

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2024

NEW ISSUE — BOOK ENTRY ONLY

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

\$109,510,000*
New Jersey Health Care Facilities Financing Authority
Department of Human Services
Lease Revenue Refunding Bonds
(Greystone Park Psychiatric Hospital Project)
Series 2024

Dated: Date of Delivery

Due: September 15, as shown on inside front cover

This Official Statement has been prepared by the New Jersey Health Care Facilities Financing Authority (the "Authority") to provide information on its \$109,510,000* Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project), Series 2024 (the "Series 2024 Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed investment decision regarding the Series 2024 Bonds, a prospective investor should review this Official Statement, including all Appendices attached hereto, in its entirety. Simultaneously with the issuance of the Series 2024 Bonds, the Authority is issuing its Department of Human Services Lease Revenue Refunding Bonds (Marlboro Psychiatric Hospital Project), Series 2024 (the "Marlboro Refunding Bonds"). The Marlboro Refunding Bonds are not being offered by means of this Official Statement. Only the Series 2024 Bonds are being offered by the Authority pursuant to this Official Statement.

Tax Matters: In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the Authority with certain requirements described in "TAX MATTERS" herein, interest on the Series 2024 Bonds is not includable in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. For tax years beginning after December 31, 2022, interest on the Series 2024 Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2024 Bonds and any gain realized on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

Redemption: The Series 2024 Bonds are not subject to redemption prior to maturity.

Security: The Series 2024 Bonds are being issued in accordance with the provisions of the New Jersey Health Care Facilities Financing Act, L. 1972, c. 29 (N.J.S.A. 26:21-1 *et seq.*, as amended) (the "Act") and under and pursuant to the resolution entitled: "Resolution Authorizing the Issuance of Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024 and Determining Other Matters in Connection Therewith" adopted by the Authority on March 28, 2024, and a Trust Indenture dated as of April 1, 2003, as previously supplemented, and as further supplemented by a Fifth Supplemental Trust Indenture dated as of May 1, 2024 (together, the "Indenture"), each between the Authority and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the "Trustee").

The New Jersey Department of Human Services ("DHS") owns the real property upon which the psychiatric hospital known as "Greystone Park Psychiatric Hospital" is located in Morris County, New Jersey (the "Project Facilities"). The New Jersey Department of Health is the operator of Greystone Park Psychiatric Hospital pursuant to Reorganization Plan 001-2017. Pursuant to and in accordance with the Lease (as defined herein), DHS has leased to the Authority its possessory rights to certain lands of which it holds fee title interest and on which the Project Facilities are located (the "Leased Property"). In turn, pursuant to the Agreement (as defined herein), the Authority has subleased the Leased Property to DHS. The Agreement provides for the payment of Basic Rent by DHS to the Authority in amounts at least equal to the amount necessary, when combined with other moneys available therefor under the Indenture, to pay, when due, the debt service on the Series 2024 Bonds, and any Additional Bonds authorized under and secured by the Indenture (the "Basic Rent"). The Agreement further provides for the payment by DHS of Additional Rent to the Authority (together with the Basic Rent, the "Rent").

The Series 2024 Bonds and, together with any Additional Bonds that may be issued under the Indenture (collectively, the "Bonds"), will be equally and ratably secured thereby. The Series 2024 Bonds are special, limited obligations of the Authority payable from and secured solely by Pledged Revenues under the Indenture and other Pledged Property under the Indenture. The Pledged Property has been pledged and assigned by the Authority, pursuant to and in accordance with the terms of the Indenture, to the Trustee for the benefit of holders of all Series of Bonds, including the Series 2024 Bonds. The Agreement provides that DHS shall include in its annual request for appropriation to the Treasurer (the "Treasurer") of the State of New Jersey (the "State") an amount equal to the Rent payable in the next succeeding Fiscal Year; however, **payments to the Authority by DHS pursuant to the Agreement, including payments of Basic Rent, are subject to and dependent upon appropriations being made from time to time by the New Jersey State Legislature (the "Legislature") for such purpose. The Legislature has no legal obligation to make such appropriations.**

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF BASIC RENT RECEIVED FROM DHS AND OTHER PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR PAYMENT OF THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2024 BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

Purpose: The Series 2024 Bonds are being issued for the purpose of (i) refunding and defeasing all of the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A, and the Authority's Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B and (ii) paying the costs of such financing. See "PLAN OF REFUNDING" herein.

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

Interest Payment Dates: Interest on the Series 2024 Bonds will accrue from the date of delivery and is payable on September 15, 2024, and semi-annually on each March 15 and September 15 thereafter until maturity. The Series 2024 Bonds will mature in the amounts and on the dates shown on the inside front cover of this Official Statement.

Denominations: The Series 2024 Bonds will be issued in Denominations of \$5,000 or any integral multiple in excess thereof.

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

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

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

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

The Series 2024 Bonds are offered when, as and if issued and delivered, subject to the receipt of the approving legal opinion of M. Jeremy Ostow, Esq., South Orange, New Jersey, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Authority and DHS by the Attorney General of the State and for the Underwriters by Ballard Spahr LLP, Mount Laurel, New Jersey. The Series 2024 Bonds in definitive form are expected to be available for delivery through DTC on or about May __, 2024.

J.P. Morgan
Academy Securities
R. Sealaus & Co., LLC

Official Statement dated: ____, 2024

*Preliminary, subject to change.

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

\$109,510,000*
New Jersey Health Care Facilities Financing Authority
Department of Human Services
Lease Revenue Refunding Bonds
(Greystone Park Psychiatric Hospital Project)
Series 2024

MATURITY SCHEDULE

<u>Maturity Date</u> <u>(September 15)*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> [†]
2024	\$12,840,000				
2025	12,580,000				
2026	11,745,000				
2027	12,350,000				
2028	12,980,000				
2029	8,485,000				
2030	8,925,000				
2031	9,375,000				
2032	9,860,000				
2033	10,370,000				

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2024 Bonds and the Authority and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2024 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2024 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Series 2024 Bonds, 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 Series 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable, but is not guaranteed as to the 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.

Upon issuance, the Series 2024 Bonds will not be registered under the Securities Act of 1933, as amended, or listed on any stock or other securities exchange and the Indenture will not have been qualified under the Trust Indenture Act of 1939, as amended. In reliance upon exemptions contained in such acts, the registration or qualification of the Series 2024 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2024 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation of the Series 2024 Bonds. Neither these states nor any of their agencies have passed upon the merits of the Series 2024 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, approved the Series 2024 Bonds for sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2024 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. This Official Statement is distributed in connection with the sale of the Series 2024 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 (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the accuracy or completeness thereof. Such information has not been independently verified by the Authority and the Authority makes no representation as to the accuracy or completeness of such information.

This Official Statement is not construed to be a contract or agreement between the Authority and the purchasers or holders of the Series 2024 Bonds.

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

Additional information, including financial information, concerning the Authority is available from publications and websites of the Authority and others. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

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Official Statement

Relating To

\$109,510,000*

New Jersey Health Care Facilities Financing Authority

Department of Human Services

Lease Revenue Refunding Bonds

(Greystone Park Psychiatric Hospital Project)

Series 2024

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information with respect to the New Jersey Health Care Facilities Financing Authority (the “Authority”) and its \$109,510,000* Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024 (the “Series 2024 Bonds”). The Series 2024 Bonds are being issued pursuant to the provisions of the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29 (N.J.S.A. 26:2I-1 et seq., as amended) (the “Act”), the resolution entitled: “Resolution Authorizing the Issuance of Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024 and Determining Other Matters in Connection Therewith” adopted by the Authority on March 28, 2024 (the “Authorizing Resolution”) and a Trust Indenture dated as of April 1, 2003 (the “Original Indenture”), as amended and supplemented by a First Supplemental Trust Indenture dated as of December 1, 2005 (the “First Supplemental Indenture”), a Second Supplemental Trust Indenture dated as of April 1, 2013 (the “Second Supplemental Indenture”), a Third Supplemental Trust Indenture dated as of April 1, 2016 (the “Third Supplemental Indenture”), a Fourth Supplemental Trust Indenture dated as of January 15, 2020 (the “Fourth Supplemental Indenture”), and a Fifth Supplemental Trust Indenture dated as of May 1, 2024 (the “Fifth Supplemental Indenture” and, together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, and as may be further amended and supplemented from time to time, the “Indenture”), each between the Authority and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used but not defined in this Official Statement shall have the meanings ascribed to such terms in the Indenture.

The Series 2024 Bonds are being issued for the purpose of (i) refunding and defeasing all of the Authority’s Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A (the “2013A Bonds to be Refunded”), currently outstanding in the aggregate principal amount of \$50,730,000 and the Authority’s Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B (the “2013B Bonds to be Refunded” and, together with the 2013A Bonds to be Refunded, the “Bonds to be Refunded”), currently outstanding in the aggregate principal amount

* Preliminary, subject to change.

of \$65,500,000, and (ii) paying the costs of such financing (collectively, the “Refunding Project”). See “PLAN OF REFUNDING” herein.

The New Jersey Department of Human Services (“DHS”) owns the real property upon which the psychiatric hospital known as “Greystone Park Psychiatric Hospital” is located in Morris County, New Jersey (the “Project Facilities”). The New Jersey Department of Health is the operator of Greystone Park Psychiatric Hospital pursuant to Reorganization Plan 001-2017. Pursuant to and in accordance with a certain Lease dated as of December 1, 2003 (as may be further amended and supplemented from time to time, the “Lease”), between the New Jersey Department of Human Services (“DHS”) and the Authority, DHS leased its possessory rights to certain lands to which it has fee simple title and on which the Project Facilities are located (hereinafter the “Leased Property”) to the Authority. In turn, pursuant to a certain Sublease and Agreement dated as of December 1, 2003 (the “Original Agreement”), as amended by a First Amendment to Sublease and Agreement dated as of April 1, 2013 (the “First Amendment to Sublease and Agreement”), a Second Amendment to Sublease and Agreement dated as of April 1, 2016 (the “Second Amendment to Sublease and Agreement”), and a Third Amendment to Sublease and Agreement dated as of January 15, 2020 (the “Third Amendment to Sublease and Agreement” and, together with the Original Agreement, the First Amendment to Sublease and Agreement, the Second Amendment to Sublease and Agreement, and as may be further amended and supplemented from time to time, the “Agreement”), each between the Authority and DHS, the Authority subleased the Leased Property to DHS. The Agreement provides for the payment of Basic Rent (as defined herein) by DHS to the Authority in amounts at least equal to the amount necessary, when combined with other moneys available therefor under the Indenture, to pay, when due, the debt service on the Series 2024 Bonds and any Additional Bonds authorized under and secured by the Indenture (the “Basic Rent”). The Agreement further provides for the payment by DHS of certain other amounts payable to the Authority under the Agreement, including certain administrative expenses of the Authority (“Additional Rent” and, together with the Basic Rent, the “Rent”). The Agreement provides that DHS shall include in its annual request for appropriation to be made to the Treasurer (the “Treasurer”) of the State of New Jersey (the “State”) an amount equal to the Rent payable in the next succeeding Fiscal Year.

