and NJDA to dismiss portions of the third party complaint. In April 2011, the court upheld the recommendations of the Special Master and denied NJDOT, NJDA and other third party defendants' motions to dismiss. On May 25, 2011, the Appellate Division granted NJDOT, NJDA and the other third party defendants' requests for leave to appeal the court's denials of the motions to dismiss. NJDOT, NJDA and the other third party defendants filed motions to stay the trial proceedings with the court, but the court denied those motions. NJDOT, NJDA and the other third party defendants thereafter filed motions to stay proceedings at the trial level with the Appellate Division. The appeal of the denials of the motions to dismiss and the motions to stay proceedings are currently pending before the Appellate Division.

On July 26, 2011, the court ruled that Occidental, as the successor to Diamond Shamrock Chemicals Company ("Diamond Shamrock"), is strictly, jointly and severally liable for all cleanup and removal costs associated with the hazardous substances discharged by Diamond Shamrock from the Lister Avenue Site into the Passaic River between 1951-1969. The amount of damages will be determined during the damages phase of the trial, which is currently expected to begin in September 2013.

A motion for partial summary judgment was filed by the Plaintiffs against Tierra seeking a determination of liability based on Tierra's ownership of the Lister Avenue site. A decision on the motion is expected on August 24, 2011. Also on that date, the court will hear Occidental's motion for partial summary judgment on the issue of an indemnity obligation owed by Maxus stemming from the 1986 Stock Purchase Agreement whereby Occidental purchased all of the stock of Diamond Shamrock from Maxus. If Occidental prevails on its indemnity motion, Maxus would ultimately be responsible for any cleanup and removal costs and other damages assessed against Occidental. Any liability issues that are not resolved by these motions will be tried by the court beginning in May 2012.

The Plaintiff's and Occidental's fraudulent conveyance/alter ego claims against Repsol and YPF are currently scheduled to be tried in September 2012. Both the Plaintiffs and Occidental have alleged that Repsol and YPF committed a fraud upon both parties by systematically stripping assets from Maxus and leaving it unable to satisfy any Passaic River cleanup liabilities that may be imposed upon Maxus. The State is vigorously defending this matter.

New Jersey Education Association et al. v. State of New Jersey et al. This matter was filed in the New Jersey Superior Court, Law Division, Mercer County. Plaintiffs' third amended complaint alleges that the State violated various constitutional provisions, statutes and common law by failing to fund the Teachers' Pension and Annuity Fund ("TPAF") in the amount and manner prescribed by law while increasing the contribution paid by employees who participate in the fund from 3% to 5%. In particular, plaintiffs allege that the Treasurer failed to submit to the Legislature a request for the monies certified by the TPAF's actuary to be necessary to fund the State's contribution to the TPAF for Fiscal Years 2004 through 2007 and that the State Legislature failed to properly fund the TPAF as required by law and required the local school boards to increase the employees' contributions from 3% to 5% in violation of applicable law.

Plaintiffs sought a judgment declaring that defendants' failure to "properly and adequately fund" the TPAF violates various constitutional and statutory provisions, including provisions of the Internal Revenue Code of 1986. In their complaint, plaintiffs asked that the defendants be directed to make a payment into the TPAF or in the alternative, that the employees' contribution be maintained at 3% and not increased. In addition, plaintiffs sought attorneys fees, disbursements and costs pursuant to 42 U.S.C. § 188 or any other legal basis.

On April 28, 2004, the State moved to dismiss the complaint for failure to state a claim upon which relief can be granted. Oral argument on the motion was held on June 11, 2004. On July 15, 2004, the court issued its decision granting the State's motion to dismiss as to claims of violation of the constitutional principles of uniformity and fairness in taxation, violation of the Internal Revenue Code of 1986 and N.J.S.A. 43:3C-9.1, and breach of promissory estoppel. The court denied the State's motion on the other claims. On or about June 28, 2004, the plaintiffs filed an amended complaint which included allegations of underfunding the TPAF for the Fiscal Year 2005 and which sought an additional payment of \$675 million into the TPAF. On November 23, 2004, the State moved to dismiss the amended complaint which motion

was denied. The State then moved for leave to appeal to the Appellate Division seeking review of the court's denial of the State's motion to dismiss. On January 13, 2005, the Appellate Division denied the State's motion. On February 2, 2005, the State moved for leave to appeal to the Supreme Court of New Jersey seeking review of the court's order declining to dismiss the amended complaint against the State. By order dated September 12, 2005, the Supreme Court denied the State's motion for leave to appeal. On April 2, 2008, the trial court held that the plaintiffs had failed to prove a substantial impairment of a contractual right and dismissed the complaint in its entirety. On May 22, 2008, the plaintiffs filed a notice of appeal. Oral argument on this matter in the Appellate Division was held on December 15, 2009. On March 4, 2010, the Appellate Division affirmed the trial court's decision on the grounds that there is no constitutionally-protected contract right to systematic funding of the TPAF. Having so concluded, the Appellate Division stated that it need not determine the prospective effect of the appropriation shortfalls in FY 2004-2007, and whether they constitute a "substantial impairment" in any constitutional sense. On March 22, 2010, the Plaintiffs filed a notice of petition for certification with the Supreme Court challenging the Appellate Division's decision affirming the trial court's dismissal of the Plaintiffs' complaint. On June 22, 2010, the Supreme Court denied the plaintiffs' petition for certification.

Professional Firefighters Association of New Jersey et al. v. State of New Jersey et al. This matter was filed in the New Jersey Superior Court, Law Division, Mercer County, on October 4, 2005 and was served on the State on October 20, 2005. The plaintiffs' complaint alleges that the State violated various constitutional provisions (federal and State), statutes and common law by failing to fund the Police and Firemen's Retirement System ("PFRS") for Fiscal Year 2004 and Fiscal Year 2005 in the amount required by law. The plaintiffs also challenge the constitutionality of P.L. 2003, c. 108, which reduces the PFRS contributions required of local employers for Fiscal Year 2004 through Fiscal Year 2007. In addition to a judgment declaring that the defendants' failure to properly and adequately fund PFRS in Fiscal Year 2004 and Fiscal Year 2005 violates various constitutional provisions, statutes and common law, the plaintiffs seek an order requiring the State "to make a payment to PFRS for FY2004 and FY2005 to properly fund the PFRS, in accordance with fiscally responsible actuarial calculations." On January 26, 2007, the court heard arguments on motions made by the State to dismiss the complaint. On March 13, 2007, the court granted the State's motion to dismiss three counts of the seven count complaint and to merge the other counts. The only count before the court is the plaintiffs' claim that the State's funding decisions constitute an unconstitutional impairment of contract. Discovery in the case is stayed. The plaintiffs filed a motion for summary judgment in August 2008. The State filed a cross-motion for summary judgment to dismiss the complaint, or in the alternative, a stay of the proceedings pending resolution of the *New Jersey Education Association et al. v. State of New Jersey et al.* matter. On May 9, 2009, the court granted the plaintiffs' motion for an order allowing the plaintiffs' to amend their complaint to assert claims based on L. 2009, c. 19, which allows for local governments to defer certain of their pension contributions for Fiscal Year 2009. On June 10, 2009, the State filed its answer to the amended complaint. In light of the Appellate Division's March 4, 2010 decision in *New Jersey Education Association et al. v. State of New Jersey et al.*, the trial court informed the parties that the complaint would be dismissed on summary judgment without the need for oral argument. On April 8, 2010, the trial court dismissed the complaint on summary judgment for the same reasons enunciated in the Appellate Division's March 4, 2010 decision in *New Jersey Education Association et al. v. State of New Jersey et al.* The plaintiffs filed an appeal of the trial court's decision in the Appellate Division. All briefs have been submitted in this matter. Oral argument in this matter was held on January 4, 2011, and the parties await a decision from the Appellate Division. The State is vigorously defending this matter.

CWA v. State. On June 22, 2011, CWA Local 1033 and other plaintiffs filed a lawsuit in federal court challenging P.L. 2011, c. 78 ("Chapter 78"), which reformed public employee pension and health benefits. The complaint alleges that the State's historical funding of the pension funds violates the Contracts Clauses of the State and federal constitutions. The State prevailed in a similar challenge in *New Jersey Education Association et al. v. State of New Jersey et al.*, 412 N.J. Super. 192 (App. Div. 2010), *certif. denied*, 202 N.J. 347 (2010) (described below). The complaint also alleges that Chapter 78, as well as P.L. 2010, c. 1, violates the Debt Limitation Clause of the State Constitution and that the provisions providing for no further adjustments to the monthly retirement allowance unless and until reactivated as permitted by law violates the Contracts Clauses of the State and federal constitutions. The plaintiffs also allege that Chapter 78 violates due process, constitutes a taking, asserts that the State has violated statutory and common law fiduciary obligations and the State's funding of the pension plans has violated State and federal tax law. The State is vigorously defending this matter.

DePascale v. State of New Jersey. On July 22, 2011, plaintiff Paul DePascale, J.S.C., filed a complaint and order to show cause in the Superior Court, Mercer County, and also a notice of motion for direct certification with the New Jersey Supreme Court alleging that Chapter 78 (the 2011 Pension and Health Benefit Reform Legislation) violates Article VI, sec. 6, para. 6 of the State Constitution, which provides that “[t]he Justices of the Supreme Court and the Judges of the Superior Court shall receive for their services such salary as may be provided by law, which shall not be diminished during their term of appointment.” DePascale seeks declaratory relief that Chapter 78 is unconstitutional as applied to judges and Justices appointed before its enactment and the immediate restoration of all funds which have been or may be deducted from his salary and the salaries of Justices and Judges appointed before the enactment of Chapter 78. The State is vigorously defending this matter.

Twenty First Century Rail Corporation v. New Jersey Transit Corporation. In December 2008, Twenty First Century Rail Corporation (“TFC”) filed claims against the New Jersey Transit Corporation (“NJ Transit”) concerning the construction by TFC of a major portion of the second phase of NJ Transit’s Hudson Bergen Light Rail Transit Project (“HBLRT”). TFC is the prime contractor on the long-term design, construction and operation of the HBLRT. Although the entire project was bid out by NJ Transit as a design/build/operate/maintain contract to be constructed in several major phases, one portion of the second phase was designed in its entirety by NJ Transit’s design consultant firm, Parsons, Brinkerhoff, Quade & Douglass (the “Design Consultant”), for construction by TFC (the “N-30 Tunnel Contract”). The N-30 Tunnel Contract involved the enlargement and rehabilitation of the existing Weehawken Tunnel under the Palisades, the construction of a new street-level station to be connected to the Weehawken Tunnel by an elevator system, and the installation of necessary light rail tracks, signals and communications. The contract with TFC required it to subcontract out the work after soliciting competitive bids. The subcontract was issued by TFC to a joint venture of Frontier-Kemper Constructors, J.F. Shea Construction and Beton-Und Monierbau (collectively, “Frontier-Kemper”). TFC and Frontier-Kemper claim that substantial design errors and omissions by NJ Transit’s Design Consultant led to significant delays on the N-30 Tunnel Contract by Frontier-Kemper, resulting in substantial damages to TFC and Frontier-Kemper. TFC has also asserted claims for breach of contract and breach of the covenant of good faith and fair dealing. TFC and Frontier-Kemper have also asserted claims of unjust enrichment/quantum meruit against NJ Transit and claims for negligence and negligent misrepresentation against the Design Consultant. In March 2009, NJ Transit filed an answer to TFC’s complaint, counterclaims and cross-claims against TFC and Frontier-Kemper and a motion for summary judgment. In March 2009, the Design Consultant filed cross-claims against NJ Transit and a third party complaint against other parties involved in the matter.

In May 2009, the court heard oral argument on NJ Transit’s motion for summary judgment. As a result of the summary judgment motion, TFC and Frontier-Kemper conceded to the dismissal of their unjust enrichment/quantum meruit claims against NJ Transit. The court also issued a case management order, with the consent of all parties, which provides for limited document discovery and for mediation of this matter to take place in October 2009. Mediation occurred in October 2009, but did not result in a settlement. On December 4, 2009, the court entered an order providing that the TFC and Frontier-Kemper may not seek damages due to negligent performance of architectural services. On February 18, 2010, NJ Transit filed a motion to dismiss TFC’s and Frontier-Kemper’s claims pursuant to the statute of limitations under the New Jersey Contractual Liability Act. In March 2010, the court denied NJ Transit’s motion to dismiss. Frontier-Kemper filed a motion to disqualify the Design Consultant’s attorneys based on an alleged conflict of interest. On May 21, 2010, the court issued an order denying Frontier-Kemper’s motion to disqualify the Design Consultant’s attorneys. Frontier-Kemper filed a motion for leave to appeal from court’s May 21, 2010 order. On October 21, 2010, the Supreme Court granted Frontier-Kemper’s motion to appeal and remanded the matter back to the Appellate Division for consideration on the merits. TFC, Frontier-Kemper and NJ Transit have agreed to settle this matter for \$18.5 million, and agreed to approximately \$3 million in change orders to be paid by NJ Transit. NJ Transit has paid the agreed upon settlement amount to TFC and Frontier-Kemper. A stipulation of dismissal with prejudice will be filed with the court. The State is vigorously defending this matter.

Horizon Blue Cross Blue Shield of New Jersey v. The State of New Jersey et als. The New Jersey Legislature amended the insurance premiums tax to remove the availability of the insurance premiums tax “cap” for health service corporations. The Legislature projected that the amendment would have a positive revenue effect of approximately \$40 million annually. On July 6, 2005, Horizon Blue Cross Blue Shield of New Jersey (“Horizon”) filed a complaint in the Superior Court of New Jersey, Chancery Division, Essex County, contesting this tax

amendment and seeking (i) a declaration that the statute is unconstitutional; (ii) to restrain and enjoin the State from collecting the tax; and (iii) other relief. Horizon asserts numerous Federal and State constitutional claims regarding the amendment, including violations of due process, equal protection, special legislation, retroactivity, the takings clause, the attainder clause, and unauthorized state action under 42 U.S.C. Sec. 1983. The State filed an answer and a motion to transfer the matter to the Tax Court of New Jersey, on August 9, 2005. On October 28, 2005, the court granted the State's motion to transfer this matter to the Tax Court of New Jersey.

On February 9, 2006, Horizon filed an order to show cause seeking injunctive relief against enforcement by the State of the amendment. On February 21, 2006, the State filed its opposition to the order to show cause and also filed a cross motion to dismiss Horizon's Section 1983 and takings clause claims. On February 22, 2006, the Tax Court denied Horizon's request for injunctive relief, agreeing with the State that the payment of the insurance premium tax pursuant to the amendment did not cause irreparable harm to Horizon. The Tax Court also, on February 22, 2006, denied the State's cross motion. On May 4, 2006, the State again filed a motion to dismiss Horizon's Section 1983 claim for failure to state a claim. On May 26, 2006, in response to the State's motion to dismiss Horizon's Section 1983 claim, Horizon filed a cross motion to compel discovery; which cross motion has been subsequently withdrawn. On June 9, 2006, the Tax Court dismissed Horizon's Section 1983 claim. On February 2, 2009, Horizon filed a motion for summary judgment. The State filed its opposition and a cross-motion to Horizon's motion for summary judgment on March 30, 2009. Argument was heard by the Tax Court on April 27, 2009. On December 15, 2009, the Tax Court upheld the State's assessment of the insurance premiums tax and the constitutionality of the insurance premiums tax "cap" statute as amended. On January 13, 2010, Horizon filed a notice of appeal with the Appellate Division. The parties have filed their briefs with the Appellate Division. Oral argument has not yet been scheduled. The State is vigorously defending this matter.

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

Pfizer Inc. et al. v. Director, Division of Taxation. Two taxpayers, Pfizer Inc. ("Pfizer") and Whirlpool Properties, Inc. ("Whirlpool"), challenge the New Jersey Tax Court's affirmation of the facial constitutionality of the Corporation Business Tax ("CBT") "Throw-Out Rule," which affects the amount of taxable income taxpayers "allocate" to the State. In pursuit of their facial challenges, the taxpayers asserted that the Throw-Out Rule (which requires the exclusion of certain receipts from the CBT "allocation formula") violates the Due Process and Commerce Clauses of the United States Constitution as well as various equitable principles. Two amici curiae further claimed that the Throw-Out Rule violates the Supremacy Clause of the United States Constitution. On May 29, 2008, the Tax Court granted the Division's cross-motion to sustain the facial constitutionality of the Throw-Out Rule. The Tax Court found that, on its face, this rule did not violate any of the constitutional provisions raised. Taxpayers' "as-applied" challenges remain. The taxpayers sought interlocutory review in the Appellate Division, which was denied. In August 2008, Pfizer and Whirlpool sought leave for interlocutory review in the New Jersey Supreme Court. The New Jersey Supreme Court granted interlocutory review, but concurrently remanded to the Appellate Division for review on the merits. All parties briefed the facial constitutionality issue and the Appellate Division heard oral argument on November 16, 2009. On July 12, 2010, the Appellate Division affirmed the Tax Court's decision on the facial constitutionality of the Throw-Out Rule. On October 21, 2010, the Supreme Court granted the taxpayers' motion for leave to appeal. On May 3, 2011, Pfizer and the Division settled the dispute concerning the facial constitutionality of the Throw-Out Rule. On May 4, 2011, the Whirlpool matter was argued before the Supreme Court. By a unanimous opinion dated July 28, 2011, the New Jersey Supreme Court affirmed, with modification, the facial constitutionality of the Throw-Out Rule. Whirlpool's as applied constitutional challenge remains for adjudication by the Tax Court of New Jersey. The State is vigorously defending this matter.

Mid-Atlantic Solar Energy Indus. Ass'n v. Christie. On February 11, 2010, the Governor issued Executive Order No. 14 ("EO 14"), which declared that a state of fiscal emergency exists due to a budget shortfall in excess of \$2.2 billion. In EO 14, the Governor also ordered the Budget Director to identify and place into reserve, pursuant to N.J.S.A. 52:27B-26, funds in an amount sufficient to ensure that the State budget for Fiscal Year 2010 remains

balanced. In response to the Governor's mandate, the Budget Director then placed into reserve, among other monies, \$158 million from the Clean Energy Trust Fund. On March 24, 2010, Mid-Atlantic Solar Energy Industries Association (the "Appellant"), a trade and advocacy organization comprised of solar manufacturers, filed a Notice of Appeal challenging the transfer of \$158 million of Clean Energy Trust Funds into the General Fund. The Appellant claims that the Governor's mandate to the Budget Director violates the State Constitution and was without legislative authorization. The Appellant sought a court order directing the State Treasurer to return the \$158 million to the Clean Energy Trust Fund. All briefs were filed by June 1, 2010, and the Appellant moved on June 23, 2010 to accelerate oral argument. On June 29, 2010, a supplemental appropriation, *L. 2010, c. 19*, was enacted providing that notwithstanding any law or regulation to the contrary, transfer of an amount not in excess of \$158 million may be transferred from the Clean Energy Fund into the General Fund as State revenue, subject to the approval of the Budget Director. On June 29, 2010, the State filed a motion to dismiss this appeal as moot. The Appellate Division denied the State's motion to dismiss the appeal as moot.

The Appellant has also filed three separate, but related challenges in this matter: *In re Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for 2009-2012: Revised Budgets*; *In re Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for 2009-2010: Revised 2010 Budget Order Issued 21 June 2010*; and *In re P.L. 2010, c. 19*. These cases challenge P.L. 2010, c. 19, the Governor's mandate to the Budget Director to place in reserve the \$158 million of Clean Energy Funds and the transfer of such funds into the General Fund and the New Jersey Board of Public Utilities ("BPU") June 21, 2010 Budget Order which revised previously approved budgets in light of compliance with EO 14 as a violation of the Electric Discount and Energy Competition Act ("EDECA"), ultra vires, void ab initio and is arbitrary and capricious. The Appellant moved to consolidate all four appeals. The State filed a cross motion to dismiss *In re P.L. 2010, c. 19* as improperly venued in the Appellate Division and those parts of the appeals which challenge the Legislature's authority to transfer the Clean Energy Trust Fund monies to the General Fund pursuant to P.L. 2010, c. 19. In September 2010, the Appellate Division denied the Appellant's motion to consolidate the four appeals and denied the State's motion to dismiss *In re P.L. 2010, c. 19* as improperly venued in the Appellate Division.

On October 19, 2010, oral argument was held in *Mid-Atlantic Solar Energy Indus. Ass'n v. Christie*. On December 7, 2010, oral argument was held on the other three appeals: *In re Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for 2009-2012: Revised Budgets*; *In re Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for 2009-2010: Revised 2010 Budget Order Issued 21 June 2010*; and *In re P.L. 2010, c. 19*. On March 4, 2011, the Appellate Division held that *L. 2010, c. 19*, which authorized the transfer of \$158 million of monies from the Clean Energy Fund into the General Fund, was valid, and therefore, this conclusion moots the Appellant's other three appeals. On March 23, 2011, the Appellants filed a petition for certification with the Supreme Court. On July 14, 2011, the Supreme Court denied the Appellants' petition for certification.

Challenges to L. 2010, c. 25. On September 23, 2010, American Express Travel Related Services Company, Inc. ("AMEX") filed suit against the State Treasurer and State's Unclaimed Property Administrator (the "State Defendants") challenging the establishment of an abandonment period for travelers check under the State's unclaimed property laws enacted as part of *L. 2010, c. 25* ("Chapter 25") as unconstitutional under the Contracts Clause, the Commerce Clause, the Due Process and Takings Clause of the Fifth Amendment and the Fourteenth Amendment of the United States Constitution and seeking injunctive relief against the State Defendants from enforcing Chapter 25. On November 13, 2010, the U.S. District Court ruled on AMEX's order to show cause and found that AMEX failed to establish a reasonable likelihood of success on its claims challenging the provisions of Chapter 25 which are applicable to travelers checks. On November 15, 2010, the U.S. Court of Appeals for the Third Circuit (the "Third Circuit"), on motion by AMEX, granted a preliminary injunction. In a related matter, on September 30, 2010, the New Jersey Retail Merchants Association ("NJRMA") filed suit against the State Defendants challenging the revisions to the priority scheme applicable to gift cards, gift certificates, stored value cards and stored value certificates as void and unenforceable under the priority scheme doctrine established under *Texas v. New Jersey*, 379 U.S. 674 (1965), to determine which state could escheat abandoned intangible property, as unconstitutional under the Contracts Clause, the Takings Clause of the Fifth Amendment and the Due Process Clause of the Fourteenth Amendment and seeking injunctive relief against the State Defendants from enforcing Chapter 25.

In subsequently filed related matters, on October 5, 2010, the New Jersey Food Council ("Food Council") and on October 11, 2010, American Express Prepaid Card Management Corporation ("AMEX PCMC") filed separate suits against the State Defendants challenging the reduction in the abandonment period for gift cards and stored

value cards under the State's unclaimed property laws enacted as part of Chapter 25 as in violation of the federal CARD Act (15 U.S.C. 16931-1) which precludes the issuers of gift cards from imposing expiration dates earlier than five years, challenging the revisions to the priority scheme applicable to gift cards and stored value cards as void and unenforceable under the priority scheme doctrine established under *Texas v. New Jersey*, as unconstitutional under the Contracts Clause, Takings Clause and Due Process Clause of the State Constitution, as unconstitutional under the Contracts Clause, the Takings Clause and Due Process Clause of the Fifth and Fourteenth Amendments of the United States Constitution and seeking injunctive relief against the State Defendants from enforcing Chapter 25.

On October 25, 2010, Merchants Express Money Order Company, Inc. ("MEMO") filed suit against the State Defendants challenging the provisions of Chapter 25 applicable to money orders. MEMO alleges that the provisions of Chapter 25 applicable to money orders is unconstitutional under the Contracts Clause, Takings Clause and Due Process Clause of the State Constitution, unconstitutional under the Contracts Clause, the Takings Clause and Due Process Clause of the Fifth and Fourteenth Amendments of the United States Constitution and is seeking injunctive relief against the State Defendants from enforcing Chapter 25. On November 18, 2010, the U.S. District Court denied MEMO's motion for preliminary injunctive relief. MEMO immediately filed a notice of appeal. Subsequent to MEMO filing its notice of appeal, MEMO and the State Defendants reached a settlement of this and two other matters pending in State court. Pursuant to the settlement, MEMO will report unclaimed money orders to the State according to the period of abandonment established in Chapter 25, subject to deduction of applicable service fees.

On November 13, 2010, the U.S. District Court concluded that the plaintiffs established a reasonable likelihood of success on the federal preemption and Contracts Clause claims and enjoined: (a) the place of purchase presumption of Chapter 25, and as administered by subsequent State Treasurer guidance; and (b) the retroactive application of the unclaimed property laws to stored value cards redeemable only for goods and services (i.e. not redeemable for cash). On the same day, the U.S. District Court denied all relief requested by AMEX concerning its claims with respect to travelers checks. On November 18, 2010, the United States Court of Appeals for the Third Circuit (the "Third Circuit") issued a stay of the U.S. District Court's November 13, 2010 order (the "November 13th Order") with respect to AMEX's claims concerning travelers checks in order to fully consider the case. On December 7, 2010, the State Defendants appealed those aspects of the November 13th Order related to stored value cards to the Third Circuit. On January 31, 2011, the Third Circuit enjoined the requirement that businesses selling stored value cards collect the zip code information from purchasers pending consideration of the issue by the full panel. On February 8, 2011, the Third Circuit granted the motions for stays pending appeal in the AMEX, NJRMA, Food Council and AMEX PCMC matters. This matter has been fully briefed and oral argument is scheduled for September 12, 2011. The State is vigorously defending these matters.

Federal Transit Administration Demand for Repayment. The Federal Transit Administration ("FTA") has sent two letters to NJ Transit initially demanding the repayment by December 24, 2010, of \$271 million of federal funds that NJ Transit spent on the ARC Tunnel Project, plus interest and penalty charges. The ARC Tunnel Project was cancelled at the Governor's direction due to concerns over projected cost overruns in excess of the project budget of \$8.7 billion. The FTA cites a provision of Title 49 of the U.S. Code which requires the repayment of federal payments made under early system work agreements where the recipient does not carry out a project for reasons within its control. Special counsel has been retained for NJ Transit to address the repayment demand. On January 25, 2011, NJ Transit submitted its opposition to FTA's demand for repayment. On April 29, 2011, the FTA issued its final administrative decision asserting that the State owes a debt of \$271 million to the United States Government and stating that NJ Transit should contact the FTA to make arrangements for payment of the amount due. The final decision and its implementation may be appealed to the United States District Court. NJ Transit and the State are currently evaluating their options with respect to the FTA's final administrative decision. If the administrative decision is not modified or reversed and a mutually agreeable payment arrangement is not negotiated, the United States Secretary of Transportation has separately asserted that the United States Department of Transportation and the United States Treasury have the ability to withhold future State funding from a wide variety of sources, but that he is not pursuing such collection methods at this time. The State is vigorously defending this matter.

James Liik, et al v. NJ Dept of Corrections and Civil Service Commission. This matter was filed in the Mercer County, New Jersey Superior Court, Law Division in November 2009 (the "2009 Case"). The Liik plaintiffs, five senior corrections officers and PBA Local 105, filed a complaint on their own behalf and all similarly situated individuals, demanding lost wages and benefits they allegedly would have received but for their improper

designation as non-employee trainees under a 1998 pilot program that established correction officer recruit trainee as a new job classification. Recruit trainees under the program were considered students, rather than regular employees, and they were paid a weekly stipend while in training, rather than the salary of a corrections officer recruit. The complaint alleged a violation of constitutional due process principles, a violation of state statutory civil rights protections, a breach of a statutory and regulatory contract, a breach of a quasi-contract, a breach of an implied in fact contract and that the 1998 pilot program unjustly enriched the State because of the failure of the State to pay wages and benefits of a regular employee to recruit trainees. The complaint also demands punitive damages, as well as attorney fees and costs.

This action was filed shortly after the Appellate Division decision in *James Liik, et al. v. New Jersey Department of Personnel and New Jersey Department of Corrections*. The prior complaint asserted that the defendants acted outside their authority by designating plaintiffs and paying them as recruit trainees allegedly in violation of provisions of the Civil Service Act, the Administrative Procedure Act and the federal Fair Labor Standards Act. In July 2009, the Appellate Division ruled that the 1998 pilot program was statutorily authorized for one year and that the program could not continue beyond one year without rulemaking. Accordingly, the court held that the program was void after one year because it had not been continued by regulation. No damages were awarded in the prior action. The prior action has been concluded and is not subject to appeal.

The State defendants filed motions to dismiss the complaint in the 2009 Case and the Liik plaintiffs filed a cross-motion for summary judgment. The trial court has now dismissed all causes of action, except for the implied in fact contract claim and judgment in favor of the plaintiffs has been entered on this claim. In addition, the court has granted a motion by the Liik plaintiffs to certify the lawsuit as a class action consisting of all recruit trainees during the years 1999 to 2009. The State is currently reviewing the court's orders and is considering an appeal. The State is vigorously defending this matter.

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

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

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

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

At any given time, there are various numbers of claims and cases pending against the University of Medicine and Dentistry and its employees, seeking recovery of monetary damages that are primarily paid out of the Self Insurance Reserve Fund created pursuant to the New Jersey Tort Claims Act (N.J.S.A. 59:1-1 *et seq.*). An independent study estimated an aggregate potential exposure of \$115,700,000 for tort and medical malpractice claims pending as of December 31, 2010. In addition, at any given time, there are various numbers of contract and other claims against the University of Medicine and Dentistry, seeking recovery of monetary damages or other relief which, if granted, would require the expenditure of funds. The State is unable to estimate its exposure for these claims.

APPENDIX I-A
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The CAFR for the Fiscal Year ended June 30, 2010 has been separately filed with the MSRB and is incorporated by specific reference in this Appendix I and is considered to be a part hereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I-B
DEMOGRAPHIC AND ECONOMIC INFORMATION

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

APPENDIX-I-B DEMOGRAPHIC AND ECONOMIC INFORMATION

Table I	State of New Jersey Thirty Largest Non-Governmental Employers	I-B-1
Table II	Population Changes	I-B-2
Table III	Total Personal Income for New Jersey, Selected Neighboring States and the United States 2000-2010	I-B-2
Table IV	2009 Per Capita Personal Income for New Jersey, Selected Neighboring States and the United States	I-B-3
Table V	Per Capita Personal Income for New Jersey, Selected Neighboring States and the United States 2000-2010	I-B-3
Table VI	Wage and Salary Workers in Nonagricultural Establishments, Annual Averages by NAICS Industry Divisions, New Jersey 2000-2010	I-B-4
Table VII	Average Annual Unemployment Rates for New Jersey and United States 2001-2010	I-B-4
Table VIII	Average Hourly Wages (NAICS) Production Workers on Manufacturing Payrolls for New Jersey and Selected Neighboring States 2001-2010	I-B-5
Table IX	New Vehicle Sales for New Jersey 2002-2010	I-B-5
Table X	NAICS Composition of Nonagricultural Wage and Salary Employment for New Jersey and the United States — 2010	I-B-6
Table XI	Dollar Amount of Annual Nonresidential Construction Authorized by Permits	I-B-6

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE I
STATE OF NEW JERSEY
THIRTY LARGEST
NON-GOVERNMENTAL EMPLOYERS
2011

<u>Company</u>	<u>New Jersey Employees</u>
Wakefern Food Corporation	34,654
Wal-Mart Stores, Inc.	17,270
The Great Atlantic & Pacific Tea Co., Inc. (A&P)	15,899
Verizon	15,168
UPS	14,961
United Continental Holdings	14,000
Johnson & Johnson	14,000
Caesar's Entertainment	13,933
Merck & Company, Inc.	12,000
The Home Depot	11,500
Bank of America	11,000
AT&T, Inc.	>9,800
CVS Caremark	9,600
Public Service Enterprise Group, Inc. (PSEG)	9,100
Target Corporation	8,700
The Stop & Shop Supermarket Co.	8,596
TD Bank	8,577
Prudential Financial, Inc.	8,200
FedEx Corporation	8,130
Macy's	8,100
Wawa, Inc.	7,154
Trump Entertainment Resorts	6,789
Wells Fargo	6,568
Bristol-Myers Squibb Company	6,226
Lowe's Companies Inc.	6,200
Borgata Hotel Casino & Spa	6,097
Bed Bath & Beyond	6,000
JP Morgan Chase & Company	5,800
Lockheed Martin	5,800
ACME Markets, Inc.	5,251

Source: New Jersey Business Magazine, August 2011

TABLE II
POPULATION CHANGES

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

Source: US Census Bureau 2010 Census Release February 2011

TABLE III
TOTAL PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
2000-2010
(Dollars in Millions)

Calendar Years	Total Personal Income			
	New Jersey	New York	Pennsylvania	United States
2000	\$325,986	\$657,894	\$369,919	\$ 8,554,866
2001	336,606	676,980	377,374	8,878,830
2002	341,558	678,393	387,664	9,054,702
2003	347,692	695,392	399,547	9,369,072
2004	365,260	741,167	417,790	9,928,790
2005	379,650	786,512	432,248	10,476,669
2006	411,429	851,437	462,704	11,256,516
2007	436,120	915,526	489,076	11,900,562
2008	447,989	937,173	508,249	12,380,225
2009	435,216	908,997	506,397	12,168,161
2010	446,464	946,054	522,731	12,530,101

Calendar Years	Total Personal Income As a Percent of 2000 Base			
	New Jersey	New York	Pennsylvania	United States
2000	100.0%	100.0%	100.0%	100.0%
2001	103.3	102.9	102.0	103.8
2002	104.8	103.1	104.8	105.8
2003	106.7	105.7	108.0	109.5
2004	112.0	112.7	112.9	116.1
2005	116.5	119.5	116.8	122.5
2006	126.2	129.4	125.1	131.6
2007	133.8	139.2	132.2	139.1
2008	137.4	142.5	137.4	144.7
2009	133.5	138.2	136.9	142.2
2010	137.0	143.8	141.3	146.5

Source: US Department of Commerce, Bureau of Economic Analysis, June 22, 2011.

Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE IV
2010 PER CAPITA PERSONAL INCOME FOR
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES

	<u>2009 Amount</u>	<u>2010 Amount</u>	<u>2010 Percent of National Average</u>	<u>Rank United States</u>	<u>Percent Change 2009-2010</u>
United States	39,768	40,584	100.0%	—	2.1%
New Jersey	49,711	50,781	125.1	3	2.2
New York	47,001	48,821	120.3	5	3.9
Pennsylvania	40,000	41,153	101.4	16	2.9

Source: US Department of Commerce, Bureau of Economic Analysis, June 22, 2011.

Definition: Per capita personal income is total personal income divided by total midyear population.

Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE V
PER CAPITA PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
2000-2010

<u>Calendar Years</u>	<u>Per Capita Personal Income</u>			
	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>	<u>United States</u>
2000	\$38,665	\$34,630	\$30,109	\$30,318
2001	39,760	35,563	30,614	31,184
2002	40,174	35,568	31,344	31,517
2003	40,723	36,387	32,198	32,319
2004	42,601	38,705	33,555	33,943
2005	44,094	40,992	34,602	35,495
2006	47,586	44,288	36,916	37,795
2007	50,233	47,528	38,890	39,600
2008	51,381	48,556	40,280	40,827
2009	49,711	47,001	40,000	39,768
2010	50,781	48,821	41,153	40,584

<u>Calendar Years</u>	<u>Per Capita Personal Income As a Percent of United States</u>		
	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>
2000	127.5%	114.2%	99.3%
2001	127.5	114.0	98.2
2002	127.5	112.9	99.5
2003	126.0	112.6	99.6
2004	125.5	114.0	98.9
2005	124.2	115.5	97.5
2006	125.9	117.2	97.7
2007	126.9	120.0	98.2
2008	125.9	118.9	98.7
2009	125.0	118.2	100.6
2010	125.1	120.3	101.4

Source: US Department of Commerce, Bureau of Economic Analysis, June 22, 2011

Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Product Amounts.

TABLE VI
WAGE AND SALARY WORKERS IN NONAGRICULTURAL ESTABLISHMENTS
ANNUAL AVERAGES BY NAICS INDUSTRY DIVISIONS, NEW JERSEY,
2000-2010
(in thousands)

<u>Year</u>	<u>Total Non-farm Employment</u>	<u>Manufacturing</u>	<u>Natural Resources & Mining</u>	<u>Construction</u>	<u>Trade, Transportation & Utilities</u>	<u>Information</u>	<u>Financial Activities</u>	<u>Services and Miscellaneous*</u>	<u>Government</u>
2000.	3,994.5	421.5	1.9	149.5	899.0	126.9	266.8	1,539.6	588.9
2001.	3,997.2	401.2	1.7	158.7	890.6	126.4	269.8	1,545.7	602.6
2002.	3,983.9	367.5	1.6	162.6	881.4	113.2	276.7	1,567.5	613.5
2003.	3,978.8	350.4	1.6	160.5	876.2	102.0	276.2	1,590.2	621.9
2004.	3,999.1	338.2	1.6	165.9	874.7	98.0	276.9	1,610.5	633.4
2005.	4,039.1	330.4	1.7	169.1	877.3	97.1	279.7	1,642.1	641.6
2006.	4,071.0	323.8	1.7	174.9	874.9	97.4	279.2	1,671.8	647.3
2007.	4,078.9	311.3	1.7	172.3	874.5	96.0	275.7	1,699.8	647.7
2008.	4,050.9	298.8	1.7	164.5	862.0	91.3	270.3	1,712.7	649.2
2009.	3,894.9	266.3	1.5	138.6	818.0	84.3	255.7	1,678.3	652.4
2010.	3,854.5	257.7	1.4	129.5	808.0	79.7	253.5	1,682.4	642.5

Note: Historical numbers may differ from prior reports because of the 2009 Comprehensive Revision of National Income and Products Amounts.

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

Source: US Department of Labor, Bureau of Labor Statistics, June 17, 2011 release of 2010 Benchmark.

TABLE VII
AVERAGE ANNUAL UNEMPLOYMENT RATES
NEW JERSEY AND UNITED STATES
2001-2010

<u>Calendar Years</u>	<u>New Jersey</u>	<u>United States</u>
2001	4.3%	4.7%
2002	5.8%	5.8%
2003	5.9%	6.0%
2004	4.9%	5.5%
2005	4.5%	5.1%
2006	4.7%	4.6%
2007	4.3%	4.6%
2008	5.5%	5.8%
2009	9.1%	9.3%
2010	9.4%	9.6%

Source: US Department of Labor, Bureau of Labor Statistics, Data Base & Tables, Unemployment, June 3, 2011 & June 17, 2011

TABLE VIII
AVERAGE HOURLY WAGES (NAICS)
PRODUCTION WORKERS ON MANUFACTURING PAYROLLS
NEW JERSEY AND SELECTED NEIGHBORING STATES
2001-2010

<u>Calendar Years</u>	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>
2001	14.74	16.24	14.37
2002	15.19	16.75	14.75
2003	15.45	16.78	14.99
2004	15.89	17.29	15.16
2005	16.33	17.77	15.26
2006	16.56	18.29	15.38
2007	17.22	18.49	15.48
2008	17.89	18.58	15.61
2009	18.31	18.54	16.28
2010	18.78	18.39	16.88

Source: US Department of Labor, Bureau of Labor Statistics, March 10, 2011

TABLE IX
NEW VEHICLE SALES
NEW JERSEY
2002-2010

<u>Calendar Years</u>	<u>Total Vehicles</u>		<u>% Change</u>
	<u>Annual</u>	<u>Monthly Average</u>	
2002	610,422	50,869	
2003	627,499	52,292	2.8%
2004	640,787	53,399	2.1%
2005	624,000	52,000	(2.6)%
2006	621,298	51,775	(0.4)%
2007*	591,694	49,308	(4.8)%
2008	499,554	41,630	(15.6)%
2009	399,852	33,321	(20.0)%
2010	420,014	35,001	5.0%

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

Source: NJ Department of Transportation, Motor Vehicle Commission

TABLE X
NAICS COMPOSITION OF NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
NEW JERSEY AND THE UNITED STATES: 2010

	<u>New Jersey</u>		<u>United States</u>	
	<u>No. of Jobs(000)</u>	<u>% of Total</u>	<u>US Jobs(mil.)</u>	<u>% of Total</u>
Total Nonfarm	3,854.5	100.0%	129.8	100.0%
Manufacturing	257.7	6.7	11.5	8.9
Natural Resources & Mining	1.4	0.0	0.7	0.5
Construction	129.5	3.4	5.5	4.3
Trade, Transportation and Utilities	808.0	21.0	24.6	19.0
Information	79.7	2.1	2.7	2.1
Financial Activities	253.5	6.6	7.6	5.9
Services	1,682.4	43.6	54.6	42.1
Government	642.5	16.7	22.5	17.3

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

Source: U.S Department of Labor, Bureau of Labor Statistics, June 3 2011 (US) and June 17, 2011 (NJ).

TABLE XI
DOLLAR AMOUNT OF ANNUAL NONRESIDENTIAL CONSTRUCTION
AUTHORIZED BY BUILDING PERMITS, 2005 TO 2010

<u>Calendar Year</u>	<u>Estimated Nonresidential Costs (\$M)</u>	<u>% Change</u>
2005	6,241.7	
2006	7,287.1	16.7%
2007	7,054.5	(3.2)%
2008	7,968.1	13.0%
2009	4,971.4	(37.6)%
2010	4,811.5	(3.2)%

Source: New Jersey Department of Community Affairs

APPENDIX I-C
SUMMARY OF PRINCIPAL
STATE TAXES

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS
APPENDIX-I-C
SUMMARY OF PRINCIPAL STATE TAXES

Alcoholic Beverage Tax	I-C-1
Casino Control Tax	I-C-1
Cigarette Tax and Tobacco Products Wholesale Tax	I-C-1
Clean Communities and Recycling Grant User Fee (User Fee)	I-C-2
Corporation Business Tax (CBT) (As Amended by the Business Reform Act, P.L. 2002, c. 40)	I-C-2
Cosmetic Medical Procedures Gross Receipts Tax	I-C-4
Energy Tax Receipts	I-C-5
Gross Income Tax (GIT)	I-C-5
Hazardous Substance Transfer Tax and Hazardous Substance Cleanup and Remediation Fees	I-C-8
Homestead Property Tax Credit Act	I-C-8
Homestead Property Tax Reimbursement	I-C-9
Hotel and Motel Occupancy Fee	I-C-9
Insurance Premiums Tax	I-C-9
Litter Control Tax	I-C-10
Local Tire Management Program Fee	I-C-10
Motor Fuels Tax	I-C-11
Nursing Home Quality of Care Improvement Fund Act	I-C-11
Petroleum Products Gross Receipts Tax	I-C-11
Public Community Water System Tax	I-C-11
Realty Transfer Tax	I-C-12
Roadside Sign Control and Outdoor Advertising Fee	I-C-13
Sales and Use Tax	I-C-13
Sanitary Landfill Facility Taxes	I-C-14
Savings Institution Tax	I-C-14
Solid Waste Recycling Facility Tax	I-C-14
Spill Compensation and Control Tax	I-C-15
Sports and Entertainment District Urban Revitalization Taxes	I-C-15
Transfer Inheritance and Estate Tax	I-C-15
Tourism Tax	I-C-16
Voice Grade Access Line and Service Number Fees	I-C-16

[THIS PAGE INTENTIONALLY LEFT BLANK]

Summary of Principal State Taxes

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

Alcoholic Beverage Tax

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

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

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

Casino Control Tax

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

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

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

Cigarette Tax and Tobacco Products Wholesale Tax

The Cigarette Tax is imposed on the sale, use or possession of all cigarettes within New Jersey. This tax is collected from licensed distributors who receive cigarettes directly from out-of-state manufacturers. Receipts from the sale or use of tobacco products, other than cigarettes, by a distributor or wholesaler to a retail dealer or consumer are subject to the Tobacco Products Wholesale Tax. *P.L. 1990, c. 39.* As of March 1, 2002, the Tobacco Products Wholesale Tax is imposed on the price that a distributor pays to buy products from the manufacturer. *P.L. 2001, c. 448.* As of July 15, 2006, moist snuff is no longer taxed based on its wholesale price but is taxed based on its weight. *P.L. 2006, c. 37.* The weight-based tax will raise the price of moist snuff and reduce youth access.

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

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

collected annually from Cigarette Tax is deposited into the Dedicated Cigarette Tax Revenue Fund. For fiscal years beginning on or after July 1, 2009, \$241,500,000.00 of revenue collected from the Cigarette Tax shall be deposited annually into the Dedicated Cigarette Tax Revenue Fund. *L. 2009, c. 70.*

Clean Communities and Recycling Grant User Fee (User Fee)

The user fee imposed by the Clean Communities and Recycling Grant Act (*P.L. 2002, c. 128*) replaces the former Litter Control Tax imposed on certain litter-generating products. See discussion of **“Litter Control Tax”** below. As amended, the Litter Control Tax was scheduled to expire on December 31, 2000 (*P.L. 1995, c. 301*). The Clean Communities and Recycling Grant Act, affirms the Legislature’s intent to repeal the Litter Control Tax. (*P.L. 2002, c. 128, § 12*).

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

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

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

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

To determine the tax liability of a corporation’s business activity in the State of New Jersey, a three-fraction apportionment formula is used. The three-fraction formula determines the proportion of income subject to tax by measuring the activities of the corporation in the State to the total activity of the corporation. The apportionment formula consists of a double-weighted sales fraction, a property fraction, and a payroll fraction. Some of a corporation’s income derived from other states is not taxed by those states. As a result, the apportionment formula omits these sales from the denominator of the sales fraction, which increases the sales fraction. The “throw out” of these sales increases the portion of entire net income of a corporation apportioned to New Jersey. For privilege periods beginning on or after July 1, 2010, *P.L. 2008, c. 120* eliminates the throw-out provision in the apportionment formula. *P.L. 2011, c. 59* changes the three-fraction apportionment formula to a single sales fraction. The change in the apportionment method will be phased in over three years as follows: the sales fraction will account for 70% of the three-fraction formula for the 2012 privilege period, 90% for the 2013 privilege period, and 100% for the 2014 privilege period. For the 2012 and 2013 privilege periods, the property and payroll fractions evenly account for the remainder of the formula. The law also provides for a specialized sales fraction formula for airlines calculated as a

ratio of airline revenue miles in this State divided by the airline's total revenue miles. *P.L.* 2011, c. 59. Taxpayers who allocate less than 100% of income to New Jersey are no longer required to show that a regular place of business exists outside of this State. *P.L.* 2008, c. 120.

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

Current Rates: Prior to July 1, 1996, 9% of entire net income allocable to New Jersey; and beginning July 1, 1996, the rate is 7½% for taxpayers with entire net income of \$100,000 or less (*P.L.* 1995, c. 246). For corporations with entire net income less than \$50,000, the rate is 6½%.

For periods beginning on January 1, 2002, the AMA is computed on corporations with gross profits of more than \$1 million, and on corporations with gross receipts of more than \$2 million, at differing graduated rates. Corporations may elect which rate to use. The AMA for each period may not exceed \$5,000,000, except for affiliated groups of five or more taxpayers, in which case the AMA is capped at \$20 million. The AMA expires for periods beginning after June 30, 2006, except for corporations not subject to the CBT under federal *P.L.* 86-272.

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

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

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

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

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

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

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

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

Effective June 29, 2004, for privilege periods beginning during the 2004 and 2005 calendar years, “Net Operating Loss” deductions will be allowed to reduce the entire net income subject to corporate business tax to 50% of what it would otherwise be. *P.L. 2004, c. 47*. With respect to privilege periods beginning in the 2006 calendar year, Net Operating Loss deductions return to full deductibility. *P.L. 2004, c. 47*. In addition, under *P.L. 2004, c. 47*, the date on which the amount of the disallowed Net Operating Loss carryover deduction would otherwise expire is extended to a period equal to the period for which application of the Net Operating Loss was disallowed.

To encourage businesses to invest in the State of New Jersey, *P.L. 2008, c. 102* extended the number of years to which a corporation business taxpayer can deduct net operating losses from its taxable income. For privilege periods ending after June 30, 2009, the net operating loss deduction period is extended from seven years to twenty years. Net operating losses for privilege periods ending before June 30, 2009 continue to have a seven-year deduction period.

For privilege periods after December 31, 2004, *P.L. 2005, c. 127* disallows (*i.e.*, “uncouples”) the deduction for certain qualified production activities income, which deduction is allowed for federal income tax purposes under the American Jobs Creation Act of 2004 (Pub. L. 108-377). Specifically, Section 1 of the Act amends C. 54:10A-4 of the CBT Act by modifying the definition of “entire net income” to disallow a deduction for amounts that may be deducted for federal tax purposes pursuant to the federal Internal Revenue Code of 1986, 26 *U.S.C.* 199. This exclusion shall not apply to amounts deducted pursuant to federal § 199 that are exclusively based upon domestic production gross receipts of the taxpayer derived solely from any lease, rental, license, sale, exchange, or other disposition of qualifying production property which the taxpayer demonstrates to the satisfaction of the director was manufactured or produced by the taxpayer in whole or in significant part within the United States (but excluding qualified production property that was grown or extracted by the taxpayer). C. 127 also defines the statutory term “manufactured or produced” for CBT purposes, which definition limits the term consistent with the other amendments implemented by c. 127 (*P.L. 2005, c. 127*, effective July 6, 2005).

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

Cosmetic Medical Procedures Gross Receipts Tax

P.L. 2004, c. 53 imposes a 6% gross receipts tax on certain cosmetic medical procedures, defined as any medical procedure performed on an individual which is directed at improving the subject’s appearance, and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. The tax must be

collected from the subject of the procedure by each person billing for services, property or occupancy associated with the cosmetic medical procedure.

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

Energy Tax Receipts

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

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

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

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

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

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

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

Current Rates: For gas and electric companies: the standard tax rate as determined by the BPU plus 12½% surtax (5% if gross receipts do not exceed \$50,000).

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

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

Gross Income Tax (GIT)

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

The GIT includes many of the same taxable additions as the federal income tax, but allows only certain deductions such as for personal exemptions, medical expenses, alimony payments, property taxes on principal residences and qualified contributions of certain real property interests. Gross income does not include employer-provided commuter transportation benefits for employees who participate in ride-sharing programs; beginning in 1993, \$720 of such benefits is excludible from income (*P.L.* 1993, c. 108) and beginning January 1, 1997, \$1,000 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *P.L.* 1996, c. 121. Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Educational Savings Trust Program (*P.L.* 1997, c. 237); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 U.S.C. § 220 (*P.L.* 1997, c. 414). Roth IRA's also receive favorable tax treatment. *P.L.* 1998, c. 57. Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *P.L.* 1993, c. 210; *P.L.* 1998, c. 79. Beginning January 1, 2001 military pension and survivor benefits respecting service in the United States Armed Forces are included. *P.L.* 2001, c. 84. However, for taxable years beginning on or after January 1, 2004, *P.L.* 2005, c. 63 excludes from taxable income housing and subsistence allowances received by New Jersey National Guard members on State Active duty, and by members of the U.S. Armed Forces' active and reserve components (effective April 7, 2005).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hazardous Substance Transfer Tax and Hazardous Substance Cleanup and Remediation Fees

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

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

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

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

Homestead Property Tax Credit Act

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

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

For Resident Taxpayer With 2010 Tax

Year Gross Income: Benefit Calculation

Not over \$50,000 Multiply the amount of the 2006 property taxes paid by 10%

Over \$50,000 but not over \$75,000 Multiply the amount of the 2006 property taxes paid by 6.67%

Over \$75,000 Not eligible

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

For Resident Taxpayer With 2010 Tax

Year Gross Income: Benefit Calculation

Not over \$100,000. Multiply the amount of the 2006 property taxes paid by 10%

Over \$100,000 but not over \$150,000 . . Multiply the amount of the 2006 property taxes paid by 5%

Over \$150,000 Not eligible

Homestead Property Tax Reimbursement

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

For fiscal year 2011, only applicants who received a PTR in Fiscal Year 2010 shall be eligible for a PTR in Fiscal Year 2011 in an amount equal to the PTR paid in Fiscal Year 2010. *P.L. 2010 c. 35*. However, applicants that would otherwise be ineligible in Fiscal Year 2011 based on Fiscal Year 2010 eligibility criteria shall not receive a property tax reimbursement in Fiscal Year 2011. *P.L. 2010 c. 35*.