As a component of Pledged Revenues, the Basic Rent, and all other Pledged Property, are pledged irrevocably by the Authority pursuant to and under the terms of the Indenture to the Trustee for the holders of all Outstanding Series of Bonds (as defined below), including the Series 2024 Bonds, for the payment of the Principal Amount of, Redemption Price, if any, and interest on any such Bonds, if any.

ALTHOUGH THE TERMS OF THE AGREEMENT REQUIRE DHS TO INCLUDE THE RENT IN ITS ANNUAL APPROPRIATIONS REQUEST, THE OBLIGATION OF DHS TO PAY RENT UNDER THE AGREEMENT, INCLUDING THE BASIC RENT SECURING THE SERIES 2024 BONDS, IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE “LEGISLATURE”) FOR SUCH PURPOSES. THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE SUCH APPROPRIATIONS. See, “APPENDIX II - COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

The Project Facilities, the Leased Property, the proceeds of the sale of the Series 2024 Bonds, the Costs of Issuance Fund and the Rebate Fund established under the Indenture do not constitute Pledged Property under the Indenture, and are therefore not available as security for holders of Bonds. See, “APPENDIX II - COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

The Series 2024 Bonds and, together with any Additional Bonds (including Refunding Bonds) that may be issued under the Indenture (collectively, the “Bonds”), will be equally and ratably secured thereby. Refunding Bonds and Additional Bonds which may be issued under the Indenture are not limited in amount of issuance under the Indenture. Under the Indenture, Basic Rent and other Pledged Property shall be made available to the holders of the Outstanding Series 2024 Bonds and any other Outstanding Series of Bonds, if any. See, “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS — Additional Bonds” and “APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE BASIC RENT RECEIVED FROM DHS AND OTHER PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2024 BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE). See, “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS” and “APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

Prior to or simultaneously with the issuance of the Series 2024 Bonds, the Authority and the Treasurer will enter into the Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with U.S. Bank Trust Company, National Association, as Dissemination Agent, for the benefit of the holders of the Series 2024 Bonds, to comply with the secondary market disclosure requirements of the Securities and Exchange Commission’s Rule 15c2-12. See, “CONTINUING DISCLOSURE” and “APPENDIX III — FORM OF CONTINUING DISCLOSURE AGREEMENT” attached hereto.

This Official Statement, including the Appendices, contains descriptions of, among other things, the sources of payment and security for the Series 2024 Bonds, the terms of the Series 2024 Bonds, the Authority, the Refunding Project, estimated sources and uses of funds, a debt service schedule for the Series 2024 Bonds, information relating to the State and summaries of certain provisions of the Indenture, the Lease and the Agreement.

The following descriptions and summaries do not purport to be comprehensive or definitive and are qualified by reference to the laws and to the terms and provisions of the documents, agreements, instruments and other sources to which reference is made herein. Copies of certain laws, documents, agreements and instruments are available from the Authority. See “MISCELLANEOUS” herein.

THE AUTHORITY

The Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State, exercising public and essential governmental functions, organized and existing under and by virtue of the Act. The purpose of the Act is to ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State.

Authority Membership

The Act provides that the Authority shall consist of seven (7) members: the State Commissioner of Health, who shall be the Chairperson; the State Commissioner of Banking and Insurance; the State Commissioner of Human Services; and four public members who are citizens of the State appointed for terms of four years by the Governor with the advice and consent of the State Senate. Pursuant to the Act, each member shall hold office for the term of his or her appointment and until his or her successor is appointed and qualified. All Authority members serve without compensation but may be reimbursed for their necessary expenses incurred in their official duties. On or after April 30 of each year, the Authority shall elect from its members a Vice Chairperson and may appoint other officers.

The members of the Authority and the expiration of their terms of office are as follows:

<u>Name</u>	<u>Term Expires</u>
Dr. Kaitlan Baston, MD, MSc, DFASAM, Chairperson; Commissioner of the Department of Health	<i>Ex Officio</i>
Justin Zimmerman; Acting Commissioner of the Department of Banking and Insurance	<i>Ex Officio</i>
Sarah Adelman; Commissioner of the Department of Human Services	<i>Ex Officio</i>
David G. Brown II, Vice Chairperson	April 30, 2024
Thomas J. Sullivan, Jr., Secretary	April 30, 2025

Bridget Devane, MSW

April 30, 2025

Sam Maddali

April 30, 2023

The Act provides that the Authority may appoint such officers, agents and employees as it may require.

Frank Troy was appointed as Executive Director of the Authority on May 1, 2023.

Powers of the Authority

Under the terms of the Act, as amended, the powers of the Authority are vested in its members. The Authority has, among others, the following powers: to issue bonds as provided in the Act for the several purposes therein specified, including refunding bonds of the Authority already outstanding; to acquire, lease as lessee or lessor, hold and dispose of real and personal property or any interest therein in the exercise of its powers and the performance of its duties under the Act; buy contracts with and for health care organizations (organizations located in the State authorized or permitted by law, whether directly or indirectly through a holding company, partnership or other entity, to provide health care related services or entities affiliated with health care organizations or a group of legally affiliated health care organizations), and pursuant to public bidding requirements of the Act as applicable, to construct, acquire, reconstruct, rehabilitate and improve, and furnish and equip health care organization projects; to enter into contracts for the management and operation of projects in the event of default as described in the Act using, however, its best efforts to conclude its position as an operator as soon as practicable; generally to fix and revise from time to time and to charge and collect rates, rents, fees and other charges for the use of and for the services furnished or to be furnished by a project or any portion thereof and to contract with holders of its bonds and with any other person, partnership, association, corporation or other body, public or private, in respect thereof, to make loans to health care organizations for the construction or acquisition of projects in accordance with loan agreements (such loans may not exceed the total cost of the project); to make loans to health care organizations to refund existing bonds, mortgages or advances given or made by the health care organizations for the construction of projects to the extent that this will enable the health care organization to offer greater security for loans for new project construction; to enter into agreements, credit agreements or contracts, execute any and all instruments, and do and perform any and all acts or things necessary, convenient or desirable for the purposes of the Authority or to carry out any power expressly given to the Authority in the Act; and to invest any moneys held in reserve or sinking funds, or any moneys not required for immediate use for disbursement, at the discretion of the Authority, in such obligations as are authorized by bond resolutions of the Authority.

The Act defines a “project” or “health care organization project” as the acquisition, construction, improvement, renovation or rehabilitation of lands, buildings, fixtures, equipment and articles of personal property, or other tangible or intangible assets that are necessary or useful in the development, establishment or operation of a health care organization pursuant to the Act. “Projects” or “health care organization projects” may include the financing, refinancing or consolidation of secured or unsecured debt, borrowings or obligations; the provision of

financing for any other expense incurred in the ordinary course of business, all of which lands, buildings, fixtures, equipment and articles of personal property are to be used or occupied by any person in the health care organization; the acquisition of an entity interest, including capital stock, in a corporation; or any combination thereof; and may include any combination of the foregoing undertaken jointly by any health care organization with one or more other health care organizations. Nothing in the Act is to be construed to provide the Authority with greater authority to finance a project for a for-profit health care organization than the New Jersey Economic Development Authority has under its enabling legislation (L. 1974, c. 80, as amended).

NONE OF THE REVENUES, RENTS, FEES, RATES, CHARGES OR OTHER INCOME AND RECEIPTS DERIVED BY THE AUTHORITY FROM THE OPERATION, OWNERSHIP OR FINANCING OF ITS PROJECTS IS PLEDGED OR ASSIGNED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2024 BONDS. Rather, the Series 2024 Bonds are payable solely and exclusively from, and secured by a pledge of, the Pledged Property as defined herein. 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 Indenture. For certain information regarding the State, see “APPENDIX I – FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY –LONG TERM OBLIGATIONS – State Appropriation Obligations” attached hereto for additional information on obligations of the Authority and other State Authorities whose obligations are supported by State revenue subject to annual appropriation.

DEPARTMENT OF HUMAN SERVICES

The Department of Human Services (“DHS”), in partnership with other State, local and community based agencies, provides high quality programs that promote independence, dignity, choice and assistance for aging adults, individuals and families with low income, and people with disabilities. DHS collaborates and partners with federal, state and community based organizations to maximize resources and to provide an array of services state-wide.

The New Jersey Department of Health is the operator of state psychiatric hospitals that serve individuals with mental illness, who have been screened and legally committed to a state facility for treatment. These facilities include general adult psychiatric hospitals, as well as the Ann Klein Forensic Center in Mercer County, which provides forensic psychiatric services. Combined, the hospitals serve approximately 1,180 people on a daily basis. Greystone Park Psychiatric Hospital is one of four state psychiatric hospitals.

PLAN OF REFUNDING

The Series 2024 Bonds are being issued for the purpose of (i) refunding and defeasing all of the Bonds to be Refunded and (ii) paying the costs of issuance of the Series 2024 Bonds.

To effect the refunding of the Bonds to be Refunded, a portion of the proceeds of the Series 2024 Bonds will be applied to the purchase of Federal Securities, which will be deposited with U.S. Bank Trust Company, National Association, as Escrow Agent (the “Escrow Agent”) under a certain Escrow Deposit Agreement (the “Escrow Deposit Agreement”) between the

Authority and the Escrow Agent. Such Federal Securities will be payable as to principal and interest at such times and in such amounts as will be sufficient to pay, together with the initial cash deposit, the principal or redemption price, as applicable, of and interest on the Bonds to be Refunded through and including the redemption date. See “VERIFICATION” herein. Such Federal Securities will be pledged only to the payment of the Bonds to be Refunded and are not available for the payment of the Series 2024 Bonds. See “APPENDIX V - SUMMARY OF BONDS TO BE REFUNDED” attached hereto.

Simultaneous with the issuance of the Series 2024 Bonds, the Authority is issuing its Department of Human Services Lease Revenue Refunding Bonds (Marlboro Psychiatric Hospital Project) Series 2024 (the “Marlboro Refunding Bonds”). The Marlboro Refunding Bonds are being issued to refund the Authority’s outstanding Department of Human Services Lease Revenue Bonds (Marlboro Psychiatric Hospital Project) Series 2013. While the Marlboro Refunding Bonds are being issued simultaneously with the Series 2024 Bonds, the Marlboro Refunding Bonds are secured under an indenture and resolution and by pledged property separate and distinct from those securing the Series 2024 Bonds. The Authority is issuing a separate official statement in connection with the Marlboro Refunding Bonds, which official statement contains the debt service requirements of such bonds. Please see “APPENDIX I – FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY – LONG TERM OBLIGATIONS – State Appropriation Obligations” attached hereto for additional information on obligations of the Authority and other State Authorities whose obligations are supported by State revenue subject to annual appropriation.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the Refunding Project are shown below:

Sources of Funds

Principal Amount of the Series 2024 Bonds	\$
[Net] Original Issue [Discount][Premium]	
Total Sources of Funds	\$

Uses of Funds

Deposit to Escrow Account	\$
Deposit to Costs of Issuance Fund*	
Underwriters’ Discount	
Total Uses of Funds	\$

* Includes legal fees, rating agency fees, printing costs, Trustee's fees, verification fees and other expenses related to the issuance and sale of the Series 2024 Bonds.