For fiscal year 2012, new applicants are eligible for the PTR, except that citizens with annual income of more than \$70,000 shall not be eligible for property tax reimbursements in fiscal year 2012.

Hotel and Motel Occupancy Fee

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

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

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

Insurance Premiums Tax

The Insurance Premiums Tax is imposed on net premiums collected by every stock, mutual and assessment insurance company transacting business in New Jersey for insurance contracts covering property and risks in this state. Effective January 1, 1992, health service corporations became subject to tax on their experience-rated health insurance. *P.L. 1989, c. 295*. A surtax on all automobile insurance premiums, except as exempted by statute, was imposed from June 1, 1990 through May 31, 1992. *P.L. 1990, c. 8*.

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

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

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

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

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

Litter Control Tax

The Litter Control Tax is imposed on all gross receipts from sales of litter-generating products sold within New Jersey by every person engaged in business in this State. Originally set to expire on December 31, 1991 (*P.L. 1986, c. 187*), the expiration date of this tax has been extended to expire on December 31, 2000 (*P.L. 1995, c. 301*). Any retailer with less than \$250,000 in annual retail sales of litter-generating products is exempt from the tax. *P.L. 1985, c. 533*.

The user fee imposed on sales of certain litter-generating products under the Clean Communities and Recycling Grant Act (*P.L. 2002, c. 128*) replaces the former Litter Control Tax. See discussion "Clean Communities and Recycling Grant User Fee," above. As amended, the Litter Control Tax was scheduled to expire on December 31, 2000 (*P.L. 1995, c. 301*). The Clean Communities and Recycling Grant Act affirms the Legislature's intent to repeal the Litter Control Tax. (*P.L. 2002, c. 128, § 12*).

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

Local Tire Management Program Fee

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

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

Motor Fuels Tax

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

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

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

Nursing Home Quality of Care Improvement Fund Act

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

Petroleum Products Gross Receipts Tax

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

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

Current Rate: 2¾%. For fuel oil, aviation fuel and motor fuels, tax is fixed at \$0.04 a gallon. *P.L. 2000, c. 48.*

Public Community Water System Tax

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

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

Realty Transfer Tax

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

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

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

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

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

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

Roadside Sign Control and Outdoor Advertising Fee

Effective July 1, 2003, the Roadside Sign Control and Outdoor Advertising Act was amended to impose a 6% fee on the gross amounts collected by a retail seller for billboard advertising space. The fee is imposed directly on the retail seller of the advertising space, as defined by the amendments to the Act. The law imposing the fee applies to collections for any period on or after July 1, 2003, through June 30, 2004. *P.L. 2003, c. 124*. Effective June 29, 2004, the law was amended to reduce and ultimately eliminate the fee. *P.L. 2004, c. 42*. In this regard, the fee will be phased-out as follows: 1) for the period beginning July 1, 2003 through June 30, 2006 — the rate is 6%, 2) for the period beginning July 1, 2006 through June 30, 2007 — the rate is 4%, and 3) for the period beginning July 1, 2007 and thereafter — the rate is 0%. *P.L. 2004, c. 42*.

Sales and Use Tax

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

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

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

Exemptions from the Sales and Use Tax include, but are not limited to: prescription medicines and drugs; enumerated medical equipment and supplies; clothing (except fur clothing) and footwear; household paper products; recycling equipment; certain sales of direct mail advertising materials and related printing and production costs; certain sales of materials and supplies for contractors’ use in constructing, improving or rehabilitating housing projects financed by the New Jersey Housing and Mortgage Financing Agency and other government subsidies; sales of telephones, telephone lines, cables, central office equipment or station apparatus or other similar equipment, provided that the sale is made to a service provider subject to the jurisdiction of the Board of Public Utilities or the FCC; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The Sales and Use Tax is reduced by 50% in counties in which there is an entrance to an interstate bridge or tunnel connecting New Jersey with a state which does not impose a sales and use tax or imposes such a tax at a rate at least five percentage points lower than the New Jersey rate. *P.L. 1993, c. 373*.

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

Effective November 6, 1996, eligible developers under redevelopment agreements negotiated with the State may receive reimbursement of 75% of the costs of closure and remediation of municipal solid waste landfills after the sites are redeveloped, from one half the sales tax collected on non-exempt sales generated from businesses

located on the sites. *P.L. 1996, c. 124. P.L. 2001, c. 332* permits a refund of the tax on the purchase of wastewater effluent and conveyance equipment placed in an exempt use.

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

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

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

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

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

Sanitary Landfill Facility Taxes

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

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

Savings Institution Tax

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

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

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

Solid Waste Recycling Facility Tax

This tax is imposed on the owner or operator of every solid waste facility located in New Jersey based on all solid waste accepted for disposal on or after January 1, 1982, *P.L. 1981, c. 278*, and on all solid waste accepted for disposal or transfer on or after July 1, 1987. *P.L. 1987, c. 102*. Proceeds from the tax constitute the State Recycling Fund administered by the State Department of Environmental Protection and Energy. A credit against the Corporation Business Tax (CBT) is available for purchase of recycling equipment. *P.L. 1987, c. 102*. The tax and C.B.T. credit

provision both expired on December 31, 1996. *P.L.* 1981, c. 278. The Solid Waste Recycling Facility Tax was repealed by the Clean Communities and Recycling Grant Act, *P.L.* 2002, c. 128, § 12, effective December 20, 2002.

Former Rate: \$1.50/ton

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

Current Rate (2008): \$3.00/ton

Spill Compensation and Control Tax

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

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

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

Sports and Entertainment District Urban Revitalization Taxes

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

Transfer Inheritance and Estate Tax

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

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

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

Tourism Tax

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

Current Rate: not to exceed 2%.

Voice Grade Access Line and Service Number Fees

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

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

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

APPENDIX II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE CONTRACT BOND RESOLUTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

SUMMARY OF CERTAIN PROVISIONS OF THE STATE CONTRACT BOND RESOLUTION

The following is a general summary of certain provisions of the Resolution. The summary is not to be considered a full statement of the terms of the Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof. A copy of the Resolution may be obtained from the Authority upon request. The section references shown below in parentheses are to particular sections of the Resolution.

Definitions

The following are definitions in summary form of certain terms contained in the Resolution and used herein:

“Accountant’s Certificate” shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent certified public accountants of recognized standing, selected by the Authority, who may be the accountant or firm of accountants who regularly audit the books of the Authority.

“1992 Act” shall mean Chapter 375, Laws of New Jersey 1991 which became effective on January 13, 1992.

“Act” shall mean the New Jersey Sports and Exposition Authority Law, constituting Chapter 137, Laws of New Jersey, 1971, as heretofore or hereafter from time to time amended and supplemented.

“Additional Bonds” shall mean Bonds authenticated and delivered upon original issuance pursuant to the Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution.

“Additional Project” shall mean a Project authorized as set forth in paragraph (6) of subsection d. of Section 12 of the Act and included under the State Contract by amendment thereof.

“Authorized Officer of the Authority” shall mean the Chairman, Vice Chairman, President and Chief Executive Officer, Treasurer, Chief Financial Officer, Secretary or any Member of the Authority or any person or persons designated by the Authority by resolution to act on behalf of the Authority.

“Bond or Bonds” shall mean any bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Resolution.

“Bondholder or Holder of Bonds or Holder” shall mean any person who shall be the registered owner of any Bond or Bonds.

“Business Day” shall mean any day that is not a Saturday, Sunday or legal holiday in the State or a day on which banking institutions chartered by the State or the United States are legally authorized to close.

“Capital Improvement Program I” shall mean those capital improvements or portions thereof which are included in the capital program, consisting of various capital improvements for the Sports Complex and the Monmouth Racetrack Project, authorized to be financed with bonds of the Authority payable from the Sports Authority Fund pursuant to paragraph (2) of subsection d. of Section 12 of the Act and as described in the State Contract, and which capital improvements or portions thereof shall be

specified in a Tax Opinion as eligible for financing from the proceeds of bonds, the interest on which is excludable from gross income for Federal income tax purposes.

“Capital Improvement Program II” shall mean those capital improvements or portions thereof which are included in the capital program, consisting of various capital improvements for the Sports Complex and the Monmouth Racetrack Project, authorized to be financed with bonds of the Authority payable from the Sports Authority Fund pursuant to paragraph (2) of subsection d. of Section 12 of the Act and as described in the State Contract, and which capital improvements or portions thereof are not financed as part of the Capital Improvement Program I.

“Convention Center Project” shall mean the convention center project to be located in the City of Atlantic City, New Jersey, authorized to be undertaken by the Authority pursuant to the Act and as described in the State Contract.

“Costs” shall mean, (i) with respect to a Project other than the Feasibility Studies Project and the Higher Education Sports Facilities Project, all costs in providing the payment for and financing of all or a portion of costs of the planning, acquisition, engineering, construction, reconstruction, repair and rehabilitation of a Project as contemplated by the Act, including but not limited to, the cost of acquisition of land, rights-of-way, property, rights, easements and interests acquired for or in connection with a Project; the cost of demolishing or removing any buildings or structures on land so acquired; the cost of relocating any highways or roads or any public utility facilities; the amount required to be deposited in connection with any judgment in, or any settlement or compromise of, any proceeding to acquire land, rights-of-way, easements or other interests; the payment of damages caused by construction in the manner provided by law; the cost of an indemnity and surety bonds and premiums on insurance during construction; the cost of all machinery and equipment; administrative expenses, legal fees and costs of audits; the cost of engineering, financial and legal services, plans, specifications, surveys, estimates of cost and revenues, and other expenses necessary or incident to determining the feasibility or practicability of acquiring or constructing of a Project; amounts of initial working capital; amounts, if any, required by the Resolution to be paid into any Fund or Account; repayment of amounts to the Authority or others for amounts expended on a Project; and such other expenses payable by the Authority not specified in the Resolution as may be necessary or incident to the acquisition, construction and financing of a Project and the placing of a Project in operation; (ii) with respect to the Feasibility Studies Project, all costs in providing and financing feasibility studies authorized for such Project, including administration expenses, costs of audits, costs of legal and financial services, repayment of amounts to the Authority or others for amounts expended thereon, and such other expenses payable by the Authority not specified in the Resolution as may be necessary or incident to such Project; and (iii) with respect to the Higher Education Sports Facilities Project, all costs of providing funding therefor, including administrative expenses, costs of audits, costs of legal and financial services, repayment of amounts to the Authority or others for amounts expended thereon, and such other expenses payable by the Authority not specified in the Resolution as may be necessary or incident to such Project.

“Credit Agreement” shall mean, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, interest exchange agreement, insurance contract, surety bond, commitment to purchase Bonds, purchase of sale agreements, or commitments or other contracts or agreements authorized and approved by the authority in connection with the authorization, issuance, security, or payment of Bonds.

“Credit Obligation” shall mean any cost, expense, fee, charge or other payment payable by the Authority under or in connection with any Credit Agreement.

“Debt Reserve Requirement” shall mean, with respect to any Payment Date with respect to Bonds, an amount, if any, which shall be required pursuant to the Resolution to be on deposit in the Debt Service Reserve Account on such Payment Date.

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

“Feasibility Studies Project” shall mean the project to provide feasibility studies with respect to certain municipal improvements, authorized to be undertaken by the Authority pursuant to the Act and as described in the State Contract.

“Fund or Funds” shall mean, as the case may be, each or all the Funds established under the Resolution.

“Higher Education Sports Facilities Project” shall mean the project to provide funding to public or private institutions of higher education in the State for the purposes authorized pursuant to the Act and as described in the State Contract.

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

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, (c) as to which the principal of and interest on the Bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the Bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (d) which are rated in the highest rating category by Moody’s Investors Service and Standard & Poor’s Corporation;

(iii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which are rated in the highest rating category by Moody’s Investors Service and Standard & Poor’s Corporation;

(iv) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an

Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided that at the time of their purchase under the Resolution such obligations are rated in either of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation;

(vi) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which shall be rated in the highest rating category by Moody's Investors Service and by Standard & Poor's Corporation, without giving effect to insurance or other credit enhancement of such obligations;

(vii) direct and general obligations of the State of New Jersey to the payment of the principal of and interest on which the full faith and credit of said State are pledged or any bonds or other obligations which as to principal and interest are unconditionally guaranteed by the State of New Jersey;

(viii) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation;

(ix) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (i) above, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Resolution;

(x) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any bank, trust company or national banking association having a capital stock and surplus of more than \$50,000,000;

(xi) commercial paper, other than that issued by bank holding companies, rated at the date of investment in the highest rating category by Moody's Investors Service and by Standard & Poor's Corporation;

(xii) any repurchase agreement, which by its terms matures not later than 30 days from its date of execution, with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clause (i), (iii), (iv) or (xi) above which securities shall at all times have a market value (exclusive of accrued interest) not less than one hundred

and two percent (102%) of the full amount of the repurchase agreement, dates of maturity not in excess of seven years and be delivered to another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian;

(xiii) shares of an Investment Company, organized under the Investment Company Act of 1940, as amended, which invests its assets exclusively in obligations of the type described in clause (i), (vi), (xi) or (xii);

(xiv) interests in the State of New Jersey Cash Management Fund or any successor common trust fund for which the New Jersey State Treasurer is the custodian; and

(xv) investment agreements, secured or unsecured, with any financial firm or institution or insurance company or association or other entity which is rated or, in the event such investment agreement is guaranteed, such guarantor is rated, at the time the investment agreement is entered into, not lower than the second highest rating category by Moody's Investors Service and Standard and Poor's Corporation, respectively.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Bond,

"Minimum Interest Rate" shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest which may (but need not) be set forth in the Supplemental Resolution authorizing such Bond, that shall be the minimum rate of interest such Bond may at any time bear.

"Monmouth Racetrack Project" shall mean the Authority's racetrack project acquired and operated by the Authority pursuant to paragraph (5) of subsection a. of Section 6 of the Act.

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

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

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

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

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution;

(iv) Bonds deemed to have been paid as provided in the Resolution; and

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

“Payment Date” shall mean (i) with respect to Bonds, a date on which payment of a Principal Installment or interest with respect to any Bonds shall be due and unpaid, (ii) with respect to the Debt Reserve Requirement, each Payment Date with respect to Bonds, and (iii) with respect to a Credit Agreement, a date on which a Credit Obligation under such Credit Agreement shall be due and unpaid.

“Pledged Property” shall mean the State Contract, the Revenues and the Funds, including Investment Securities held in any such Fund under the Resolution, together with all proceeds and revenues of the foregoing and all of the Authority’s right, title and interest in and to the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series, so long as any bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

“Projects” shall mean the Capital Improvement Program I, Capital Improvement Program II, Convention Center Project, Rutgers Project, Feasibility Studies Project, Higher Education Sports Facilities Project and any Additional Project.

“Record Date” shall mean with respect to an interest payment date for a particular Series of Bonds, unless otherwise provided by the Supplemental Resolution authorizing such Series, the fifteenth day (or if such day shall not be a Business Day, the preceding Business Day) next preceding such interest payment date.

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

“Revenues” shall mean (i) all amounts appropriated and paid to the Authority or the Trustee from the Sports Authority Fund pursuant to the Act and the State Contract, and (ii) any other amounts appropriated and paid by the State to the Authority or the Trustee or received from any other source by the Authority or the Trustee and pledged by the Authority as security for the payment of Bonds.

“Rutgers Project” shall mean the project to provide certain facilities for Rutgers, the State University, authorized to be undertaken by the Authority pursuant to the Act and as described in the State Contract.

“Series” shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Resolution or the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such

Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

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

“Sports Complex” shall mean the Meadowlands Complex as defined in the Act.

“State” shall mean the State of New Jersey.

“State Contract” shall mean the agreement entered into by and between the Treasurer and the Authority dated January 13, 1992, together with any and all amendments and supplements thereto.

“Supplemental Resolution” shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Authority in accordance with the Resolution.

“Tax Opinion” shall mean an opinion signed by an attorney or firm of attorneys recognized for expertise in providing opinions with respect to the exclusion of interest on municipal bonds from gross income for Federal income tax purposes.

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

“Variable Interest Rate” shall mean a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds and shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and there may be an initial rate specified, in each case as provided in such Supplemental Resolution. Such Supplemental Resolution shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

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

(Section 101)

Pledge of Pledged Property

The Bonds are special obligations of the Authority payable solely from the Pledged Property. There is pledged and assigned under the Resolution as security for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, all of the Pledged Property. All Pledged Property shall immediately be subject to the lien of the pledge effected by the Resolution without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such persons have notice thereof. Notwithstanding the pledge effected by the Resolution or any provision of the Resolution, all amounts payable under the State Contract by the State or Treasurer of the State shall be subject to and dependent upon appropriations made from time to time for such purposes by the State Legislature.

(Section 501)

Establishment of Funds and Accounts

The Resolution establishes the following funds and accounts.

<u>Funds</u>	<u>Held By</u>
(1) Projects Fund	Authority*
(2) Debt Service Fund, consisting of a Debt Service Account, a Debt Service Reserve Account and a Credit Obligation Account	Trustee
(3) Debt Retirement Fund	Trustee

*Pursuant to Supplemental Resolutions of the Authority, certain Accounts within the Projects Fund are held by the Trustee.

(Section 502)

The Projects Fund

There shall be paid into the Projects Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Projects Fund, at the option of the Authority, any moneys received for or in connection with the Projects by the Authority from any other source, unless required to be otherwise applied as provided by the Resolution.