DESCRIPTION OF THE SERIES 2024 BONDS

Dates and Terms

The Series 2024 Bonds will initially be dated as of the date of delivery and will mature on September 15 in the years and in the principal amounts set forth on the inside front cover page hereof. The Series 2024 Bonds will bear interest payable semiannually on March 15 and

September 15 of each year until maturity, commencing September 15, 2024, at the rates per annum set forth on the inside front cover page hereof. Interest will be payable by the Trustee on each Interest Payment Date to the Owners in whose name the Series 2024 Bonds are registered on the registry books at the close of business on the Regular Record Date.

Denomination and Place of Payment

The Series 2024 Bonds will initially be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2024 Bonds will be made in book-entry only form through DTC participants in the denomination of \$5,000 or any integral multiple thereof and no physical delivery of the Series 2024 Bonds will be made to purchasers except as provided in the Indenture. See “APPENDIX VI - BOOK-ENTRY ONLY SYSTEM” attached hereto.

In the event that Series 2024 Bonds are no longer subject to the book-entry only system, the principal or Redemption Price, if any, of the Series 2024 Bonds will be payable upon surrender of the Series 2024 Bonds at the designated corporate trust office of the Trustee. Interest on the Series 2024 Bonds will then be paid by check or bank draft mailed by the paying agent to the registered owner thereof as of the first (1st) day of the month of any interest payment date at the address on file with the bond registrar as set forth on the certificated form of Series 2024 Bond required to be prepared and delivered.

No Redemption

The Series 2024 Bonds are not subject to redemption prior to their stated maturity date.

Book-Entry Only System

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

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

THE AUTHORITY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS, (I) PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2024 BONDS, (II) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2024 BONDS OR (III) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE HOLDER OF THE SERIES 2024 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL

SERVE AND ACT IN THE MANNER DESCRIBED IN APPENDIX VI TO THIS OFFICIAL STATEMENT. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE SERIES 2024 BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHICH IS NOT SHOWN ON THE BOND REGISTER OF THE AUTHORITY KEPT BY THE TRUSTEE AS BEING A SERIES 2024 BONDHOLDER.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE SERIES 2024 BONDS UNDER THE INDENTURE; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2024 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2024 BONDS, OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2024 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE SERIES 2024 BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “CONTINUING DISCLOSURE” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS.

DTC may discontinue providing its services as depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Series 2024 Bonds are required to be printed and delivered to DTC. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, certificated Series 2024 Bonds will be printed and delivered to DTC.

Additional Bonds

The Authority may issue Additional Bonds under the Indenture for the purpose of (i) refunding all or any portion of Outstanding Bonds of one or more Series (“Refunding Bonds”), (ii) repairing, reconstructing or replacing the Project Facilities or any part thereof in the event of any damage, destruction or condemnation of the Project Facilities or any part thereof, or (iii) paying any Costs of Issuance related to such Additional Bonds. Additional Bonds, including Refunding Bonds, shall be on a parity with and, shall be entitled to the same benefit and security of the Indenture as the Series 2024 Bonds, and any other Bonds then Outstanding. The Series 2024 Bonds constitute Additional Bonds and Refunding Bonds under the Indenture.

For additional covenants and conditions with respect to the issuance of Additional Bonds and Refunding Bonds under the Indenture, see, “APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2024 BONDS

General

Under the terms of the Indenture, the Series 2024 Bonds are secured solely by the pledge and assignment of Pledged Property made by the Authority, pursuant to and in accordance with the terms of the Indenture, to the Trustee for the benefit of the holders of all Series of Bonds, including without limitation, the Series 2024 Bonds. The pledge and assignment of the Pledged Property is subject, in all cases, only to the provisions of the Indenture permitting the application of the Pledged Property for the purposes and on the terms and conditions set forth in the Indenture. The pledge and assignment of the Pledged Property as security for the payment of the Principal Amount and Redemption Price of, and interest on, the Series 2024 Bonds shall secure the payment of the Bonds on a parity basis, and nothing contained in the Indenture or any Bond shall be deemed to confer on the Owners of any Bonds any rights to the Pledged Property which are superior or inferior to those of the Owners of any other Bonds.

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

“Pledged Property” shall mean (a) all Pledged Revenues (as hereinafter defined), and all right, title and interest of the Authority to receive Pledged Revenues; and (b) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee under the Indenture in the Revenue Fund and the Debt Service Fund as defined in and which are established under the Indenture, subject only to the application of such amounts for the purposes authorized in the Indenture. “Pledged Revenues” are defined in the Indenture to include: (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement; and (ii) any other amounts appropriated by the Legislature and payable to the Authority or the Trustee by DHS and pledged by the Authority as security for the payment of the Bonds. See “APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

Upon the issuance of the Series 2024 Bonds and the refunding and defeasance of the Bonds to be Refunded, the Series 2024 Bonds will be the only Bonds Outstanding under the Indenture.

The Agreement provides, among other things, that DHS shall pay to the Authority Rent in respect of the Leased Property consisting of (i) Basic Rent in amounts at least equal to the sum necessary, when combined with other moneys available under the Indenture, to pay when due the Aggregate Debt Service on all Series of Bonds, including the Series 2024 Bonds, and (ii) Additional Rent, consisting of certain other amounts payable to the Authority under the Agreement, including certain Administrative Expenses of the Authority.

“Aggregate Debt Service” is defined in the Indenture as, for any period, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Bonds issued and Outstanding under the Indenture, which upon issuance of the Series 2024 Bonds, is limited to such Series of Bonds.

“Debt Service” is defined in the Indenture as, for any period, as of any date of calculation and with respect to any Series of Bonds, including the Series 2024 Bonds, an amount equal to the sum of (i) the interest payable during such period on such Bonds, except to the extent such interest is to be paid from deposits made from Bond proceeds in the Debt Service Fund, and (ii) the Principal Amount payable during such period.

“Principal Amount” is defined in the Indenture as, as of any date of computation with respect to any Bond, including the Series 2024 Bonds, the stated principal amount of such Bond due at maturity.

DHS has agreed under the Agreement to include in its annual request for appropriation to be made to the Treasurer, an amount equal to the Rent payable under the Agreement in the next succeeding Fiscal Year. Such aggregate amount of Rent shall be requested by the Commissioner of DHS to be included as a separate line item, which, pursuant to Title 52 of the Revised Statutes of the State or applicable successor legislation, is submitted by the Treasurer to the Governor.

ALTHOUGH THE TERMS OF THE AGREEMENT REQUIRE DHS TO INCLUDE THE RENT IN ITS ANNUAL APPROPRIATIONS REQUEST, THE OBLIGATION OF DHS TO PAY RENT UNDER THE AGREEMENT, INCLUDING THE BASIC RENT SECURING THE SERIES 2024 BONDS, IS SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR SUCH PURPOSES. THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE SUCH APPROPRIATIONS. For a discussion of the State’s appropriation process, see, “APPENDIX I - FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY” attached hereto.

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF OR INTEREST ON THE SERIES 2024 BONDS. THE SERIES 2024 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE BASIC RENT RECEIVED FROM DHS AND OTHER PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2024 BONDS. THE SERIES 2024 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2024 BONDS SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE

ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

The provisions of the Series 2024 Bonds and the Indenture are deemed to be and constitute contracts by and among the Authority, the Trustee and the registered owners, from time to time, of the Bonds, including the Series 2024 Bonds, and the pledge which is made in the Indenture and the covenants and agreements which are set forth in the Indenture to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the registered owners of any and all of the Bonds issued under the Indenture, all of which regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bond over any other thereof, except as expressly provided in or pursuant to the terms of the Indenture. See “APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

The Series 2024 Bonds are not subject to acceleration due to an Event of Default under the Indenture, an Event of Non-Appropriation under the Indenture, or otherwise.

The Lease and the Agreement

DHS has entered into the Lease with the Authority. The Authority has in turn subleased the Leased Property to DHS in order to secure the payment of the Series 2024 Bonds and all other Bonds Outstanding under the Indenture. Pursuant to the Agreement, DHS will pay Rent in respect of the Leased Property consisting of (i) Basic Rent in amounts at least equal to the sum necessary, when combined with other moneys available under the Indenture, to pay when due the Aggregate Debt Service on all Series of Bonds Outstanding, including the Series 2024 Bonds, and (ii) Additional Rent, consisting of certain other amounts payable to the Authority under the Agreement, including certain Administrative Expenses of the Authority. The Agreement also provides that DHS shall include in its annual request for appropriation to be made to the Treasurer, an amount equal to the Rent payable in the next succeeding Fiscal Year. Basic Rent to be received by the Authority pursuant to the Agreement is irrevocably pledged by the Authority to the Trustee pursuant to the Indenture for the payment of principal or Redemption Price, if any, of and interest on all Bonds outstanding under the Indenture, including the Series 2024 Bonds. The Agreement provides that payments of Basic Rent will be made directly to the Trustee. See “APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE AGREEMENT” attached hereto.

The Agreement provides that the obligation of DHS to pay the Rent is absolute and unconditional, subject only to and dependent upon appropriations being made by the Legislature for such purposes, and that each payment of Rent is payable without any set-off or counterclaim, regardless of contingencies and whether or not DHS occupies or uses the Leased Property or the Leased Property is available for use or occupancy by DHS. The obligation of DHS to pay the Rent under the Agreement will continue until the payment of all obligations owed by DHS under the Agreement has been made.

Except as provided in the Agreement, the cost and expense of the performance by the Authority of any of its obligations under the Agreement shall be limited to the availability of the proceeds of Bonds of the Authority issued for such purposes or other funds received by the Authority under the Agreement and available for such purposes.

DHS is not obligated to finance DHS buildings or other DHS property and equipment through the Authority and it may lease buildings and property and equipment through agencies or parties other than the Authority. The Legislature is not obligated to give equal or greater priority to the appropriation of monies to DHS for payment of Rent under the Agreement than to payments of rent under leases with other parties.

Remedies upon an Event of Default

The Agreement shall remain in full force and effect notwithstanding a default by DHS in its payment of Rent or the failure of the Legislature to appropriate sufficient monies to enable DHS to pay the Rent required under the Agreement, and the Authority and Trustee shall have no right to re-enter the Leased Property upon any such occurrence. No failure of DHS to pay any Rent shall affect the rights of DHS in respect of the Leased Property under the Agreement, which rights shall continue unaffected by any such failure to make any such payment. There is no remedy provided to the Authority under the Agreement for any default by DHS in its payment of Rent or failure by DHS to make such payments, if in either case moneys therefor are not appropriated as described above.