There shall be established within the Projects Fund separate Accounts for Capital Improvement Program I, the Rutgers Project, the Feasibility Studies Project, and each other Project the Cost of which is to be paid out of the Projects Fund.

Amounts in the separate Accounts established for Capital Improvement Program I, the Rutgers Project and the Feasibility Studies Project shall be applied to Costs of the respective Projects for which such Accounts were established. Amounts in the separate Account established for each other Project shall be applied to the purpose or purposes specified in the Supplemental Resolution authorizing the Bonds issued with respect to such Project, or, if no Bonds are so issued, to the purpose or purposes specified in a resolution of the Authority, a copy of which, certified by an Authorized Officer of the Authority, shall be filed with the Trustee.

Notwithstanding any of the other provisions of this subheading entitled "The Projects Fund," to the extent that other moneys are not available therefor, amounts in the Projects Fund shall be applied to the payment of principal and interest on Bonds when due.

The completion of construction or abandonment of a Project in each case shall be evidenced by a certificate of an Authorized Officer of the Authority, signed copies of which shall be filed promptly with the Trustee, stating (i) in the case of completion of a Project, the date of such completion and the amount, if any, required in the opinion of the signer for the payment of any remaining part of the Cost thereof, and that such Project has been completed in accordance with the plans and specifications, if any, applicable

thereto, and (ii) in the case of abandonment of a Project, the date of such abandonment and the amount, if any, required in the opinion of the signer for payment of any remaining part of the Cost thereof which shall have been incurred. Upon the filing of such certificate, the balance in the separate Account in the Projects Fund established therefor in excess of the amount, if any, stated in such certificate shall be withdrawn and, subject to the provisions of the Act and at the option of the Authority, be deposited in a separate Account or Accounts in the Projects Fund for application to the Costs of other Projects or, if not so deposited, shall be transferred to the Trustee for deposit in the Debt Retirement Fund.

(Section 503)

The Debt Service Fund and Accounts

Revenues, as received, shall be deposited in the following Accounts of the Debt Service Fund at such times and in the following order of priority so that:

(1) With respect to the Debt Service Account, there shall be on deposit on or before each Payment Date with respect to Bonds (fifteen (15) days prior to each Payment Date with respect to Bonds issued prior to November 24, 1998), an amount (exclusive of amounts set aside therein as provided in the Resolution for the payment of interest to become due after the next Payment Date) equal to the sum of (i) in the event that such Payment Date shall be an interest payment date on Bonds on which interest only shall be due, the amount required to pay the interest due and unpaid on the Bonds on such interest payment date, and (ii) in the event that such Payment Date shall be an interest payment date on Bonds on which both interest and a Principal Installment or Installments shall be due, the amount required to pay the interest and the Principal Installment or Installments due and unpaid with respect to the Bonds on such date;

(2) With respect to the Debt Service Reserve Account, there shall be on deposit on or before each Payment Date with respect to Bonds (fifteen (15) days prior to each Payment Date with respect to Bonds issued prior to November 24, 1998), the amount of the Debt Reserve Requirement as of such Payment Date; and

(3) With respect to the Credit Obligation Account, there shall be on deposit on or before each Payment Date with respect to Credit Obligations (fifteen (15) days prior to each Payment Date with respect to Credit Agreements entered into prior to November 24, 1998), the amounts of the Credit Obligations due and unpaid under each Credit Agreement on such Payment Date.

Debt Service Account

The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such Principal Installment due date; and (iii) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed, unless such interest is to be paid from the Debt Retirement Fund or some other source. In the case of Variable Interest Rate Bonds the Authority shall furnish the Trustee with a certificate setting forth the amount to be paid on such Bonds on each interest payment date, such certificate shall be furnished on or prior to the Record Date with respect to any interest payment date. Such amounts shall be applied by the Paying Agents on and after the due dates thereof.

Upon (i) the delivery for cancellation to the Trustee by the Authority or the State of Bonds of any Series and maturity for which Sinking Fund Installments have been established, or (ii) the purchase or

redemption from amounts in the Debt Service Account or the Debt Retirement Fund of Bonds of any Series and maturity for which Sinking Fund Installments have been established, an amount equal to applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of such Bonds so delivered or so purchased or redeemed shall be credited toward a part (in integral multiples of \$5,000 or such other authorized denomination) of all or any one or more Sinking Fund Installments to become due with respect to such Bonds in such manner as shall be directed by an Authorized Officer of the Authority in writing to the Trustee. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

The Trustee shall call for redemption, by giving notice as provided in the Resolution, on the Sinking Fund Installment due date, Bonds of the Series and maturity for which a Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased or redeemed pursuant to the preceding paragraph which the Authority has directed the Trustee to apply as a credit against such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the Authority as Credit Obligations.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds as provided in the Resolution.

In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs, withdraw from the Debt Service Account in the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to interest on or Principal Installments of the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) immediately thereafter Bonds being refunded shall be deemed to have been paid pursuant to the Resolution, and (ii) the amount remaining in the Debt Service Account in the Debt Service Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to the Resolution. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Debt Service Account in the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts in any other Account in the Debt Service Fund; provided, however, that such withdrawal shall not be made unless items (i) and (ii) referred to above have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution.

Credit Obligation Account

The Trustee shall pay out of the Credit Obligation Account on each Payment Date with respect to Credit Obligations the amount required to pay amounts then due and unpaid with respect to Credit Obligations. Such payment shall be made to or for the account of the Authority upon submission of a requisition by the Authority with respect to such payment or where the Credit Agreement so provides such payment shall be made directly by the Trustee to the recipient. There shall also be paid from the

Credit Obligation Account any amounts the Authority is obligated to pay the United States Treasury as a rebate under Internal Revenue Service regulations relating to arbitrage.

(Sections 207, 504, 505, 506 and 507)

The Debt Retirement Fund

There shall be deposited in the Debt Retirement Fund all amounts paid to the Authority or the Trustee for the early retirement of Bonds by purchase or redemption, other than amounts to be paid into the Debt Service Account for the payment of a Sinking Fund Installment or Installments next due or amounts provided as a result of a refunding of Bonds, and including any amounts paid by the State or the Treasurer pursuant to the State Contract.

Amounts in the Debt Retirement Fund shall be applied, as rapidly as practicable, to the purchase or redemption (including premium, if any) of the Bonds to be retired from such amounts in accordance with written instructions by an Authorized Officer of the Authority which, in the case of amounts provided therefor by the State or the Treasurer, shall be in compliance with the requirements of the State Contract. Interest on Bonds so purchased or redeemed and all expenses in connection with such purchase or redemption shall also be paid from amounts in the Debt Retirement Fund.

In the event that Bonds purchased or redeemed from the Debt Retirement Fund shall be Bonds of a Series and maturity for which Sinking Fund Installments shall have been established, the applicable sinking fund Redemption Price shall be credited toward the unsatisfied balance of such Sinking Fund Installment as provided in the Resolution.

(Section 508)

Additional Bonds; Refunding Bonds

One or more Series of Additional Bonds may be authenticated and delivered upon original issuance at any time or from time to time upon compliance with the terms of the Resolution for the purpose of (i) financing Costs of a Project or Projects or providing additional funds to complete payment of the Costs of a Project or Projects, or (ii) refunding, pursuant to paragraph (1) of subsection (d) of Section 12 of the 1992 Act, of bonds (other than Bonds) or notes of the Authority issued for the Sports Complex or the Monmouth Racetrack Project. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Bonds, as shall be provided in the Supplemental Resolution authorizing such Series.

One or more Series of Refunding Bonds may be issued at any time upon compliance with the terms of the Resolution to refund Outstanding Bonds of one or more Series or one or more maturities within a Series or any Bonds of one or more maturities within one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

The issuance of Additional Bonds including Refunding Bonds is conditioned, among other things, upon:

(i) receipt by the Trustee of a certificate consenting to the issuance of the Bonds signed by the Governor, the Treasurer and the Director of the Division of Budget and Accounting of the State, or any two of such officials; and

(ii) in the case of the issuance of any Additional Bonds pursuant to clause (ii) of the first sentence of the first paragraph under this subheading entitled “Additional Bonds; Refunding Bonds,” there shall be delivered to the Treasurer, a certified copy of a determination by the Authority that such Additional Bonds are being issued pursuant to paragraph (1) of subsection (d) of Section 12 of the Act, and such Additional Bonds do not exceed the amount estimated by the Authority to be necessary so that subsequent to the issuance of such Bonds, the revenues of the Sports Complex or the Monmouth Racetrack Project, as the case may be, shall be sufficient to pay all costs payable from such revenues; together with the projections and financial analyses which serve as a basis for such determination.

(Sections 202, 209 and 210)

Investment of Certain Funds

Unless otherwise provided in the Resolution, moneys held in the Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities described in clause (i) of the definition of Investment Securities under the subheading “Definitions” in this “Summary of The State Contract Bond Resolution” which mature, (a) in the case of moneys held in the Debt Service Reserve Account within five years and (b) in the case of moneys held in the Debt Service Account not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Account. Moneys held in the Projects Fund shall be invested in Investment Securities which mature within 24 months. Moneys in the Debt Retirement Fund may be invested by the Authority in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund. The Trustee, shall make all such investments of moneys held by it in accordance with instructions from time to time received from any Authorized Officer of the Authority. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, the Authority may instruct the Trustee or any Depository to combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Interest earned or any gain realized on any moneys or investments in such Funds and Accounts shall be held in such Fund or Account, respectively, except that such interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned or gain realized on any money or investments in the (a) Debt Service Reserve Account shall be paid into the Debt Service Account on a periodic basis at least quarterly as shall be directed by the Authority, and (b) Capital Improvement Program I Account and Capital Improvement Program II Account in the Projects Fund may be withdrawn by the Authority from time to time free and clear of any lien or pledge of the Resolution.

(Section 603)

Creation of Liens

The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Pledged Property held or set aside by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on the Pledged Property, provided, however, that nothing contained in the Resolution shall prevent the Authority from issuing if and to the extent permitted by law, evidences of indebtedness payable out of or secured by a pledge and assignment of the Pledged Property on and after such date as the pledge of the Pledged Property provided in the Resolution shall be discharged and satisfied as provided in the Resolution.

(Section 706)

State Contract

The Authority shall collect and forthwith cause to be deposited with the Trustee any and all amounts payable to it pursuant to the State Contract. The Authority shall enforce the provisions of the State Contract and agreements thereunder. The Authority will not consent or agree to or permit any amendment, change or modification to any State Contracts which would adversely affect the rights or security of Bondholders. A copy of the State Contract certified by an Authorized Officer of the Authority shall be filed with the Trustee, and a copy of any such amendment certified by an Authorized Officer of the Authority shall be filed with the Trustee.

(Section 707)

Accounts and Reports

The Authority shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in accordance with the generally accepted accounting principles in which complete and correct entries shall be made of its transactions relating to the amount of Revenues and the application thereof and each Fund and Account established under the Resolution. All books and papers of the Authority shall, subject to the terms thereof, at all times be subject to the inspection of the Treasurer, the Trustee and the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The Trustee and any Depository shall advise the Authority as soon as practicable after the end of each month of the respective transactions during such month relating to each Fund and Account held by it under the Resolution.

The Authority shall annually, within 120 days after the close of each Fiscal Year (the first such report to be filed with respect to the Fiscal Year ending December 31, 1992), file with the Trustee, and otherwise as provided by law, a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate and including the following statements in reasonable detail: (i) a statement of Revenues of the Authority for such Fiscal Year; and (ii) a summary with respect to each Fund and Account established under the Resolution of the changes in financial condition during such Fiscal Year and the amount held therein at the end of such Fiscal Year.

The Authority shall file with the Trustee (i) forthwith upon becoming aware of any Event of Default or default in the performance by the Authority of any covenant, agreement or condition contained in the Resolution, a certificate signed by an Authorized Officer of the Authority and specifying such Event of Default or default and (ii) within 120 days after the end of each Fiscal Year, commencing with the Fiscal Year ending December 31, 1992, a certificate signed by an appropriate Authorized Officer of the Authority stating whether, to the best of his knowledge and belief, the Authority has kept, observed, performed and fulfilled its covenants and obligations contained in the Resolution and that there does not exist at the date of such certificate any default by the Authority under the Resolution or any Event of Default or other event which, with the lapse of time specified under the subheading of this Summary entitled "Events of Default" would become an Event of Default, or, if any such default or Event of Default or other event shall so exist, specifying the same and the nature and status thereof.

The reports, statements and other documents to be furnished to the Trustee pursuant to any provisions of the Resolution shall be available for the inspection of Bondholders at the office of the Trustee and shall be mailed to each Bondholder who shall file a written request therefor with the Authority. The Authority may charge each Bondholder requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

(Section 708)

Events of Default

The following events shall constitute an Event of Default under the Resolution:

- (i) failure to pay principal or Redemption Price of any Bond when due;
- (ii) failure to pay any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment when due; or
- (iii) failure of the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and such default shall continue for a period of 60 days after written notice thereof.

If an Event of Default shall happen and shall not have been remedied, the Authority, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all Pledged Property then held by the Authority under the Resolution, and (ii) all Revenues which are not paid directly to the Trustee as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the Resolution or otherwise together with all Funds held by the Trustee under the Resolution as follows and in the following order: (a) to the payment of reasonable and proper fees (including reasonable attorney's fees), charges, expenses and liabilities of the Fiduciaries; (b) to the payment of the interest and principal or Redemption Price then due on the Bonds, as follows: first, to the payment of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference and, second, to the payment of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date without any discrimination or preference; and (c) then, to the payment of amounts due with respect to Credit Obligations.

If an Event of Default shall happen and shall not have been remedied, then the Trustee may proceed, and upon written request of the Holders of not less than 25% in principal amount of the Bonds outstanding shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Resolution, or in aid of the execution of any power granted under the Resolution or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

The Holders of not less than a majority in principal amount of the Bonds at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that

the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have the power to, but unless requested in writing by the Holders of 25% in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Resolution, and the Holders of at least 25% in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of the State of New Jersey or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, fees, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity.

Nothing contained in the Resolution or in the Bonds shall affect or impair the obligation of the Authority under the Resolution, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

(Sections 801, 803, 804 and 805)

Notice of Default

The Trustee shall promptly mail written notice of the occurrence of any Event of Default to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority.

(Section 808)

Trustee; Paying Agents

The Resolution requires the appointment by the Authority of a Trustee and one or more Paying Agents (which may include the Trustee). The Trustee may at any time resign by giving, not less than 90 days written notice to the Authority and to the Trustee and mailing notice thereof to the Holders of Bonds then Outstanding and may be removed at any time with or without cause by the Holders of a majority in principal amount of the Bonds then outstanding, and may be removed at any time by the Authority for just cause. Any Paying Agent may at any time resign by giving at least 60 days written notice to the Authority, the Trustee and the other Paying Agents and may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Trustee or Paying Agent must be a bank or trust company organized under the laws of any state

of the United States or a national banking association in each case having capital stock, surplus and undivided earnings aggregating at least \$50,000,000.

(Sections 901, 902, 907, 908, 909 and 913)

Defeasance

(a) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner, stipulated in the Bonds and in the Resolution and shall pay in full all Credit Obligations so as to discharge and satisfy all Credit Agreements, then the pledge of the Pledged Property, any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders and the holders of the Credit Obligations shall thereupon cease, terminate and become void and be discharged and satisfied. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Resolution such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect described in paragraph (a) above. Subject to certain provisions of the Resolution, any Outstanding Bonds shall, prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and effect described in paragraph (a) above, if the following conditions are met: (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee instructions to mail notice of redemption of such Bonds on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities, the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it instructions to mail a notice to the Holders of such Bonds that the deposit described in clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. For the purposes of this paragraph (b), "Investment Securities" shall mean and include only (i) such securities as are described in clauses (i), (iv), (vi) (vii), (viii) and (ix) of the definition of "Investment Securities" under the subheading "Definitions - Investment Securities" which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, or (ii) such securities as are described in clause (ii) of the definition of "Investment Securities" which shall not be subject to redemption prior to their maturity other than at the option of the Holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than that at the option of the Holder thereof.

(c) For the purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Investment Securities and moneys, if any, in accordance with the provisions of the Resolution described in the second sentence of paragraph (b) above, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof.

(Section 1201)

Amendments and Supplemental Resolutions

Any of the provisions of the Resolution may be amended or modified by the Authority by a Supplemental Resolution upon the written consent given as provided in the Resolution (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds described in this paragraph. No such modification or amendment, shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority shall be fully effective in accordance with its terms: to close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on the issuance of Bonds or other evidences of indebtedness; to add other covenants, agreements, limitations and restrictions of the Authority in the Resolution which are not contrary to or inconsistent with the Resolution theretofore in effect; to authorize Bonds of a Series; to make any such changes in the Resolution, not adverse to the rights of the Holders of the Bonds, as are necessary or appropriate to accomplish or recognize book-entry form Bonds; to confirm, as further assurance, any pledge or assignment under the Resolution of the Pledged Property and to pledge any additional revenues, moneys, securities, Credit Agreements or other agreements; and to modify any of the provisions of the Resolution in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority, and (ii) the filing with the Authority of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms: to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Notwithstanding anything to the contrary in the Resolution, no Supplemental Resolution shall be adopted by the Authority pursuant to the Resolution unless it shall have been approved by the Treasurer.

(Sections 1001, 1002, 1005 and 1102)

APPENDIX III

COPY OF STATE CONTRACT

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SECOND AMENDED AND RESTATED
AGREEMENT EFFECTUATING ISSUANCE OF BONDS OF
THE NEW JERSEY SPORTS AND EXPOSITION AUTHORITY
PAYABLE FROM STATE APPROPRIATIONS**

THIS SECOND AMENDED AND RESTATED AGREEMENT EFFECTUATING ISSUANCE OF BONDS OF THE NEW JERSEY SPORTS AND EXPOSITION AUTHORITY PAYABLE FROM STATE APPROPRIATIONS (the "Agreement"), is made as of the 15th day of March, 2007, by and between the Treasurer of the State of New Jersey (the "Treasurer") and the New Jersey Sports and Exposition Authority (the "Authority"), a public body corporate and politic of the State of New Jersey.

W I T N E S S E I H:

WHEREAS, P.L. 1991, c. 375 of the Laws of 1991 (the "1992 Act"; references to the 1992 Act shall be deemed to refer to the 1992 Act as amended, including the 1997 Act, as the context requires) was enacted and became effective on January 13, 1992; and

WHEREAS, the 1992 Act provides for the issuance of bonds or notes of the Authority for certain purposes specified in Section 12 thereof which are payable from amounts appropriated by the Legislature for such purposes and paid into the Sports Authority Fund to be established by the Treasurer; and

WHEREAS, Section 12 of the 1992 Act authorizes the Authority and the Treasurer to enter into agreements to effectuate the purposes thereof and provides that such agreements shall be subject to approval by the presiding officers of both houses of the Legislature; and

WHEREAS, pursuant to the authority so granted in Section 12 of the 1992 Act, the Treasurer and the Authority entered into an Agreement Effectuating Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable From State Appropriations, dated January 13, 1992 (the "Original Agreement"), which was duly approved by the presiding officers of both houses of the Legislature; and

WHEREAS, the 1992 Act was amended by P.L. 1994, c. 48, which was enacted and became effective on June 24, 1994; and

WHEREAS, the 1992 Act was further amended by P.L. 1997, c. 273 (the "1997 Act"), which was enacted and became effective on December 24, 1997, to provide, among other things, for the financing or refinancing of the construction or reconstruction of the Wildwood Convention Center Facility; and

WHEREAS, the Original Agreement was amended and restated in its entirety pursuant to an Amended and Restated Agreement Effectuating Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable From State Appropriations, dated as of November 24, 1998 (the "First Amended and Restated Agreement"), to provide for the issuance of bonds and notes as provided for in the 1992 Act, as amended by the 1997 Act; and

WHEREAS, the 1992 Act was further amended by P.L. 2006, c. 302 (the "2006 Act"), which was enacted and became effective on January 10, 2006, to provide, among other things, for the financing or refinancing of professional football training facilities projects and

associated facilities authorized pursuant to paragraph (14) of subsection a. of section 6 of P.L.1971, c.137; and

WHEREAS, the 1992 Act may be further amended to provide, among other things, for the financing or refinancing of new projects; and

WHEREAS, the Treasurer and the Authority have determined that it is necessary and desirable to amend and restate the First Amended and Restated Agreement in its entirety to provide for the issuance of bonds and notes as provided for in the 1992 Act, as amended by the 1997 Act and by the 2006 Act and as such 1992 Act may be further amended; and

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements herein set forth and the undertaking of each party to the other, the Treasurer and the Authority do hereby promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 101. As used in this Agreement and unless a different meaning clearly appears from the context:

“Act” shall mean P.L. 1971, c. 137 of the Laws of 1971, as amended and supplemented, including the 1992 Act, the 1997 Act and the 2006 Act and any future amendments or supplements to the Act.

“Atlantic City Convention Center Project” shall mean the project referred to in paragraph 9 of subsection a. of Section 6 of the Act.

“Available Excess Revenue” shall mean the revenues, if any, of the Authority, other than Luxury Tax revenues or revenues of the Atlantic City Convention Center Project, and other than tourism related tax revenues or other revenues of the Wildwood Convention Center Facility, which are in excess of the requirements of (i) the resolutions or indentures of the Authority authorizing or relating to the issuance of any of the Authority’s bonds or notes (except the Bonds), and (ii) the requirements of Article IX of this Agreement.

“Bonds” shall mean the bonds or notes of the Authority authorized and issued pursuant to Section 12 of the 1992 Act.

“Bond Payment Date” shall mean a date on which payment of a principal installment or installments or interest with respect to the Bonds or payment of any amount under a Credit Agreement with respect to Bonds shall be due and unpaid, including, without limitation, in respect of any Credit Agreement which is an interest exchange agreement, option, or similar arrangement, as authorized pursuant to the Bond Resolution, a date which is an early termination date thereof.

“Bond Resolution” shall mean any resolution, indenture, agreement, or other instrument adopted or entered into by the Authority which provides for the security and payment of the Bonds.

“Debt Service Requirements” shall mean, with respect to a Bond Payment Date, (i) the principal installment or installments, if any, and interest due on such date with respect to the

Bonds, (ii) the amounts, if any, due and payable on such date under any Credit Agreement, (iii) the amount, if any, required by the Bond Resolution to be deposited in a reserve held thereunder as security for the payment of principal installments and interest on the Bonds and any amounts due and payable under any Credit Agreement, and (iv) the amount of any deficiency in the amounts held in any reserve for the Bonds which shall have resulted from the withdrawal therefrom of amounts for the payment of a principal installment or installments or interest on the Bonds or any amounts due and payable under any Credit Agreement.

“Guaranty Act” shall mean the New Jersey Sports and Exposition Authority Refunding Bond Guaranty Act constituting Chapter 48 of the Laws of New Jersey of 1978.

“Training Facilities Projects” shall mean the projects referred to in Paragraph 14 of subsection a. of Section 6 of the Act.

“Meadowlands Complex” shall mean the project referred to in Paragraph 1 of subsection a. of Section 6 of the Act.

“Monmouth Racetrack Project” shall mean the Monmouth racetrack project authorized pursuant to Paragraph 5 of subsection a. of Section 6 of the Act.

“Sports Authority Fund” shall mean the fund by that name authorized by the 1992 Act to be established by the Treasurer pursuant to Article II of this Agreement.

“Trustee” shall mean, in the case of each Bond Resolution, the bank or trust company appointed and serving as trustee under such Bond Resolution.

“Wildwood Convention Center Facility” shall mean the project referred to in Paragraph 12 of subsection a. of Section 6 of the Act.

Section 102. Capitalized terms used in this Agreement which are not defined herein shall have the meanings given to them in the Act.

ARTICLE II

SPORTS AUTHORITY FUND

Section 201. The Treasurer shall establish and maintain with a depository selected by the Treasurer the Sports Authority Fund in accordance with Section 12 of the 1992 Act.

Section 202. Promptly following the issuance of each series of Bonds, the Authority shall provide the Treasurer with a schedule showing the Debt Service Requirements with respect to such Bonds and shall provide the Treasurer with written notice at least 20 days prior to each Bond Payment Date setting forth the amount required under the applicable Bond Resolution or Resolutions to be deposited thereunder so that the amounts held thereunder on such Bond Payment Date shall equal the Debt Service Requirements for such Bond Payment Date. In the event that amounts held in a reserve under the Bond Resolution as security for the payment of Bonds and amounts payable under all Credit Agreements shall be sufficient to pay all the amounts thereafter becoming due with respect to the payment of the principal installments and interest on the Bonds and with respect to all Credit Agreements, such reserve

amounts shall be applied for such purposes and no further deposits shall be required under the Bond Resolution for such purposes.

Section 203. On or before each Bond Payment Date, and in the case of Bonds issued prior to November 24, 1998, on or before 15 days prior to each Bond Payment Date, the Treasurer shall pay from the Sports Authority Fund to the Trustee or Trustees for application pursuant to the applicable Bond Resolution or Resolutions the amount required so that the amounts held under such Bond Resolution or Bond Resolutions shall equal the Debt Service Requirements therefor on such Bond Payment Date.

Section 204. The Treasurer on behalf of the State may, at any time in his sole discretion, make payments to the Authority for the purpose of (i) redeeming Bonds pursuant to the exercise by the Authority of any option it may have under the Bond Resolution or (ii) defeasing Bonds prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Bond Resolution. Any payments made by the Treasurer to the Authority for the purposes set forth in this section shall, subject to the provisions of the Bond Resolution, be applied by the Authority to such purpose, and, if so directed herein or in the Bond Resolution, shall be deposited in a fund or account established under the Bond Resolution or set aside with the Trustee, as shall be provided in the Bond Resolution. Upon payment to the account of the Authority of the amount required therefor and direction by the Treasurer to the Authority to do so, the Authority shall exercise any option it may have under the Bond Resolution to redeem all or any portion of the Bonds and take such other action as may be necessary to effectuate the redemption or defeasance of such Bonds.

Section 205. The Treasurer shall transfer from the General Fund of the State to the Sports Authority Fund, from time to time, the amounts required so that the amounts in the Sports Authority Fund shall be sufficient to make the payments to the Trustee or Trustees as provided in Section 203 above.

Section 206. Amounts in the Sports Authority Fund shall be invested by the Treasurer in such investments as are authorized for the investment of General Funds of the State. Such investments shall mature at such time or times as necessary so as to provide the amounts required to make the payments pursuant to Section 203 above.

Section 207. All transfers and payments by the Treasurer under Sections 203 and 205 shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes set forth herein.

ARTICLE III

ISSUANCE OF THE BONDS

Section 301. The issuance of each series of Bonds, including the terms thereof and Credit Agreements related thereto, shall be subject to the consent of those State Officers whose consent is required by Section 5 of the Guaranty Act with respect to the issuance of bonds of the Authority therein provided for.

Section 302. As a condition of the issuance of each series of Bonds issued pursuant to paragraph (1) of subsection (d) of Section 12 of the 1992 Act, the Authority shall determine that such Bonds and any other Bonds theretofore issued and outstanding pursuant to said paragraph (1) of subsection (d) of Section 12 of the 1992 Act do not exceed the amount of such Bonds estimated by the Authority to be necessary so that subsequent to the issuance of the

series of Bonds being issued, the revenues of the Meadowlands Complex or the Monmouth Racetrack Project, as the case may be, shall be sufficient to pay all costs payable from such revenues. The Authority shall furnish the Treasurer with a certified copy of such determination and with the projections and financial analyses which serve as the basis therefor.

Section 303. The Authority agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which monies received by the Authority, including the proceeds of Bonds, pursuant to this Agreement have been expended. The Authority agrees to make available or cause to be made available for inspection by the Treasurer its accounts and records as may be deemed necessary or desirable by the Treasurer.

Section 304. The Authority agrees, upon request of the Treasurer, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with terms of the Bond Resolution, all or any portion of the Bonds then outstanding. The net proceeds derived from the sale of such refunding Bonds shall be used by the Authority to effectuate the refunding in accordance with the Bond Resolution.

ARTICLE IV **PROJECTS**

Section 401. The nature and scope of the projects to be financed or refinanced, in whole or in part, by the Bonds are as follows:

- (a) To finance or refinance a capital program or programs for the Meadowlands Complex and the Monmouth Racetrack Project, adopted by the Authority to provide for major repairs, reconstruction and improvements which are legally mandated or otherwise needed to meet environmental or safety requirements, to prevent a loss of revenues, to augment revenues or to continue or enhance the operations of any of the facilities thereof, or to upgrade any of the facilities thereof.
- (b) The Rutgers University Project consisting primarily of the upgrading and expansion of the existing Rutgers Stadium to a capacity of approximately 45,000 seats, including concessions, rest rooms and lighting, and the relocation of the running track within the Athletic Complex, together with the establishment of a field within the track with stands for spectator seating so as to create a facility for track and field competition, soccer, lacrosse, and interscholastic and Special Olympic events, including, in each case, driveways, access roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants, transportation structures systems and equipment, furnishings and all other structures and appurtenances related or incidental to, necessary for, or complementary to the purposes of the aforementioned facilities.
- (c) The Atlantic City Convention Center Project as defined in the 1992 Act, including without limitation, (i) a new convention center on a site of approximately 30 acres at the foot of the Atlantic City Expressway bounded by Kirkman Boulevard, Ohio Avenue, Bacharach Boulevard and Broad Thoroughfare consisting of approximately 605,000 net square feet of exhibit areas and meeting rooms with appurtenance space for assembly, food preparation, loading, storage, utilities, and other functions normally provided in convention facilities, and including structured parking for approximately 1,500 vehicles, site development and

improvements for a possible convention center hotel, possible improvements to or connections between the railroad terminal on the site and the convention center, and loans or payments in aid of construction with respect to infrastructure and site development in related areas described in the aforesaid definition of the Atlantic City Convention Center Project, and (ii) the improvement and renovation of the existing convention center located on a site bounded by the Boardwalk, Mississippi Avenue, Pacific Avenue and Florida Avenue; as such Project may be hereafter modified as a result of the analysis and report provided pursuant to Section 402 hereof.

- (d) Feasibility studies consisting of a feasibility study for the use and development of the existing convention center in the City of Asbury Park and a feasibility study for the construction, use and development of a convention center or recreation facility in such other municipality as shall be identified in a report delivered to the Treasurer by the Authority.
- (e) Provision of funding for public or private institutions of higher education in the State to establish, develop, acquire, construct, or reconstruct or improve facilities located or to be located on property owned, leased, or otherwise used by such institution, consisting of sports facilities and buildings, structures, and appurtenances related thereto, or incidental thereto, necessary for, or complementary to such facilities, including driveways, access roads, approaches, parking areas, parks, recreation areas, vending facilities, restaurants, transportation structures, systems and equipment, furnishings, and all other structures and appurtenances related thereto, necessary for, or complementary to the purposes of the above mentioned facilities, which sports facilities are to be selected based upon a list of projects recommended by the Chancellor of Higher Education following a competitive application process conducted as promulgated by the Chancellor; provided that the aggregate cost of such projects to be undertaken shall not exceed \$5 million.
- (f) The Wildwood Convention Center Facility, to the full extent authorized by the 1997 Act, including, without limitation, the acquisition by purchase, lease or otherwise of property, including, but not limited to all right, title and interest of the Greater Wildwood Tourism Improvement Development Authority in any property, and the development, construction, repair, reconstruction, restoration, improvement or enlargement of a convention center facility to be located in the City of Wildwood, Cape May County, including any existing and acquired buildings, structures, properties and appurtenances, and including restaurants, retail businesses, access roads, approaches, parking areas, transportation structures and systems, recreation areas, equipment, furnishings and/or vending facilities, and all other structures and appurtenances incidental to, necessary for, or complementary to the purposes of such Wildwood Convention Center Facility.
- (g) Training Facilities Projects and associated facilities authorized pursuant to paragraph (14) of subsection a. of section 6 of the Act, consisting of the establishment, development, construction, acquisition, leasing or owning, operating, management, promotion, maintaining, repairing, reconstruction, restoration, improvement and otherwise effectuating, either directly or indirectly through lessees, licensees or agents, projects located within the State of New Jersey, but outside the Meadowlands Complex, provided that the Authority first

obtains the consent of the municipality or municipalities in which the projects are to be located, consisting of football training facilities that are comparable in quality to National Football League professional football training facilities and the buildings, structures, facilities, uses, properties and appurtenances related thereto, or identical to, necessary for, or complementary to those National Football League-quality professional football league training facilities, such projects to include driveways, roads, approaches, parking areas, parks, recreation areas, restaurants, transportation structures, systems and facilities, and equipment, furnishings and all other structures and appurtenant facilities related to, incidental to, necessary for, or complementary to the purposes of such projects or any facility thereof; or

- (h) Any project hereafter authorized by future amendment to the 1992 Act, provided that such future amendment to the 1992 Act authorizes Bonds to be issued for such project.

Section 402. The Authority shall review all existing expert studies with respect to the Atlantic City Convention Center Project that present options as to the scope and nature of said Project and linkages between said Project and economic development of Atlantic City. Based upon its analysis of the available studies and such other expert studies as the Authority may authorize, the Authority shall report to the Legislature and include in the minutes of the Authority its proposal for the development of the Atlantic City Convention Center Project. Such report shall include an explanation for the selection of the project option proposed by the Authority.

ARTICLE V

REPAYMENT TO GENERAL FUND

Section 501. The Authority shall pay to the Treasurer for deposit in the General Fund of the State after each fiscal year of the Authority, from moneys which shall be determined by audit to be Available Excess Revenues for such fiscal year, if any, an amount so that the aggregate amount paid to the Treasurer pursuant to this Section 501 shall equal the total amounts appropriated and paid by the State for the payment of the Debt Service Requirements with respect to the Bonds other than those Bonds issued pursuant to paragraphs (3), (4), (5) and (8) of subsection (d) of Section 12 of the 1992 Act.

ARTICLE VI

SECURITY FOR THE BONDS

Section 601. The parties hereto acknowledge that the Authority intends to pledge this Agreement and the payments made to the Trustee or Trustees as provided for herein as security for the payment of the Bonds and interest thereon and amounts due and payable under any Credit Agreement with respect to the Bonds, and intends to covenant with the holders of the Bonds to enforce the provisions of this Agreement.

ARTICLE VII

PARTICULAR COVENANTS

Section 701. The Authority covenants to obtain the written approval of the Treasurer prior to:

- (a) the adoption in each year of its budget for deposits in and expenditures from the Maintenance Reserve Fund under the Sports Complex Bond Resolution of the Authority adopted December 13, 1978, as amended and supplemented;
- (b) the adoption in each year of its budget for deposits in and expenditures from the working capital and maintenance reserve fund for the Atlantic City Convention Center Project provided for in paragraph (3) of subsection f. of Section 6 of the Act; and
- (c) the issuance of any bonds of the Authority (other than bonds issued for refunding purposes) which shall be payable from and secured by (i) the revenues of the Authority derived from the Meadowlands Complex or the Monmouth Racetrack Project, or (ii) Luxury Tax revenues.