State Appropriations for DHS

THE FOLLOWING INFORMATION REGARDING DHS IS PRESENTED IN ORDER TO PROVIDE AN OVERVIEW OF THE STATE'S MECHANISM IN FUNDING APPROPRIATIONS FOR DHS PROJECTS. THE SERIES 2024 BONDS ARE NOT A DEBT OR LIABILITY OF DHS AND NONE OF THE REVENUES, FUNDS, ACCOUNTS OR PROPERTY OF DHS ARE PLEDGED TO THE PAYMENT OF THE SERIES 2024 BONDS.

The State statute governing the budget process, N.J.S.A. 52:27B-14, states that on or before October 1 of each year, each department of State government, including DHS, shall file with the Treasurer a request for appropriation or permission to spend money, specifying all expenditures proposed to be made by such department during the next succeeding Fiscal Year. Under the terms of the Agreement, DHS has agreed to include Rent payable thereunder, including without limitation that portion of the Rent constituting Basic Rent that secures, among other things, the Series 2024 Bonds, in its request filed with the Treasurer. For further information with respect to the State's appropriation process, see, "APPENDIX I - FINANCIAL AND OTHER INFORMATION RELATING TO THE STATE OF NEW JERSEY — New Jersey's Budget and Appropriation System" attached hereto.

Event of Non-Appropriation

An Event of Non-Appropriation with respect to the Series 2024 Bonds shall be deemed to have occurred under the Agreement if, in the case of the obligation of DHS to pay Rent, including Basic Rent, under the Agreement, the Legislature shall fail to appropriate funds for any

Fiscal Year in an amount sufficient to pay when due the Rent under the Agreement coming due in such Fiscal Year.

A failure by the DHS to pay when due any Rent, including Basic Rent, required to be made under the Agreement resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under the Agreement. An Event of Default shall not be deemed to have occurred under the Agreement so long as an Event of Non-Appropriation has occurred and is continuing under the Agreement.

In addition, a failure by the Authority to pay when due any Debt Service required to be made under the Indenture or the Series 2024 Bonds, or a failure by the Authority to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Indenture or the Series 2024 Bonds, resulting from the occurrence of an Event of Non-Appropriation shall not constitute an Event of Default under the Indenture.

Upon the occurrence of an Event of Non-Appropriation under the Agreement, the Trustee, on behalf of the holders of the Series 2024 Bonds, has no remedies. The Trustee may not seek to terminate the Agreement or to accelerate the Series 2024 Bonds and has no rights to the Project Facilities, Leased Property or any portion thereof. DHS has no obligation to pay any Rent, including that part of the Rent constituting Basic Rent with respect to which an Event of Non-Appropriation has occurred. However, upon such an Event of Non-Appropriation, the Agreement will not terminate, and DHS will remain obligated to pay such Rent, with interest on the Basic Rent at the rate then in effect with respect to the Series 2024 Bonds, and all future Rent from State appropriations to the Refunding Project.

Notwithstanding anything to the contrary contained in the Indenture, from and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Event of Default under the Indenture, the Trustee shall withdraw all moneys, securities and funds then on deposit in the Revenue Fund, the Debt Service Fund, and apply such moneys, securities and funds, together with all moneys, securities and funds constituting Pledged Property thereafter received by the Trustee, as follows:

(A) To the payment of the reasonable and proper charges, expenses, costs and liabilities of the Trustee, including, but not limited to, the reasonable expenses of counsel employed by the Trustee;

(B) To the payment of the Principal Amount or Redemption Price of and interest on the Bonds then due, as follows:

First: To the payment to the Owners thereof entitled thereto, of all installments of interest then due on the Bonds in the order of the maturity of such installments, together with accrued and unpaid interest on any Bonds previously called for redemption and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each Bond, without preference or priority of any Bond over any other Bond; and

Second: To the payment to the Owners thereof entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall have become due, whether at maturity or

by call for mandatory sinking fund redemption, in the order of their due dates; *provided, however,* that if the amount available shall not be sufficient to pay in full all Principal Amount or Redemption Price of the Bonds due on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond, without preference or priority of any Bond over any other Bond; and

(C) Any amounts remaining after payment of all amounts due and payable under paragraphs (A) and (B) above shall be paid to the Authority for the payment of any Administrative Expenses, with any balance being paid to DHS.

(D) If and whenever all amounts due and payable to the Owners of the Bonds and the Trustee have been paid or provision deemed to be adequate by the Trustee for such payment shall be made, the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Non-Appropriation under the Indenture or impair any right consequent thereon.

The Project Facilities Not Security for the Bonds

The Project Facilities, the Leased Property, the proceeds of the sale of the Series 2024 Bonds, the Rebate Fund and the Costs of Issuance Fund established under the Indenture do not constitute Pledged Property under the Indenture, and are therefore not available as security for holders of the Bonds, including the Series 2024 Bonds issued under the Indenture.

No Pledge of the State's Credit

The State is not obligated to pay, and neither the faith and credit nor taxing power of the State or any political subdivision thereof (other than the Authority to the limited extent set forth in the Indenture) is pledged to the payment of, the principal or redemption price, if any, of or interest on the Series 2024 Bonds. The Series 2024 Bonds are special, limited obligations of the Authority, which are payable solely out of the Basic Rent received from DHS and other pledged property under the Indenture and from any amounts otherwise available under the Indenture for payment of the Series 2024 Bonds. The Series 2024 Bonds do not now and shall never constitute a charge against the general credit of the Authority. The Authority has no taxing power. The Series 2024 Bonds shall not be a debt or liability of the State or any political subdivision thereof (other than the Authority to the limited extent set forth in the Indenture), either legal, moral or otherwise, and nothing in the Act shall be construed to authorize the Authority to incur any indebtedness on behalf of or in any way obligate the State or any political subdivision thereof (other than the Authority to the limited extent set forth in the Indenture).

ANNUAL DEBT SERVICE SCHEDULE

The following table sets forth the debt service requirements of the Series 2024 Bonds as of their date of issuance.

Fiscal Year	Total Aggregate Debt Service on Series 2024 Bonds
2025	\$
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
Total*	\$ _____

LITIGATION

Authority

To the best knowledge of the Authority, no action, suit or proceeding at law or in equity is pending against or affecting the Authority which would restrain or enjoin the issuance or sale of the Series 2024 Bonds or which in any way contests the validity or affects the power of the Authority with respect to the issuance and sale of the Series 2024 Bonds or the documents or instruments executed by the Authority to finance the Refunding Project nor, to the best knowledge of the Authority, is there any basis therefor.

DHS

To the best of the knowledge of DHS, there is no litigation now pending or to its knowledge threatened against DHS concerning the Lease or Agreement, in any way contesting or affecting the validity of said documents, or the proceedings of DHS taken with respect to the execution, delivery or performance thereof, including without limitation the payment of Rent thereunder, or the existence or powers of DHS or the title of any employee of DHS to their respective positions.

* Totals may not add due to rounding.

TAX MATTERS

Federal Tax Consequences

Exclusion of Interest on the Series 2024 Bonds from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the “Code”) imposes certain requirements that must be met on a continuing basis subsequent to the issuance and delivery of the Series 2024 Bonds in order that interest on the Series 2024 Bonds will be and remain excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In its Tax Regulatory Agreement (the “Tax Certificate”) dated the date of issuance and delivery of the Series 2024 Bonds, the Authority represents that the Authority expects and intends to be able to comply with, and will, to the extent permitted by law, comply with, the provisions and procedures set forth in the Tax Certificate and will do and perform all acts and things necessary or desirable in order to ensure that interest on the Series 2024 Bonds will be and remain excludable from gross income of the owners thereof for federal income tax purposes. Failure of the Authority to comply with the requirements of the Code may cause interest on the Series 2024 Bonds to be included in gross income of the owners thereof, retroactive to the date of issuance of the Series 2024 Bonds. Bond Counsel has relied upon the representations made in the Tax Certificate and has assumed continuing compliance by the Authority with all applicable requirements of the Code in rendering its opinions with respect to the exclusion of interest on the Series 2024 Bonds from gross income of the owners thereof for federal income tax purposes. Based upon the foregoing, Bond Counsel is of the opinion that, pursuant to the applicable provisions of the Code and related regulations, rulings and judicial decisions as in effect and construed on the date of initial delivery of the Series 2024 Bonds, interest on the Series 2024 Bonds is not includable in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals. However, such interest is taken into account in determining the “adjusted financial statement income” (as defined in Section 56A of the Code) of “applicable corporations” (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

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

Certain Federal Tax Consequences Relating to the Series 2024 Bonds

Although interest on the Series 2024 Bonds is excluded from gross income of the owners thereof for federal income tax purposes, the accrual or receipt of interest on the Series 2024 Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient’s particular tax status and other items of income or deduction. Bond Counsel expresses no opinion regarding any federal

tax consequences other than as expressly set forth herein. Prospective purchasers of the Series 2024 Bonds are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Series 2024 Bonds.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders thereof is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Series 2024 Bonds will be audited. If an audit is commenced, under current Service procedures, the holders of the Series 2024 Bonds may not be permitted to participate in the audit process. The commencement of an audit could adversely affect the value and liquidity of the Series 2024 Bonds until the audit is concluded, regardless of the ultimate outcome.

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on and any gain realized on the sale of the Series 2024 Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

Future Events

Tax legislation, administrative action taken by tax authorities, and court decisions at the federal level may adversely affect the exclusion from gross income of interest on the Series 2024 Bonds for federal income tax purposes, and tax legislation, administrative action taken by tax authorities and court decisions at the State level may adversely affect the exclusion of interest on and any gain realized on the sale of the Series 2024 Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market value or marketability of the Series 2024 Bonds. Bond Counsel is rendering its opinions under existing law as of the issue date of the Series 2024 Bonds and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation thereof, or otherwise.

ALL PURCHASERS OF THE SERIES 2024 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTIONS TAKEN BY TAX AUTHORITIES, OR COURT DECISIONS.

ALL PURCHASERS OF THE SERIES 2024 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

LEGALITY FOR INVESTMENT AND DEPOSIT

Under the Act, the Series 2024 Bonds are securities in which the State and all of the political subdivisions thereof, their officers, boards, commissions, departments or other agencies, all banks, bankers, savings banks, trust companies, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all executors,

administrators, guardians, trustees and other fiduciaries, and all other persons whatsoever who now are or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest any sinking funds, moneys or other funds, including capital, belonging to them or within their control; and the Series 2024 Bonds are securities which may properly and legally be deposited with and received by any State or municipal officers or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

CERTAIN LEGAL MATTERS

The legality of the authorization, execution, issuance and delivery of the Series 2024 Bonds will be subject to the unqualified approving opinion of M. Jeremy Ostow, Esq., South Orange, New Jersey, Bond Counsel to the Authority, substantially in the form of APPENDIX IV attached hereto. Certain legal matters in connection with the Series 2024 Bonds will be passed upon for the Authority and DHS by the Attorney General of the State, and for the Underwriters by their counsel, Ballard Spahr LLP, Mount Laurel, New Jersey.