ARTICLE VIII

STATE OBLIGATION SUBJECT TO APPROPRIATIONS

Section 801. It is expressly understood by the parties hereto that the incurrence of any obligation by the State or the Treasurer under this Agreement, including any and all transfers and payments to be made hereunder from the General Fund of the State, shall be subject to and dependent upon appropriations being made from time to time by the Legislature for the purposes set forth herein and in Section 12 of the 1992 Act. The obligation of the State or the Treasurer to pay the amounts herein provided for shall not constitute a debt or liability of the State within the meaning of any constitutional or statutory provision or a pledge of the faith and credit of the State and shall be deemed executory only to the extent of moneys appropriated and no liability shall be incurred by the State or the Treasurer beyond the moneys then appropriated. For all purposes of this Agreement, the references to the State shall include, without limitation, the present and all future Legislatures of the State and the members thereof.

ARTICLE IX

APPLICATION OF MONMOUTH PARK REVENUES

Notwithstanding any other provisions contained herein or in the Bond Resolution, the provisions of this Article IX are for the sole and exclusive benefit of, and shall be enforceable only by, the Authority and the Treasurer, and the provisions of this Article IX may be waived by the Treasurer in his sole and absolute discretion without the consent of the Trustee, the holders of any Bonds or any other party.

Section 901. Special Definitions. As used in Article IX of this Agreement, unless a different meaning appears from the context, the following terms shall have the following meanings:

“Accrued Aggregate Allocable Monmouth Park Debt Service” shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Allocable Monmouth

Park Debt Service with respect to the Series 1998 Monmouth Park Related State Contract Bonds, calculating the accrued Allocable Monmouth Park Debt Service with respect to such Bonds at an amount equal to the sum of (i) interest on such Bonds accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) principal installments due and unpaid and that portion of the principal installment for such Bonds next due which would have accrued (if deemed to accrue in the manner set forth in the definition of "Principal Installments" under the State Contract Resolution) to the end of such calendar month.

"Allocable Monmouth Park Debt Service" shall mean all principal of and interest payable with respect to the Series 1998 Monmouth Park Related State Contract Bonds.

"Annual Monmouth Park Budget" shall mean the annual budget of the Authority with respect to Monmouth Park, as amended or supplemented, adopted or in effect for a particular Authority Fiscal Year.

"Authority Fiscal Year" shall mean the then current annual accounting period of the Authority for its general accounting purposes which period is, at time of this Agreement, the twelve (12) month period commencing on January 1 of each year and ending on the next succeeding December 31.

"Existing Monmouth Park Facilities" shall mean the Monmouth Park Race Track, consisting of a racetrack and related facilities for the holding of horse race meetings, including all necessary and related roadways, parking and other support facilities therefor, and all environmental facilities in connection therewith, together with all land and rights in land, structures and improvements, and other facilities and appurtenances related thereto.

"Maintenance Reserve Fund" shall mean the Maintenance Reserve Fund originally established under the Monmouth Park Resolution and now held and maintained pursuant to and as provided in Section 902 hereof.

"Monmouth Park" shall mean the Existing Monmouth Park Facilities and each Monmouth Racetrack Project.

"Monmouth Park Operating Expenses" shall mean the Authority's expenses for operation, maintenance, and ordinary repairs, replacements and reconstruction of Monmouth Park, and shall include, without limiting the generality of the foregoing, administrative and general expenses, legal, engineering and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums and any expenses related thereto, rents, taxes or other governmental charges, insurance and surety bond premiums and any expenses related thereto, and any other current expenses or obligations required to be paid by the Authority under the provisions hereof or by law, all to the extent properly and directly allocable to Monmouth Park, and to the extent not paid from any other source, the fees and expenses of any trustee, paying agent or bond registrar for any other bonds, notes or other evidences of indebtedness issued by the Authority in connection with Monmouth Park. Operating Expenses shall not include any costs or expenses in respect of original construction of Monmouth Park other than minor capital expenditures deemed necessary by the Authority for the proper and economic operation and maintenance of Monmouth Park, and any costs or expenses for new construction or any provision for interest, depreciation, amortization or similar charges.

“Monmouth Park Resolution” shall mean the resolution of the Authority adopted on December 7, 1994 entitled “Monmouth Park Revenue Bond Resolution” as such resolution was defeased as of December 30, 1998.

“Monmouth Park Revenues” shall mean (i) all revenues, rents, fees, rates, charges and other income and receipts derived by the Authority from or attributable to the ownership or operation of Monmouth Park, and (ii) proceeds of any use or occupancy insurance, and of any other insurance which insures against business interruption, relating to Monmouth Park; provided that, with respect to the moneys of parimutuel pools from the holding of horse race meetings of the Authority, only that portion thereof remaining after distribution pursuant to the Act of sums to winners and for stakes, purses or rewards and for special trust accounts for breeding and development of horses shall constitute Monmouth Park Revenues.

“1994 Monmouth Park Bonds” shall mean the Authority’s Monmouth Park Revenue Refunding Bonds, 1994 Series A.

“Operating Fund” shall mean the Operating Fund originally established under the Monmouth Park Resolution and now held and maintained pursuant to and as provided in Section 902 hereof.

“Payment in Lieu of Tax Fund” shall mean the Payment in Lieu of Tax Fund originally established under the Monmouth Park Resolution and now held and maintained pursuant to and as provided in Section 902 hereof.

“Revenue Fund” shall mean the Revenue Fund originally established under the Monmouth Park Resolution and now held and maintained pursuant to and as provided in Section 902 hereof.

“Series 1998 Monmouth Park Related State Contract Bonds” shall mean (i) a portion of the principal amount the Authority’s State Contract Bonds, 1998 Series A equal to the amount of proceeds of such 1998 Series A Bonds applied to the defeasance and advance refunding of the 1994 Monmouth Park Bonds; and (ii) a corresponding portion of the principal amount of any Bonds issued to refund the Authority’s State Contract Bonds, 1998 Series A.

“State Contract Bond Trustee” shall mean the Trustee, or any successor thereto, under the State Contract Resolution.

“State Contract Debt Service Fund” shall mean the Debt Service Fund established under the State Contract Resolution.

“State Contract Resolution” shall mean the Authority’s State Contract Bond Resolution adopted on February 26, 1992, as supplemented by (i) the Fourth Supplemental State Contract Bond Resolution adopted on November 24, 1998 as further supplemented by a Series Certificate of the Authority dated December 30, 1998 (ii) the Thirteenth Supplemental State Contract Bond Resolution adopted on April 26, 2006, as further supplemented by a Series Certificate of the Authority to be executed by the Authority pursuant to such Thirteenth Supplemental Resolution and (iii) the Fourteenth Supplemental State Contract Bond Resolution adopted on April 26, 2006, as further supplemented by a Series Certificate of the Authority to be executed by the Authority pursuant to such Fourteenth Supplemental Resolution.

“State Guaranteed Bond Resolution” shall mean the “Resolution Authorizing Sports Complex Refunding Bonds, 1992 Series - Guaranteed by the State of New Jersey” adopted February 26, 1992 by the Authority.

“State Guaranteed Bonds” shall mean the Sports Complex Refunding Bonds, 1992 Series - Guaranteed by the State of New Jersey, issued pursuant to the State Guaranteed Bond Resolution.

Section 902. **Establishment of Funds.** 1. Upon the defeasance and advance refunding of the 1994 Monmouth Park Bonds, the Authority shall continue to hold and maintain the Operating Fund, the Maintenance Reserve Fund, and the Payment in Lieu of Tax Fund originally established under the Monmouth Park Resolution in accordance with the provisions of this Agreement.

2. There may be established within any Fund established hereunder such further accounts or subaccounts as an authorized officer of the Authority may determine. In addition, the Authority shall have the right to establish other funds and accounts relating to the Monmouth Racetrack Project with the consent of the Treasurer.

Section 903. **Deposit of Monmouth Park Revenues and Revenue Fund.** 1. All Monmouth Park Revenues shall be promptly deposited by the Authority to the credit of the Revenue Fund and all transfers from such Fund shall be made only in accordance with the provisions of this Article IX.

Section 904. **Revenue Fund.** 1. As soon as practicable in each month, after the deposit of Monmouth Park Revenues in the Revenue Fund and in any case no later than the last business day of such month, the Authority shall withdraw from the Revenue Fund and transfer to the Operating Fund, to the extent the amount in the Revenue Fund shall be sufficient therefor, all amounts required for reasonable and necessary Monmouth Park Operating Expenses for such month as estimated in the then current Annual Monmouth Park Budget. The Authority may also from time to time transfer additional amounts from the Revenue Fund to the Operating Fund as a reserve for Monmouth Park Operating Expenses, provided that the total amount of such reserve held at any time shall not exceed 25% of the amount appropriated by the then current Annual Monmouth Park Budget for Monmouth Park Operating Expenses.

2. Amounts in the Operating Fund shall be paid out from time to time by the Authority for reasonable and necessary Monmouth Park Operating Expenses; provided, however, that no such payment shall be made without the consent of the Treasurer if the amount of such payments is in excess of the unencumbered balance of the appropriations for Monmouth Park Operating Expenses in the then current Annual Monmouth Park Budget.

3. Amounts in the Operating Fund which the Authority at any time determines to be in excess of the requirements of such Fund shall be transferred to the Revenue Fund and applied in accordance with Section 905 hereof.

Section 905. **Payments into Certain Funds.** 1. As soon as practicable in each month after the deposit of Monmouth Park Revenues in the Revenue Fund and after the transfer for such month has been made to the Operating Fund pursuant to Section 904 hereof, but in any case no later than the last business day of such month, the Authority shall withdraw from the Revenue Fund and deposit in the following Funds in the following order of priority, the amounts

set forth below, but only to the extent the amount in the Revenue Fund shall be sufficient therefor:

(a) To the State Contract Debt Service Fund the amount required so that the balance in said Fund shall equal the Accrued Aggregate Allocable Monmouth Park Debt Service, to be held therein and applied, in accordance with the State Contract Resolution, to the payment of Allocable Monmouth Park Debt Service on the Series 1998 Monmouth Park Related State Contract Bonds.

(b) In the Maintenance Reserve Fund, an amount equal to that amount which shall be provided in the Annual Monmouth Park Budget to be deposited in the Maintenance Reserve Fund during the then current calendar month; provided that, if any such monthly allocation to the Maintenance Reserve Fund shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency;

(c) In the Payment in Lieu of Tax Fund, the amount, if any, required so that the balance in said Fund shall equal the payments in lieu of taxes next due pursuant to Section 6(a)(5) of the Act, plus any reserve or reserves therefor which the Authority shall have by resolution established; and

(d) Subject to the provisions of subsection 2 of this Section 905, the remaining balance, if any, of moneys in the Revenue Fund after making the above deposits shall remain in such Fund;

provided, however, that so long as there shall be held in the State Contract Debt Service Fund an amount sufficient to pay in full all outstanding Series 1998 Monmouth Park Related State Contract Bonds in accordance with their terms (including principal or applicable redemption price and interest thereon), no deposits shall be required to be made into the State Contract Debt Service Fund.

2. If at any time during an Authority Fiscal Year, after making the necessary deposits set forth in subsection 1 of this Section 905, the Authority shall determine that a portion or all of the moneys remaining on deposit in the Revenue Fund will not be required for purposes set forth herein including the operation and maintenance of Monmouth Park and the payment of debt service on Series 1998 Monmouth Park Related State Contract Bonds, such surplus amounts may be transferred by the Authority (i) for deposit in the maintenance reserve fund created by and held under the Sports Complex Revenue Bond Resolution, (ii) for use in connection with any other project of the Authority or (iii) for deposit in the General Fund of the State. Any determination by the Authority with respect to the existence of such surplus and the application thereof to permitted purposes shall be evidenced by a resolution adopted by the Authority and filed with the State Contract Bond Trustee and the Treasurer.

Section 906. Maintenance Reserve Fund. 1. Amounts in the Maintenance Reserve Fund shall be applied to the cost of major or extraordinary repairs, renewals or replacements with respect to Monmouth Park or improvements thereto not paid out of the Operating Fund. There may also be established and maintained by the Authority in the Maintenance Reserve Fund a reserve or reserves for the purposes of such Fund or any of such purposes in such amounts as the Authority shall from time to time determine to be necessary or appropriate therefor.

2. No such payment shall be made from the Maintenance Reserve Fund if and to the extent that the proceeds of insurance or other moneys recoverable as a result of damage, if any, are available to pay such costs.

3. If at any time the amount in the State Contract Debt Service Fund shall be insufficient to pay the interest or principal installments becoming due as part of the Allocable Monmouth Park Debt Service, and there shall not be on deposit in the Payment in Lieu of Tax Fund available moneys sufficient to cure such deficiency, then, unless the Treasurer shall otherwise direct, the State Contract Bond Trustee shall requisition and the Authority shall withdraw from the Maintenance Reserve Fund and pay over to the State Contract Trustee for deposit in the State Contract Debt Service Fund, but only to the extent that the amount in said Maintenance Reserve Fund is not otherwise encumbered or reserved for a particular repair, renewal, replacement or improvement to Monmouth Park (as determined by resolution of the Authority filed with the State Contract Bond Trustee), an amount (or all the moneys in said Fund, if less than the amount required) which, together with the amounts available in the Payment in Lieu of Tax Fund, will be sufficient to make up such deficiency.

4. Any amounts in the Maintenance Reserve Fund not required to meet any such deficiencies in the State Contract Debt Service Fund or needed for any of the purposes for which the Maintenance Reserve Fund was established shall, at the option of the Authority, be transferred to the Revenue Fund and applied in the manner provided herein.

5. In addition to any amounts deposited in the Maintenance Reserve Fund pursuant to Section 905 hereof, there may also be deposited into the Maintenance Reserve Fund, at the option of the Authority, any moneys received by the Authority from any source other than Monmouth Park.

Section 907. Payment in Lieu of Tax Fund. 1. Amounts in the Payment in Lieu of Tax Fund shall be applied to payments in lieu of taxes pursuant to Section 6(a)(5) of the Act in such manner as the Authority shall determine. One or more reserves for such payments, or any of them, may be established and held in said Fund.

2. If at any time the amount in the State Contract Debt Service Fund shall be insufficient to pay the interest or principal installments becoming due as part of the Allocable Monmouth Park Debt Service, then, unless the Treasurer shall otherwise direct, the State Contract Bond Trustee shall requisition and the Authority shall withdraw from the Payment in Lieu of Tax Fund and pay over to the State Contract Bond Trustee for deposit in the State Contract Debt Service Fund, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency.

3. Any amounts in the Payment in Lieu of Tax Fund not required to meet payments from such Fund, as determined by the Authority, shall be transferred to the Revenue Fund and applied in the same manner as Monmouth Park Revenues.

Section 908. Approval of Annual Monmouth Park Budget. The adoption or amendment by the Authority of any Annual Monmouth Park Budget for Authority Fiscal Years beginning on or after January 1, 1999 shall be subject to the prior approval of the Treasurer.

ARTICLE X
SEVERABILITY OF INVALID PROVISIONS

Section 1001. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of the Authority or the Treasurer shall be deemed contrary to law, then such covenant, convenience, agreement or agreements, shall be deemed severable from the remaining agreements and covenants and shall not in any way affect the validity of the other provisions of this Agreement.

ARTICLE XI
GOVERNING LAW

Section 1101. This Agreement shall be construed and governed in accordance with the Laws of the State of New Jersey.

ARTICLE XII
AMENDMENTS AND SUPPLEMENTS

Section 1201. This Agreement may be amended or supplemented from time to time when necessary or desirable to further implement the provisions of the 1992 Act, provided that each such amendment or supplement shall be in writing and shall be subject to the approval of the presiding officers of the Legislature and that no amendments or supplements to this Agreement shall adversely affect the interest of the holders of the Bonds.

ARTICLE XIII
EXECUTION IN COUNTERPARTS

Section 1301. This Agreement may be executed and approved in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE XIV
EFFECTIVE DATE, APPROVAL BY
PRESIDING OFFICERS AND TERMINATION

Section 1401. This Agreement shall become effective immediately upon execution and delivery by the parties and approval hereof by the President of the Senate and the Speaker of the Assembly of the Legislature of New Jersey.

Section 1402. This Agreement shall terminate on the later of (i) the date following the latest maturity date of the Bonds, provided that there shall be no termination on that date unless the Authority shall have paid or made provision for payment in accordance with their terms of all of the Bonds, or (ii) the date of repayment to the State General Fund by the Authority as provided in Section 501 of this Agreement of the full amount required by the provisions thereof.

Section 1403. None of the signatories to this Agreement, including the President of the Senate and the Speaker of the Assembly shall have any personal liability or accountability as a result of their execution of this Agreement.

IN WITNESS WHEREOF, the parties have executed and attested this Agreement as of the date and year first written above and this Agreement has been approved by the President of the Senate and the Speaker of the Assembly as of the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: 
David Rousseau
Deputy State Treasurer

NEW JERSEY SPORTS AND EXPOSITION
AUTHORITY

By: _____
George R. Zoffinger
President and Chief Executive Officer

APPROVED:

Richard J. Codey
President of the Senate

APPROVED:

Joseph J. Roberts Jr.
Speaker of the Assembly

IN WITNESS WHEREOF, the parties have executed and attested this Agreement as of the date and year first written above and this Agreement has been approved by the President of the Senate and the Speaker of the Assembly as of the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: _____

Deputy State Treasurer

NEW JERSEY SPORTS AND EXPOSITION
AUTHORITY

By:  _____
George R. Zoffinger
President and Chief Executive Officer

APPROVED:

Richard J. Codey
President of the Senate

APPROVED:

Joseph J. Roberts Jr.
Speaker of the Assembly

IN WITNESS WHEREOF, the parties have executed and attested this Agreement as of the date and year first written above and this Agreement has been approved by the President of the Senate and the Speaker of the Assembly as of the date and year first written above.

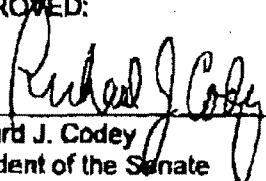
TREASURER, STATE OF NEW JERSEY

By: _____
David Rousseau
Deputy State Treasurer

NEW JERSEY SPORTS AND EXPOSITION
AUTHORITY

By: _____
George R. Zoffinger
President and Chief Executive Officer

APPROVED:



Richard J. Codey
President of the Senate

APPROVED:

Joseph J. Roberts Jr.
Speaker of the Assembly

[SIGNATURE PAGE TO SECOND AMENDED AND RESTATED AGREEMENT EFFECTUATING ISSUANCE OF BONDS]

IN WITNESS WHEREOF, the parties have executed and attested this Agreement as of the date and year first written above and this Agreement has been approved by the President of the Senate and the Speaker of the Assembly as of the date and year first written above.

TREASURER, STATE OF NEW JERSEY

By: _____
David Rousseau
Deputy State Treasurer

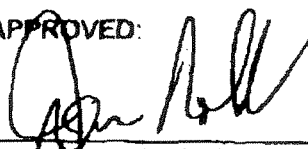
**NEW JERSEY SPORTS AND EXPOSITION
AUTHORITY**

By: _____
George R. Zoffinger
President and Chief Executive Officer

APPROVED:

Richard J. Codey
President of the Senate

APPROVED:



Joseph J. Roberts Jr.
Speaker of the Assembly

APPENDIX IV

FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is made as of the 31st day of August, 2011 by and between the **TREASURER OF THE STATE OF NEW JERSEY** (the “Treasurer”) and **THE BANK OF NEW YORK MELLON**, as Dissemination Agent (the “Dissemination Agent”), in its capacity as trustee under the State Contract Bond Resolution adopted by the New Jersey Sports and Exposition Authority (the “Authority”) on February 26, 1992, as amended and supplemented including by the Twentieth Supplemental State Contract Bond Resolution adopted by the Authority on July 14, 2011 and a Series Certificate of the Authority dated the date of sale of the hereinafter defined Bonds (collectively, the “Resolution”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s \$_____ aggregate principal amount of State Contract Refunding Bonds, 2011 Series A (the “2011 Series A Bonds”) and \$_____ aggregate principal amount of State Contract Refunding Bonds, 2011 Series B (Taxable) (the “2011 Series B Bonds” and, collectively with the 2011 Series A Bonds, the “Bonds”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Bonds (collectively, the “Bondholders”) and in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”), as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Continuing Disclosure Information” shall mean, collectively, (i) each Treasurer’s Annual Report, (ii) any notice required to be filed with the MSRB pursuant to Section 3(c) of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed with the MSRB pursuant to Section 5(c) of this Disclosure Agreement.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Opinion of Counsel” shall mean a written opinion of counsel expert in federal securities law acceptable to both the Treasurer and the Authority.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds.

“State” means the State of New Jersey.

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

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

(a) The Treasurer shall, no later than March 15, 2012 and March 15 of each year during which any of the Bonds remain Outstanding, provide to the Dissemination Agent the Treasurer’s Annual Report prepared for the fiscal year of the State ending the immediately preceding June 30 (or if the fiscal year of the State shall end on any date other than June 30, the Treasurer shall provide the Treasurer’s Annual Report to the Dissemination Agent not later than the fifteenth day of the ninth month next following the end of such other fiscal year); provided, however, that the audited financial statements of the State may be submitted separately from the Treasurer’s Annual Report, and later than the date required herein for the filing of the Treasurer’s Annual Report, if such audited financial statements are not available by such date, but only if the unaudited financial statements are included in such Treasurer’s Annual Report. Each Treasurer’s Annual Report provided to the Dissemination Agent by the Treasurer shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package. Each Treasurer’s Annual Report may cross-reference other information which is available to the public on the MSRB’s internet website or which has been filed with the SEC, and, if the document incorporated by reference is a final official statement, it must be available from the MSRB. Unless otherwise required by law, any continuing disclosure information filed with the MSRB in accordance with this Disclosure Agreement shall be in an electronic format as shall be prescribed by MSRB Rule G-32, and shall be accompanied by such identifying information as shall be prescribed by MSRB Rule G-32.

(b) The Dissemination Agent, promptly on receiving the Treasurer’s Annual Report, and, in any event, not later than April 1 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the first day of the tenth month next following the end of such other fiscal year), shall submit such Treasurer’s Annual Report received by it to the MSRB in accordance with the Rule.

(c) If the Treasurer fails to submit the Treasurer’s Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Treasurer and the Authority advising of such failure. Whether or not such notice is given or received, if the Treasurer thereafter fails to submit the Treasurer’s Annual Report to the Dissemination Agent by the last Business Day of the month in which such Treasurer’s Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) (i) Notwithstanding anything to the contrary contained in this Disclosure Agreement, in order to expedite the transmission of the Treasurer’s Annual Report to the MSRB, as set forth in subsections (a), (b) and (c) of this Section 3, the Treasurer shall have the option, but shall not be obligated, to submit the Treasurer’s Annual Report directly to the MSRB not later than March 15 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the fifteenth day of the ninth month next following the end of such other

fiscal year). In the event that the Treasurer elects to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall at the same time, submit the Treasurer's Annual Report to the Dissemination Agent together with evidence that such Treasurer's Annual Report has been forwarded by the Treasurer to the MSRB, upon which evidence the Dissemination Agent may rely. In the event that the Treasurer elects not to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent within the time period specified in subsection (a) of this Section 3.

(ii) If the Dissemination Agent does not receive notice that the Treasurer has submitted the Treasurer's Annual Report directly to the MSRB as permitted in subsection (d)(i) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

SECTION 4. Contents of the Treasurer's Annual Report.

(a) Treasurer's Annual Report means: (i) information pertaining to the finances and operating data of the State substantially of the type captioned as follows in Appendix I to the Official Statement of the Authority circulated in connection with the issuance of the Bonds: "STATE FINANCES", "FINANCIAL RESULTS AND ESTIMATES", "OUTSTANDING BONDED INDEBTEDNESS OF THE STATE", "TAX AND REVENUE ANTICIPATION NOTES", "OBLIGATIONS SUPPORTED BY STATE REVENUE SUBJECT TO ANNUAL APPROPRIATION", "MORAL OBLIGATION FINANCING," "STATE EMPLOYEES", "FUNDING PENSION PLANS," "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION", and (ii) "COMPREHENSIVE ANNUAL FINANCIAL REPORT", being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, as set forth in Appendix A attached to such Appendix I described above, all such financial information included in clause (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

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

SECTION 5. Reporting of Significant Events.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the State;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the State or the Authority or the sale of all or substantially all of the assets of the State or the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Treasurer shall, in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event, notify the Dissemination Agent in writing to report the Listed Event pursuant to subsection (c) of this Section 5. In determining the materiality of any of

the Listed Events specified in subsection (a) of this Section 5, the Treasurer may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed in writing by the Treasurer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instructions, but in no event later than ten (10) Business Days after the occurrence of such Listed Event. In addition, notice of Listed Events described in subsections (a)(viii) and (ix) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to Holders of affected Bonds pursuant to the Resolution.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event) directly with the MSRB, copying the Dissemination Agent on any such notice.

SECTION 6. Termination of Reporting Obligation. The respective obligations of the Treasurer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Treasurer is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Treasurer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Treasurer and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Treasurer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Treasurer's Annual Report or notice of occurrence of a Listed Event, as the case may be, in addition to that which is required by this Disclosure Agreement. If the Treasurer chooses to include any information in any Treasurer's Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update or continue to provide such information or include it in any future Treasurer's Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. (a) In the event of a failure of the Treasurer to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Holders of at least 25% in aggregate principal amount of Outstanding Bonds affected by such failure, shall), or any Bondholder may take such actions as may be necessary and appropriate to cause the Treasurer to comply with its obligations under this Disclosure Agreement; provided, however, that no person or entity shall be entitled to recover monetary

damages hereunder under any circumstances. Notwithstanding the foregoing, the right of any Bondholder to challenge the adequacy of information provided pursuant to this Disclosure Agreement shall be limited in the same manner as enforcement rights are limited under the Resolution. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Treasurer to comply with this Disclosure Agreement shall be an action to compel performance.

(b) For purposes of this Disclosure Agreement, in making determinations under applicable securities law, the Treasurer may, but shall not be required to, rely on an Opinion of Counsel with respect to matters of a legal nature.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent and the Bondholders, and each Bondholder is hereby declared to be a third party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

SECTION 11. Compensation and Indemnification of the Dissemination Agent. The provisions of Section 905 of the Resolution relating to compensation and indemnification of the Trustee, shall apply to the performance by the Dissemination Agent of its obligations under this Disclosure Agreement.

SECTION 12. Notices. Unless otherwise specified herein, all notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(a) If to the Treasurer:

New Jersey Department of the Treasury
c/o Office of Public Finance
50 West State Street, 5th Floor
P. O. Box 005
Trenton, New Jersey 08625
Attn: Director, Office of Public Finance

(b) If to the Dissemination Agent:

The Bank of New York Mellon
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attn: Corporate Trust Department

(c) If to the Authority:

New Jersey Sports and Exposition Authority
50 State Route 120
East Rutherford, New Jersey 07073
Attention: Chief Financial Officer

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 12 for the giving of notice.

SECTION 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Treasurer or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 17. Governing Law and Venue. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey. The parties hereto agree that the Treasurer or the State may be sued, pursuant to Section 9 hereof, only in a State court in the County of Mercer, in the State of New Jersey. The Treasurer does not consent to federal court jurisdiction.

SECTION 18. Compliance with L. 2005, c. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to *N.J.S.A. 19:44A-20.13* (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Disclosure Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 19. Compliance with L. 2005, c. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Disclosure Agreement or any subcontract awarded under this Disclosure Agreement shall be performed within the United States of America.

IN WITNESS WHEREOF, the parties hereto have caused this Disclosure Agreement to be executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREASURER, STATE OF NEW JERSEY

Andrew P. Sidamon-Eristoff

THE BANK OF NEW YORK MELLON,
as Dissemination Agent

By: _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Authority: **New Jersey Sports and Exposition Authority**

Name of Bond issue affected: **\$_____State Contract Refunding
Bonds, 2011 Series A and 2011 Series B
(Taxable)**

Date of Issuance of the affected Bond issue: **August 31, 2011**

NOTICE IS HEREBY GIVEN that the Treasurer of the State of New Jersey has not provided a Treasurer's Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement dated August 31, 2011 between the Treasurer and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE – The Treasurer anticipates that the specified Treasurer's Annual Report will be filed by _____.]

Dated: _____

[DISSEMINATION AGENT]

cc: State Treasurer
Authority

APPENDIX V

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

[SIMULTANEOUSLY WITH THE ISSUANCE AND DELIVERY OF THE BONDS,
HAWKINS DELAFIELD & WOOD LLP, BOND COUNSEL TO THE AUTHORITY, IS
EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE
FOLLOWING FORM]

[CLOSING DATE]

New Jersey Sports and Exposition Authority
East Rutherford, New Jersey

Treasurer, State of New Jersey
Trenton, New Jersey

Ladies and Gentlemen:

We have acted as bond counsel to the New Jersey Sports and Exposition Authority (the "Authority"), a public body corporate and politic and an instrumentality of the State of New Jersey (the "State"), and have examined a record of proceedings relating to the issuance by the Authority of its \$_____ State Contract Bonds, 2011 Series A (the "2011 Series A Bonds") and its \$_____ State Contract Bonds, 2011 Series B (Taxable) (the "2011 Series B Bonds" and, together with the 2011 Series A Bonds, the "2011 Bonds"). The 2011 Bonds are being issued pursuant to the New Jersey Sports and Exposition Authority Law, constituting Chapter 137 of the Laws of 1971 of New Jersey, effective May 10, 1991, as amended and supplemented (the "Act"), and pursuant to a resolution of the Authority entitled "State Contract Bond Resolution" adopted by the Authority on February 26, 1992, as amended and supplemented, including by a Twentieth Supplemental State Contract Bond Resolution adopted by the Authority on July 14, 2011 and a Series Certificate of the Authority dated the date of sale of the 2011 Bonds (collectively, the "Resolution"). Capitalized terms used but not defined herein shall have the meanings given to them in the Resolution.

The Authority has entered into a Second Amended and Restated Agreement Effectuating Issuance of Bonds of the New Jersey Sports and Exposition Authority Payable From State Appropriations, dated as of March 15, 2007, between the Authority and the Treasurer of the State (the "Treasurer") and approved by the presiding officers of the State Legislature (the "State Contract"). The State Contract provides, among other things, that the Treasurer shall transfer from the General Fund of the State to the Sports Authority Fund, subject to and dependent upon appropriations being made therefor by the State Legislature, and to pay from the Sports Authority Fund the debt service on all Series of Bonds, including any Additional Bonds or Refunding Bonds issued under the Resolution, and any amount due under any Credit Agreement.

The 2011 Bonds are dated and bear interest from the date of issuance and delivery thereof. Interest on the 2011 Bonds is payable on March 1, 2012 and semi-annually on each September 1 and March 1 thereafter. The 2011 Bonds mature on the dates and in the principal amounts, bear interest at the respective rates per annum, and are subject to redemption prior to maturity as set forth in the Resolution.

The 2011 Bonds are issuable only in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York, an automated depository for securities and clearing house for securities transactions. Purchases of the 2011 Bonds will be in book-entry only form without certificates in the denominations of \$5,000 or integral multiples thereof. The 2011 Bonds of each series are lettered and numbered from one upward preceded by the letter R prefixed to the number.

The 2011 Bonds are being issued for the purpose of providing moneys, together with other available funds of the Authority, if any, to refund the Bonds to be Refunded and to pay the costs of issuance of the 2011 Bonds.

In connection with the opinions set forth below, we have examined such documents, records of the Authority and other instruments, including original counterparts or certified copies of the Resolution, the State Contract and the other documents listed in the record of proceedings relating to the issuance of the 2011 Bonds, and such matters of law and other proofs, as we deemed necessary to enable us to express the opinions set forth below. In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2011 Series A Bonds in order that interest on the 2011 Series A Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Authority delivered in connection with the issuance of the 2011 Series A Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Authority has covenanted that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the 2011 Series A Bonds is excludable from gross income under Section 103 of the Code. Non-compliance with the requirements of the Code may require inclusion of interest on the 2011 Series A Bonds in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained.

In rendering the opinion in paragraph (6) below, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to

matters affecting the exclusion of interest on the 2011 Series A Bonds from gross income for federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Authority with the applicable provisions of the Arbitrage and Use of Proceeds Certificate as to such tax matters.

Based upon and subject to the foregoing and the assumptions and qualifications set forth below, we are of the opinion that:

1. The Authority is duly created and validly existing as a public body corporate and politic and an instrumentality of the State created pursuant to the Act, and the Authority had and has the right, power and authority under the Act to adopt the Resolution and to issue the 2011 Bonds.

2. The Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Revenues, moneys, securities and funds and other Pledged Property held or set aside under the Resolution, subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature for such purpose, and subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The 2011 Bonds are "Bonds" within the meaning of such term as used in the State Contract and are issued in compliance with and entitled to the benefits of the State Contract.

4. The 2011 Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State, including the Act, and the Resolution, constitute valid and binding special obligations of the Authority as provided in the Resolution, are entitled to the benefits of the Resolution and the Act and are enforceable in accordance with their terms and the terms of the Resolution. The 2011 Bonds are special, limited obligations of the Authority, payable solely out of the revenues or other receipts, funds or moneys of the Authority pledged under the Resolution and from any amounts otherwise available under the Resolution for the payment of the 2011 Bonds. The 2011 Bonds do not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power.

5. The State Contract is in full force and effect and is valid and binding upon the Authority and the Treasurer and is enforceable against the Authority and the Treasurer in accordance with its terms, and the 2011 Bonds are entitled to the benefits of the State Contract. Payments to the Authority by the Treasurer pursuant to the State Contract are subject to and dependent upon appropriations being made from time to time by the State Legislature for such purpose. The State Legislature has no legal obligation to make such appropriations.

6. Under existing statutes and court decisions and assuming continuing compliance by the Authority with the Arbitrage and Use of Proceeds Certificate, (i) interest on the 2011

Series A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the 2011 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

7. Interest on the 2011 Series B Bonds is included in gross income for federal income tax purposes under the Code.

8. Under existing statutes, interest on and any gain realized from the sale of the 2011 Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act.

Our opinions set forth above are subject, as to the enforceability of the 2011 Bonds, the Resolution and the State Contract, to applicable bankruptcy, reorganization, moratorium, insolvency and other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the valid exercise of the sovereign police powers of the State and of the constitutional power of the United States of America.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Authority other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the 2011 Bonds.

Except as stated in paragraphs 6, 7 and 8 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the 2011 Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the 2011 Series A Bonds.

Very truly yours,

APPENDIX VI

SUMMARY OF REFUNDED BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