RATINGS

Fitch Ratings (“Fitch”), Moody’s Investor Services, Inc. (“Moody’s”) and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) have assigned municipal bond ratings of “A”, “A2” and “A-”, respectively, to the Series 2024 Bonds.

Such ratings reflect the view of Fitch, Moody’s and S&P at the time such ratings were given. An explanation of the significance of the ratings may be obtained from Fitch, Moody’s and S&P, respectively. A rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Fitch, Moody’s or S&P, if in the judgment of Fitch, Moody’s and S&P, circumstances so warrant. Any such downward revision, qualification or withdrawal of the ratings can be expected to have an adverse effect on the market price of the Series 2024 Bonds.

VERIFICATION

Samuel Klein and Company, Certified Public Accountants (the “Verification Agent”) will verify from the information provided to them the mathematical accuracy, as of the date of delivery of the Series 2024 Bonds, of the computations contained in the provided schedules to determine that the amount to be deposited in the Escrow Account pursuant to the Escrow Deposit Agreement will be sufficient to pay, when due, the principal or redemption price of and interest on the Bonds to be Refunded. The Verification Agent will express no opinion on the assumptions provided to it.

UNDERWRITING

The Series 2024 Bonds are being purchased by J.P. Morgan Securities LLC (“J.P. Morgan”), as representative (the “Representative”) of the underwriters listed on the cover page hereof (the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase all of the Series 2024 Bonds at an aggregate purchase price of \$[] (representing

the aggregate principal amount of the Series 2024 Bonds, [plus][less] [net] original issue [premium][discount] of \$[_____], less an Underwriters' discount of \$[_____]). The initial public offering prices of the Series 2024 Bonds set forth on the inside cover page of this Official Statement may be changed without notice by the Underwriters. The Underwriters may offer and sell the Series 2024 Bonds to certain dealers (including dealers depositing Series 2024 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices or yields lower than the offering prices or yields set forth on the inside cover page hereof.

The following two (2) sentences have been furnished by J.P. Morgan for inclusion in this Official Statement. J.P. Morgan, one of the Underwriters of the Series 2024 Bonds, has entered into negotiated dealer agreements (each, a "JPMS Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each JPMS Dealer Agreement, each of CS&Co. and LPL may purchase Series 2024 Bonds from J.P. Morgan at the original issue price less a negotiated portion of the selling concession applicable to any Series 2024 Bonds that such firm sells.

The Authority has not been furnished with any documents relating to the JPMS Dealer Agreements and makes no representations of any kind with respect thereto. The Authority is not a party to the either of the JPMS Dealer Agreements and has not entered into any agreement or arrangement with CS&Co. or LPL with respect to the offering and sale of the Series 2024 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 Treasurer and the Authority will, prior to the issuance of the Series 2024 Bonds, enter into a Continuing Disclosure Agreement for the Series 2024 Bonds with U.S. Bank Trust Company, National Association, acting as dissemination agent, substantially in the form set forth in APPENDIX III hereto.

In addition, the continuing disclosure agreement relating to the outstanding New Jersey Transportation Trust Fund Authority (the "TTFA") Transportation System Bonds, 2004 Series A provides that the TTFA will provide the TTFA's annual report, consisting of the TTFA's audited financial statements for each Fiscal Year ending June 30 (the "TTFA's Annual Report"). The TTFA's Annual Report is required to be filed by the April 1 next following the end of each Fiscal Year. The TTFA's Annual Report for its Fiscal Year ending June 30, 2018, was filed on April 16, 2019 and failure to file notices were not posted in connection with the late filings, but a failure to file notice was subsequently filed on September 12, 2019. The continuing disclosure agreements for all subsequent issues of the TTFA's Transportation System Bonds and Transportation Program Bonds do not require that the TTFA provide the TTFA's Annual Report.

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

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

For Fiscal Year ended June 30, 2020, in connection with the then outstanding New Jersey Economic Development Authority (the "NJEDA"), Cigarette Tax Revenue Refunding Bonds, Series 2012 (the "NJEDA Cigarette Tax Bonds"), the Treasurer's Annual Report for the NJEDA Cigarette Tax Bonds for Fiscal Year 2020 due on April 1, 2021, was posted to EMMA on April 5, 2021, and a failure to file notice was not filed on EMMA. In addition, the Total Cigarette Tax revenues received by the State for the third and fourth calendar quarters of 2021 were not submitted to EMMA and a failure to file notice was not filed on EMMA. On February 4, 2022, the trustee for the NJEDA Cigarette Tax Bonds filed a notice on EMMA of the defeasance of all outstanding NJEDA Cigarette Tax Bonds by the NJEDA.

For Fiscal Year ended June 30, 2022, the Treasurer's Annual Report was due to the MSRB no later than March 15, 2023 in connection with the State's General Obligation Bonds, Series 2013. On March 14, 2023, the State filed a notice that the ACFR for the Fiscal Year ended June 30, 2022 would be filed later than March 15, 2023. The ACFR was filed on April 10, 2023. The General Obligation Bonds, Series 2013 were defeased on November 20, 2023, and are no longer outstanding.

On March 2, 2022, Moody's upgraded the TTFA's Transportation System Bonds, Transportation Program Bonds, and Federal Highway Reimbursement Revenue Notes from Baa1 to A3. A notice of the upgrade was posted to EMMA on March 23, 2022, fourteen (14) business days after the upgrade, and such notice was not linked to the CUSIP numbers for the Federal Highway Reimbursement Revenue Notes. The notice of upgrade has since been linked to the Federal Highway Reimbursement Revenue Notes.

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

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

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

MISCELLANEOUS

The references herein to the Authorizing Resolution, the Indenture, the Lease, the Agreement, the Continuing Disclosure Agreement, the Act, and other documents are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to such documents, laws and agreements, copies of which will be furnished by the Authority, upon request, for full and complete statements of their provisions. The address of the Authority is Station Plaza, Building #4, 22 South Clinton Avenue, Trenton, New Jersey 08609-1212 and the telephone number is (609) 292-8585.

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

This Official Statement is submitted in connection with the sale and issuance of the Series 2024 Bonds and may not be reproduced or used as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the official signing below.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Indenture in accordance with the Act, and this Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any Series 2024 Bonds.

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: _____
Frank Troy
Executive Director

Dated: _____, 2024

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

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

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DATED: APRIL 19, 2024

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

This Appendix I speaks only as of its date and contains information supplied by the State that a prospective investor might consider in reaching a decision to invest in securities of the State or securities issued by governmental authorities that are secured by amounts subject to appropriations by the State Legislature. Nothing contained in this Appendix I shall create any implication that there has been no change in the affairs of the State since the date hereof.

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

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

From time to time, State officials or representatives of State governmental authorities may issue statements or reports, post information on websites, or otherwise make public information that contains predictions, projections or other information relating to the State’s financial condition, including potential operating results for the current fiscal year and for future fiscal years, that may vary materially from the information provided in this Appendix I. In addition, such officials and authorities as well as other persons and groups, with or without official State governmental approval and cooperation, may undertake studies and analyses, whether or not designed to be made public, which may contain information regarding the State and its financial condition which differs significantly from the information provided herein or on which the information provided herein is based. Such statements, reports and information are not part of this Appendix I or the Official Statement to which this Appendix I is appended and should not be relied upon by investors and other market participants.

To the extent the State determines it is necessary or appropriate to revise, update or supplement the information contained in this Appendix I, the State will prepare and make public supplements to this Appendix I. Investors and other market participants should refer to subsequent Official Statements containing updates to this Appendix I or filings with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (“MSRB”) for official revisions, updates or supplements to the information contained in this Appendix I. In determining the appropriate information concerning the State to be relied upon in making an investment decision, investors and other market participants should refer only to this Appendix I and official supplements thereto provided by the State.

The Annual Comprehensive Financial Report for the twelve months ending June 30, 2023, including Management’s Discussion and Analysis (the “2023 ACFR”), has been separately filed with the MSRB and is incorporated by specific reference herein and is considered to be part of this Appendix I. The State has also placed a copy of the 2023 ACFR on the following website at www.nj.gov/treasury/omb. No statement on that website or any other website is incorporated by reference herein.

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

any damages caused by viruses contained within the electronic files on any website. The State also assumes no liability or responsibility for any errors or omissions or for any update to dated information contained on any website.

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

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OVERVIEW OF THE STATE'S FINANCIAL CONDITION

Recent Fiscal Years

In New Jersey and most other states, the pandemic and post-pandemic years saw substantial volatility in revenue collections. After an initial pandemic-induced revenue decline in Fiscal Year 2020, State revenues grew significantly in Fiscal Years 2021 and 2022, followed by a decline in overall revenue collections in Fiscal Year 2023. Revised Fiscal Year 2024 revenues are now projected to be relatively similar to Fiscal Year 2023, with a minimal projected 0.3 percent increase to \$52.2 billion. The State's substantial revenue growth from pre-pandemic levels has increased fund balances to historically high levels, including an undesignated fund balance of \$10.5 billion as of June 30, 2023.

Fiscal Year 2024

The Fiscal Year 2024 Appropriations Act, along with enacted supplemental appropriations, appropriated, in aggregate, approximately \$54.450 billion. These appropriations were mostly supported by certified State revenues for Fiscal Year 2024 of approximately \$52.748 billion, but were also supported by a partial drawdown of the State's fund balance of approximately \$1.7 billion. The combined ending fund balance at that time was projected to be \$8.255 billion. As of the time of the Governor's Fiscal Year 2025 Budget Message, the State projects that revenues will be slightly lower than certified at \$52.245 billion, and appropriations will be higher at \$55.433 billion. Overall, for June 30, 2024, the State projects its combined ending fund balance will be approximately \$8.160 billion.

Governor's Fiscal Year 2025 Budget Message

In the Governor's Fiscal Year 2025 Budget Message, the Governor's revenue projection anticipates that revenues will grow to \$54.1 billion, an increase in total revenues for Fiscal Year 2025 of about 3.6 percent when compared to Fiscal Year 2024. The State's revenue forecast accounts for various risk factors related to the economic uncertainties facing the State and national economy, but generally assumes the consensus forecast of slow economic growth, which will therefore produce modest revenue growth. The Fiscal Year 2025 forecast includes the impact of the expiration of the 2.5 percent surtax of the Corporation Business Tax and assumes the enactment by the State Legislature of a Corporate Transit Fee, intended to sustain the economically vital commuter mass transit network run by New Jersey Transit. Overall, Fiscal Year 2025 revenues anticipate slow growth in personal income and consumer spending, moderating price inflation, and stabilization in the real estate market by the Spring of 2025.

The Governor's Fiscal Year 2025 Budget Message recommends approximately \$55.908 billion in appropriations. These appropriations are mostly supported by projected revenues for Fiscal Year 2025 of approximately \$54.109 billion, but will also be supported by a partial drawdown of the State's robust surplus of approximately \$2 billion. The Fiscal Year 2025 Governor's Budget Message projects an ending fund balance for the State as of June 30, 2025, of approximately \$6.109 billion, which would represent a decline from the projected combined ending fund balance as of June 30, 2024, of approximately \$8.160 billion.

Risk Factors Facing the State's Financial Condition

While the State's financial condition depends on a wide variety of economic, demographic and policy factors, as the State generally monitors its revenues and expenditures, the State is particularly focused on the following aspects of its financial condition and potential risks:

- The Governor's Fiscal Year 2025 Budget Message contemplates that the State would drawdown approximately \$2 billion from its fund balance. If adopted, this would represent the second consecutive year that the State has included a substantial drawdown its fund balance and, if the budget assumptions were realized, would result in a reduction in fund balance from \$10.5 billion to \$6.109 billion in two fiscal years. While the State continues to enjoy a robust fund balance even with these drawdowns, if the State does not experience an increase in revenues the State may need to address a difference between its revenues and expenditures in future fiscal years to avoid further reductions in its fund balance.

- The State’s revenues rely, to some extent, on high-income taxpayers who generate wage and non-wage income through certain types of business income and the financial markets. The State experienced a decline in Gross Income Tax collections of \$1.9 billion in Fiscal Year 2023 compared to Fiscal Year 2022. This was primarily attributable to income tax collections from certain high-income sources such as capital gains realizations falling substantially, and also the impact of credits utilized by taxpayers of the Pass-Through Business Alternative Income Tax. A further small decline in Gross Income Tax collections of approximately \$89.3 million is now forecasted for Fiscal Year 2024. If financial markets continue to encounter volatility and disruption, State revenues in Fiscal Year 2025 may be adversely affected in contrast to the revenue surges experienced in prior years.
- Due to federal law, states have not been permitted over the past several years to disenroll beneficiaries from the Medicaid program. Under the provisions of the Fiscal Year 2023 federal omnibus bill, states began the eligibility review process as of April 1, 2023. Due to administrative burdens, the federal government issued guidance permitting states to temporarily delay disenrolling Medicaid beneficiaries. New Jersey began to realize the initial impacts of these redeterminations in August 2023. The Fiscal Year 2024 Appropriations Act assumes a pace of disenrollments based on historical trends, and that overall Medicaid enrollment will decline to an average of 1.913 million beneficiaries per month in Fiscal Year 2025. However, if the pace of disenrollments for the remaining months of Fiscal Year 2024 do not come to fruition, the enrollments and budgeted funding in Fiscal Year 2025 could be insufficient to support the costs of the Medicaid program.
- The Medicaid program in New Jersey, NJ FamilyCare, provides monthly capitation payments to the Managed Care Organizations (“MCOs”) that oversee the healthcare of over 95% of Medicaid beneficiaries. The monthly rates paid to the MCOs are determined based on a review of costs, and other factors, and are increased annually based on recommendations by the State’s Medicaid actuary. The recommended rate increases will not be available until April 2024. It is possible that the State’s assumption of cost increases could be low, which could result in additional State costs for the Medicaid Program in Fiscal Year 2025.
- *L. 2019, c. 120* revised the statute of limitations for minor victims and adult victims of sexual abuse and removed the procedural temporal bar of the New Jersey Tort Claims Act as a bar to bringing claims for injuries resulting from sexual abuse against public entities. This legislative change has resulted in a large amount of cases being brought, particularly by minor victims of sexual abuse, that, prior to the enactment of *L. 2019, c. 120*, would have been barred. As a result, the State projects that it will face an increased amount of liability for monetary damages beyond what is currently budgeted. While the State will vigorously defend itself in these matters, the State is unable to predict the amount of its potential liability exposure. However, as these cases are resolved, it is likely that the State’s combined fund balance will be impacted in Fiscal Years 2025 and 2026.

CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS

The New Jersey State Constitution (the “State Constitution”) provides for a bicameral State Legislature which meets in biennial sessions. Members of the State Senate are elected to terms of four years, except for the election following a decennial census, in which case the election is for a term of two years. Members of the General Assembly are elected to terms of two years. Both the Governor and the Lieutenant Governor are elected to terms of four years each.

Budget Limitations

The State Constitution provides, in part, that no money shall be drawn from the State Treasury but for appropriations made by law and that no law appropriating money for any State purpose shall be enacted if the appropriations contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of the revenue on hand and anticipated to be available to meet such appropriations during such fiscal period, as certified by the Governor (Article VIII, Sec. 2, para. 2) (the “Appropriations Clause”). In addition to line-item appropriations for the payment of debt service on bonds, notes or other obligations which are subject to

appropriation, beginning in Fiscal Year 2005, the annual Appropriations Act contains a general language provision which appropriates such additional amounts necessary to pay such debt service obligations subject to the approval of the Budget Director (defined below). For bonds which must be paid for from constitutionally-dedicated sources, such supplemental appropriations would need to be from constitutionally-dedicated revenues. (For general information regarding the budget process, see “STATE FINANCES — Budget and Appropriation Process” herein; for the application of the budget process for Fiscal Year 2024, see “FINANCIAL RESULTS AND ESTIMATES” herein.)

Debt Limitations

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

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

Judicial Decisions

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

In December 2000, a challenge was brought seeking a declaration that legislative programs authorizing State Appropriation Obligations violated the Debt Limitation Clause. In 2002, the New Jersey Supreme Court’s first ruling in this matter (“*Lonegan I*”) was limited solely to the issuance of State Appropriation Obligations by the New Jersey Economic Development Authority (“NJEDA”) authorized by the Educational Facilities Construction and Financing Act (“EFCFA”). The Court held that such bonds did not violate the Debt Limitation Clause because such debt was not legally enforceable against the State. The Court ordered additional briefing and argument on the other legislatively authorized State Appropriation Obligations. In 2003, in the New Jersey Supreme Court’s second ruling in the matter

(“*Lonegan II*”), the Court rejected a broad challenge to the validity of fourteen New Jersey statutes authorizing the issuance of State Appropriation Obligations. The Court held that the Debt Limitation Clause does not apply to debt that is subject to future legislative appropriations because such debt is not legally enforceable against the State. Furthermore, the Court held that under New Jersey law, only debt that is legally enforceable against the State is subject to the Debt Limitation Clause. In reliance upon such rule, the State Legislature responded to changes in the financial markets that reflect modern economic realities to provide for the issuance of debt where the payment is subject to annual legislative appropriation.

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

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

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

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

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

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

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

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

STATE FINANCES

Accounting System

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

Financial Statements

The State prepares its financial statements in accordance with current standards that are outlined in the Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*. The State’s Annual Comprehensive Financial Report (“ACFR”) includes government-wide financial statements and fund financial statements. These statements present different views of the State’s financial information. The ACFR for the twelve months ending June 30, 2023, and the notes referred to therein (the “2023 ACFR”) has been separately filed with the Municipal Securities Rulemaking Board (“MSRB”) and is incorporated by specific reference herein and is considered to be part of this Appendix I. The 2023 ACFR presents the financial position and operating results of the State under generally accepted accounting principles (“GAAP”) applicable to state and local governments as established by GASB. GASB is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*.

The significant accounting policies followed by the State are described in the “Notes to the Financial Statements” set forth in the 2023 ACFR.

Government-wide financial statements provide a broad view of the State’s operations conforming to private sector accounting standards and provide both short-term and long-term information regarding the State’s overall financial position through the fiscal year-end.

In addition to government-wide financial statements, the State prepares fund financial statements comprised of funds and component units with the State’s funds divided into three categories — governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds finance most Direct State Services, which support the normal operations of State government. The governmental funds financial statements focus on current inflows and outflows of expendable resources and the unexpended balances at the end of a fiscal year that are available for future spending. Governmental fund information helps determine whether or not there was an addition or a reduction in financial resources that can be spent in the near future to finance State programs.

The State’s governmental funds are the General Fund, which receives revenues from taxes that are unrestricted by statute, most federal revenue and certain miscellaneous revenue items; the Property Tax Relief Fund, which receives revenues from the New Jersey Gross Income Tax and revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax, both of which are constitutionally dedicated toward property tax relief and reform; the Special Revenue Funds, which are used to account for resources legally restricted to expenditure for specified purposes; and the Capital Projects Funds, which are used to account for financial resources to be used for the acquisition or construction of major State capital facilities. The Capital Projects Funds includes the Special Transportation Fund which is used to account for financial resources for State transportation projects. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

Proprietary Funds

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

Fiduciary Funds

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

Component Units

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

Budget and Appropriation Process

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

Fiscal Year 2024 began on July 1, 2023 and ends on June 30, 2024. Fiscal Year 2025 begins July 1, 2024 and ends on June 30, 2025.

Pursuant to the Appropriations Clause, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. The State Legislature enacts the Appropriations Act on an annual basis which provides the basic framework for the operation of governmental funds, including the General Fund. No general appropriations law or other law appropriating money for any State purpose shall be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year. The Appropriations Clause requires that at the time of enactment of the annual Appropriations Act, the Governor certify that there are sufficient resources available to support the line item appropriations in the Appropriations Act.

Budget Requests and Preliminary Projections

The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established target in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program.

Budget Director Review

On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Budget Director a request for appropriation or permission to spend, specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor.

Governor's Budget Message

The Governor's budget message (the "Governor's Budget Message") is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on a date on or before the fourth Tuesday in February in each year, except if such date is changed as provided by law, which generally occurs during the first year when a new governor is elected. The Governor's Budget Message for Fiscal Year 2025 was delivered on February 27, 2024 (the "Governor's Fiscal Year 2025 Budget Message"). The Governor's Budget Message must include the proposed complete financial program of the State government for the next ensuing fiscal year and must set forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (*N.J.S.A. 52:27B-20*).

Legislative Review

The financial program included in the Governor's Budget Message is then subject to a process of legislative committee review. As part of such review, testimony is given by a number of parties. The Office of Legislative Services, which is an agency of the State Legislature, generally provides its own estimates of anticipated revenues which may be higher or lower than those included in the Governor's Budget Message, and the State Treasurer generally provides an updated statement of anticipated revenues in May of each year which may increase or decrease the amounts included in the Governor's Budget Message. In addition, various parties may release their own estimates of anticipated revenues and recommended expenditures to the media. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review. The Appropriations Act includes the General Fund, and the Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief Funds. In addition to anticipated revenues, the Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and other dedicated funds. These "non-budgeted" revenues are excluded from all tables except for the table entitled "EXPENDITURES."

Governor's Line-Item Veto Power

Upon enactment by the Legislature of the Appropriations Act, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature.

Fiscal Controls

The departments maintain legal control at the appropriation line item level and exercise budgetary control by individual appropriations and allocations within annual appropriations to various programs and major expenditure objects. Revisions to the Appropriations Act, reflecting program changes or interdepartmental transfers of an administrative nature, may be effected during the fiscal year with certain Executive and Legislative Branch approvals. Management may amend a department's budget with approval by the Budget Director; provided that under specific conditions, additional approval by the Office of Legislative Services is required. Transfers of appropriations between departments or between line items within a department are authorized pursuant to general provisions of the Appropriations Act.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. Pursuant to various statutes, the Governor may order the Budget Director to set aside a reserve out of each appropriation, and if sufficient revenues are not available by the end of the fiscal year to fund such reserve, the amount reserved lapses back into the General Fund. In addition, the Governor is authorized to prohibit and enjoin and place conditions upon the expenditure of monies in the case of extravagance, waste or mismanagement.

Furthermore, under the State Constitution, no supplemental appropriation may be enacted after adoption of the Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation and all prior appropriations for such fiscal year.

State Budget Shutdown

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

FINANCIAL RESULTS AND ESTIMATES

Audit Reports

The State Auditor is directed by statute (*N.J.S.A. 52:24-4*) to “examine and post-audit all the accounts, reports, and statements and make independent verifications of all assets, liabilities, revenues, and expenditures” of the State and its agencies. The 2023 ACFR, including the opinion of the State Auditor, has been separately filed with the MSRB, is incorporated by specific reference herein and is deemed a part of this Appendix I. The accounting and reporting policies of the State conform in all material respects to GAAP as applicable to governments.

Balance Sheets

The comparative balance sheets for the General Fund, the Casino Control Fund, the Casino Revenue Fund, the Gubernatorial Elections Fund and the Property Tax Relief Fund as of June 30, 2023 and 2022 are set forth below.

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

	As of June 30,	
	2023	2022 ⁽²⁾
ASSETS		
Cash and cash equivalents	\$ 224.9	\$ 174.1
Investments	25,652.9	23,943.7
Receivables, net of allowances for uncollectibles		
Federal government	940.6	862.9
Departmental accounts	3,641.7	2,793.0
Loans	143.0	133.6
Other	391.9	526.3
Due from other funds	1,461.4	1,351.5
Other	26.1	35.8
Total Assets	\$ 32,482.5	\$ 29,820.9
LIABILITIES AND FUND BALANCES		
Accounts payable and accruals	\$ 2,930.5	\$ 2,388.8
Unearned revenue	5,704.9	6,084.7
Due to other funds	5,443.6	9,213.4
Refunds payable	349.8	272.5
Other	171.9	276.2
Total Liabilities	14,600.7	18,235.6
Deferred Inflows of Resources	497.3	638.5
Total Liabilities and Deferred Inflows of Resources	\$ 15,098.0	\$ 18,874.1
Fund Balances		
Restricted	1,204.7	1,195.8
Committed	5,661.6	4,571.8
Unassigned	10,518.2	5,179.2
Total Fund Balances	17,384.5	10,946.8
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$ 32,482.5	\$ 29,820.9

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

⁽²⁾ During the Fiscal Year 2023 ACFR, it was discovered that departmental receivables were overstated by \$77.6 million. As a result, Fiscal Year 2022 balances were restated resulting in a corresponding decrease to Unassigned fund balance.

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

	Casino Control Fund ⁽¹⁾		Casino Revenue Fund ⁽²⁾		Gubernatorial Elections Fund ⁽³⁾		Property Tax Relief Fund ⁽⁴⁾	
	2023	2022	2023	2022	2023	2022	2023	2022
ASSETS								
Receivables, net of allowances for uncollectibles								
Department accounts	\$2.5	\$10.2	\$53.4	\$44.9	–	–	\$ 986.0	\$ 879.9
Due from other funds	5.1	–	1.1	0.6	\$0.2	\$0.2	144.3	3,055.5
Total Assets	<u>\$7.6</u>	<u>\$10.2</u>	<u>\$54.5</u>	<u>\$45.5</u>	<u>\$0.2</u>	<u>\$0.2</u>	<u>\$1,130.3</u>	<u>\$3,935.4</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accruals	\$7.6	\$ 6.6	\$10.9	\$10.4	–	–	\$ 192.9	\$ 138.1
Due to other funds	–	3.6	33.6	22.4	–	\$0.2	60.6	172.0
Refunds payable	–	–	–	–	–	–	379.3	279.9
Total Liabilities	<u>\$7.6</u>	<u>\$10.2</u>	<u>44.5</u>	<u>\$32.8</u>	<u>–</u>	<u>\$0.2</u>	<u>\$ 632.8</u>	<u>\$ 590.0</u>
Fund Balances								
Restricted	–	–	–	–	–	–	497.5	3,345.4
Committed	–	–	10.0	12.7	0.2	–	–	–
Total Fund Balances	<u>–</u>	<u>–</u>	<u>10.0</u>	<u>12.7</u>	<u>0.2</u>	<u>–</u>	<u>497.5</u>	<u>3,345.4</u>
Total Liabilities and Fund Balances	<u>\$7.6</u>	<u>\$10.2</u>	<u>\$54.5</u>	<u>\$45.5</u>	<u>\$0.2</u>	<u>\$0.2</u>	<u>\$1,130.3</u>	<u>\$3,935.4</u>

- (1) The Casino Control Fund is used to account for fees from the issuance and annual renewal of casino licenses. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement. The Casino Control Fund was established by *N.J.S.A. 5:12-143*, approved June 2, 1977.
- (2) The Casino Revenue Fund is used to account for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other expenses of eligible senior citizens and disabled residents. The Casino Revenue Fund was established by *N.J.S.A. 5:12-145*, approved June 2, 1977.
- (3) The Gubernatorial Elections Fund is used to account for receipts from the dollar designations on New Jersey Gross Income Tax returns. When indicated by the taxpayer, one dollar of the tax is reserved from Gross Income Tax revenues and credited to the Gubernatorial Elections Fund. These funds are available for appropriation pursuant to The New Jersey Campaign Contributions and Expenditures Reporting Act (*P.L. 1973, c.83*), as amended. The Gubernatorial Elections Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A. 54A:9-25.1*, approved July 8, 1976.
- (4) The Property Tax Relief Fund is used to account for revenues from the New Jersey Gross Income Tax and for revenues derived from a tax rate of 0.5% imposed under the Sales and Use Tax that is constitutionally dedicated toward property tax reform. Revenues realized from the Gross Income Tax and derived from a tax rate of 0.5% imposed under the Sales and Use Tax are dedicated by the State Constitution. All receipts from taxes levied pursuant to the New Jersey Gross Income Tax on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the Property Tax Relief Fund, pursuant to formulas established by the State Legislature, to counties, municipalities and school districts. The Property Tax Relief Fund was established by the New Jersey Gross Income Tax Act, *N.J.S.A. 54A:9-25*, approved July 8, 1976.

Changes in Fund Balances

The following table sets forth a Summary of Revenues, Appropriations and Undesignated Fund Balances for Fiscal Years 2021 through 2025, covering budgeted funds. The Undesignated Fund Balances are available for appropriation in succeeding fiscal years. There have been positive Undesignated Fund Balances in the General Fund at the end of each year since the State Constitution was adopted in 1947.

Amounts shown for Fiscal Years 2021, 2022 and 2023 are actual and final. Amounts shown for Fiscal Year 2024 in the following tables and charts are based upon revised estimates for revenues and appropriations contained in the Governor’s Fiscal Year 2025 Budget Message which includes enacted and anticipated supplemental appropriations and expected lapses for Fiscal Year 2024. Amounts shown for Fiscal Year 2025 are estimates as contained in the Governor’s Fiscal Year 2025 Budget Message. The ending undesignated fund balance for Fiscal Years 2024 and 2025 may be revised as a result of changes in spending and/or anticipated revenues.

Budgeted State funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund, but exclude federal funds and other non-budgeted funds. The Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds and other dedicated funds to the extent such revenue is received and permits the corresponding increase of appropriation balances from which expenditures can be made. See “STATE FINANCES — Accounting System” above.

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

	<u>2025</u> <u>Estimated</u>	<u>2024</u> <u>Estimated</u>	<u>2023</u> <u>Actual⁽²⁾</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual⁽³⁾</u>
July 1st Beginning Balances					
General Fund	\$ 7,853.7	\$ 10,212.6	\$ 5,179.2	\$ 1,892.6	\$ 2,050.6
Surplus Revenue Fund	305.6	305.6	-	2,446.9	6.7
Property Tax Relief Fund	-	-	3,062.4	2,544.9	1.8
Gubernatorial Elections Fund	0.9	0.2	-	-	1.1
Casino Control Fund	-	-	-	-	-
Casino Revenue Fund	-	-	-	-	-
Total Beginning Balances	<u>8,106.2</u>	<u>10,518.4</u>	<u>8,241.6</u>	<u>6,884.4</u>	<u>2,060.2</u>
Anticipated Revenue					
General Fund	32,977.1	31,839.3	31,640.7	30,355.7	29,721.3
Property Tax Relief Fund	20,457.0	19,774.4	19,894.3	21,778.9	18,413.8
Gubernatorial Elections Fund	0.7	0.7	0.2	0.2	0.3
Casino Control Fund	77.4	73.5	64.0	60.2	54.0
Casino Revenue Fund	596.4	557.5	500.2	458.0	363.5
Total Revenues	<u>54,108.6</u>	<u>52,245.4</u>	<u>52,099.4</u>	<u>52,653.0</u>	<u>48,552.9</u>
Total Resources	<u>\$62,268.8</u>	<u>\$62,763.8</u>	<u>\$60,341.0</u>	<u>\$59,537.4</u>	<u>\$50,613.1</u>
Other Adjustments					
General Fund					
Balances lapsed ⁽⁴⁾	-	586.7	1,781.3	1,299.7	1,532.2
From (To) Reserved Fund Balance	(252.3)	152.3	(21.9)	26.8	(119.8)
From (To) Surplus Revenue Fund	305.6	-	(305.6)	2,446.9	(2,440.2)
From (To) Property Tax Relief Fund	-	(787.3)	36.7	(27.8)	(77.3)
Budget vs GAAP Adjustment	-	-	(0.5)	-	-
From (To) Casino Revenue Fund	-	31.9	-	-	-
From (To) Gubernatorial Elections Fund	(28.1)	-	-	-	(9.6)
From (To) Casino Control Fund	-	-	-	-	-
Surplus Revenue Fund					
From (To) General Fund	(305.6)	-	305.6	(2,446.9)	2,440.2
Property Tax Relief Fund					
Balances lapsed ⁽⁴⁾	-	89.3	312.6	227.5	108.3
From (To) General Fund	-	787.3	(36.7)	8.4	77.3
Gubernatorial Elections Fund					
From (To) General Fund	28.1	-	-	18.9	9.6
Balances lapsed ⁽⁴⁾	-	-	-	1.9	-
Budget vs GAAP Adjustment	-	-	-	0.5	-
Casino Control Fund					
From (To) General Fund	-	-	-	-	-
Balances lapsed ⁽⁴⁾	-	-	3.7	2.5	7.5
Budget vs GAAP Adjustment	-	-	0.4	(0.3)	(0.6)
Casino Revenue Fund					
From (To) General Fund	-	(31.9)	-	-	-
Balances lapsed ⁽⁴⁾	-	1.1	1.0	6.2	3.4
Budget vs GAAP Adjustment	-	-	-	-	-
Total Other Adjustments	<u>(252.3)</u>	<u>829.4</u>	<u>2,076.6</u>	<u>1,564.3</u>	<u>1,531.0</u>
Total Available	<u>\$62,016.5</u>	<u>\$63,593.2</u>	<u>\$62,417.6</u>	<u>\$61,101.7</u>	<u>\$52,144.1</u>
Appropriations					
General Fund	34,747.4	34,181.8	28,097.3	30,737.1	28,764.6
Property Tax Relief Fund	20,457.0	20,651.0	23,232.6	21,497.3	16,056.3
Gubernatorial Elections Fund	29.7	-	-	21.5	11.0
Casino Control Fund	77.4	73.5	68.1	62.4	60.9
Casino Revenue Fund	596.4	526.7	501.2	464.2	366.9
Total Appropriations⁽⁵⁾	<u>\$55,907.9</u>	<u>\$55,433.0</u>	<u>\$51,899.2</u>	<u>\$52,782.5</u>	<u>\$45,259.7</u>
June 30th Ending Balances					
General Fund	6,108.6	7,853.7	10,212.6	5,256.8	1,892.6
Surplus Revenue Fund	-	305.6	305.6	-	2,446.9
Property Tax Relief Fund	-	-	-	3,062.4	2,544.9
Gubernatorial Elections Fund	-	0.9	0.2	-	-
Casino Control Fund	-	-	-	-	-
Casino Revenue Fund	-	-	-	-	-
Total Ending Balances⁽⁶⁾⁽⁷⁾	<u>\$ 6,108.6</u>	<u>\$ 8,160.2</u>	<u>\$10,518.4</u>	<u>\$ 8,319.2</u>	<u>\$ 6,884.4</u>

(footnotes appear on next page)

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- (1) Budgeted State Funds include the General Fund, the Property Tax Relief Fund, the Casino Revenue Fund, the Casino Control Fund and the Gubernatorial Elections Fund. These amounts do not reflect amounts included under the caption “Other Adjustments” in the table entitled “SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES – BUDGETED STATE FUNDS” above.
 - (2) The General Fund opening undesignated fund balance for Fiscal Year 2023 was restated downward by \$77.6 million due to a reduction of receivables previously overstated.
 - (3) The General Fund opening undesignated fund balance for Fiscal Year 2021 was restated downward by \$103.9 million due to a reduction of receivables previously overstated.
 - (4) Upon the end of the Fiscal Year, any unexpended or unencumbered balance in an appropriation reverts (lapses) to the June 30th ending undesignated fund balance, unless otherwise provided for in the Appropriations Act.
 - (5) Fiscal Year 2022 and Fiscal Year 2023 appropriations reflect a \$5.2 billion deposit and a \$400 million deposit to the Debt Defeasance and Prevention Fund, respectively. The reduction in the deposit is the reason for the reduction in the level of appropriations for Fiscal Year 2023.
 - (6) The ending undesignated fund balance for Fiscal Years 2024 and 2025 may be revised as a result of changes in spending and/or anticipated revenues.
 - (7) Revenues for Fiscal Year 2021 reflect \$4.288 billion in emergency general obligation borrowing, and appropriations include a \$3.7 billion deposit into the Debt Defeasance and Prevention Fund. Due to this, part of the growth in the ending undesignated fund balance for Fiscal Year 2021 can be attributed to almost \$600 million of this net additional, non-recurring resource.

New Jersey Demographic Information

New Jersey is the most densely populated state in the Nation, with an average density of 1,263 persons per square mile as of 2023. The State is a part of a megalopolis that extends from Washington, D.C. in the south to Boston, Massachusetts in the north and includes about one-sixth of the Nation’s population, making it an attractive location for businesses due to its central location and ability to access both regional and world markets.

The following industries are the center of the State’s diverse economy: technology, transportation and logistics, health care, financial services, biopharmaceuticals, and advanced manufacturing. There is also a strong commercial agriculture sector in the rural areas. The Jersey Shore, part of the Atlantic Seaboard, is a focus of the State’s tourism sector and includes casino gambling in Atlantic City. The State attracted 110.8 million visitors in 2018 and 116.2 million visitors in 2019. The number of visitors dropped to 84.6 million in 2020 as travel and tourism were disrupted by pandemic-related restrictions. The number of visitors rebounded to 96.6 million in 2021 and 114.6 million in 2022. The latter number is nearly a return to pre-pandemic levels. In March 2023, the private forecaster Tourism Economics predicted that the number of visitors would be 119.7 million in 2023, 124.1 million in 2024, and 127.4 million in 2025.

There are approximately 9.3 million people residing in New Jersey in 2023, according to the latest population estimate from the U.S. Census Bureau. New Jersey’s population has grown an average of 0.4 percent per year from 2010 to 2023. This is above the average annual growth rate of 0.1 percent for New York and 0.2 percent for Pennsylvania. It is below the national growth rate of 0.6 percent. Approximately 21.5 percent of New Jersey’s population is under the age of 18, which is slightly lower than the national average of 21.7 percent. In addition, 17.4 percent of the State’s population is 65 years or older, which is similar to the national average.

New Jersey’s population is highly educated. Based on the 5-year American Community Survey for 2018–2022, 42.3 percent of New Jersey residents 25 years of age or older have a bachelor’s degree or higher. This is the third highest rate in the Nation and above the national average of 34.3 percent. New Jersey is also a diverse state. At 23.2 percent, New Jersey has the second highest share of foreign-born residents, behind only California, and above the national average of 13.7 percent. New Jersey has the fourth highest percentage of residents that speak a language other than English at home at 32.2 percent. The State ranks behind only California, Texas, and New Mexico and is above the national percentage of 21.7 percent.

According to New Jersey income tax return data, the number of high-income taxpayers has been growing faster than the total number of taxpayers. From calendar years 2010 to 2021, the total number of taxpayers increased by 1.1 percent per year on average. During the same period, the number of taxpayers whose total income was between \$500,000 and \$1 million increased by 7.8 percent per year on average, and the number of taxpayers whose total income was greater than \$1 million increased by 7.3 percent per year on average.

For more information, see the 2023 ACFR-Statistical Section, which has been separately filed with the MSRB, and is incorporated by specific reference herein and is deemed a part of this Appendix I.

New Jersey Current Economic Outlook

In 2023, New Jersey's economy experienced stable growth. The State's Gross Domestic Product ("GDP") – a broad measure of economic output – showed moderate growth overall and employment levels continued to rise, surpassing pre-pandemic levels in most industries. Price inflation continued to decline over the course of the year. Higher interest rates, intended to tame inflation and slow economic activity, have plateaued since the summer of 2023, but continue to restrict economic activity in some sectors, most notably the housing market. As 2024 begins, the near-term economic outlook for the State and Nation is for continued moderate growth, with uncertainty related to when the Federal Open Market Committee ("FOMC") will start to lower interest rates and encourage spending and investment.

In 2023, the State's economic growth was slower than the U.S. as a whole. New Jersey's real GDP growth in 2023 (1.5 percent) was outpaced by Pennsylvania (2.2 percent), but was faster than New York (0.7 percent), and ranked 28th out of the fifty states. New Jersey's real total GDP (\$656 billion) ranked 10th out of the fifty states in 2023, above North Carolina but below Georgia. In the fourth quarter, real GDP grew at a seasonally adjusted annual rate of 4.0 percent, quicker than New York (3.1 percent), but slower than Pennsylvania (4.1 percent). The State's unemployment rate increased a percentage point over the course of the year, rising to 4.8 percent in December 2023 as the number of unemployed persons rose quicker than the labor force. This was 1.1 percentage points higher than the national rate (3.7 percent). It was also higher than the unemployment rate of New York (4.6 percent), Pennsylvania (3.4 percent), and Connecticut (4.2 percent), and ranked third highest in the Nation.

Despite a higher unemployment rate, New Jersey's labor market proved resilient in 2023. Following two consecutive years of record jobs growth, another 89,600 jobs were added in 2023. Employment rose in ten out of twelve months in 2023, with positive job growth in each of the final five months of the year. This represented a sustained recovery from 2020, when employment fell by 302,100 net jobs, including an unprecedented initial decline of 726,300 jobs at the start of the pandemic in March and April 2020. Payroll employment grew by an average of 8,900 jobs per month over the first half of 2023 and grew by an average of 6,100 jobs per month over the second half of the year. By the end of 2023, New Jersey had 148,600 more nonfarm jobs than prior to the COVID-19 pandemic, rising 3.5 percent from February 2020 to December 2023. This was higher than New York's (-0.7 percent), Pennsylvania's (0.5 percent), and Connecticut's (-0.2 percent) recent employment levels compared to pre-pandemic levels.

Job growth in 2023 was most concentrated in three industries as other sectors experienced relatively softer growth or small declines in employment. The three sectors that added more than 10,000 jobs over the course of the year were educational & health services (+37,800 jobs), leisure & hospitality (+20,000 jobs), and trade/transportation & utilities (+10,400 jobs). Annual job gains were also seen in government (+7,800 jobs), other services (+6,800 jobs), and financial activities (+4,000 jobs). Goods-producing sectors such as construction and manufacturing also added 3,400 jobs and 1,700 jobs, respectively. Professional & business services lost 100 jobs over the course of the year, while the information sector lost 2,200 jobs. Still, employment in these sectors remained well above pre-pandemic levels at the end of the year. The only sector to not reach pre-pandemic employment levels as of December 2023 was government (-11,200 jobs).

New Jersey wages and salaries rose 5.1 percent in 2023, and personal income in the State rose 4.9 percent. New Jersey's wage and salary growth in 2023 was outpaced by Pennsylvania (5.5 percent), New York (5.8 percent) and the Nation (6.3 percent). Overall, New Jersey's wage and salary growth ranked third lowest of the fifty states. Personal income growth overall ranked 27th amongst the fifty states, still behind regional peer and national rates.

U.S. personal saving as a percentage of disposable personal income has fluctuated sharply in recent years. From pre-pandemic level savings in the mid-seven percent range, savings rose to a high of 24.5 percent in the second quarter of 2020 spurred by federal economic impact payments and limited spending options. The savings rate subsequently hovered around 3.0 percent in 2022 as households adjusted to high price inflation and increased to an average of 4.6 percent in 2023. Price inflation continued its decline from the highs of 2022, as the national consumer price index ("CPI") rose 3.2 percent year-over-year in February 2024, representing a decline of 2.9 percentage points

from February 2023's level of 6.0 percent. Core CPI, which excludes food and energy items, rose 3.8 percent year-over-year. This represents a sustained slowing of inflation from its 9.1 percent peak in June 2022. Inflation in the metropolitan area containing much of northern and central New Jersey has generally been more subdued than national inflation, as regional year-over-year CPI grew 2.9 percent and regional Core CPI was up 3.4 percent in February 2024. It is generally anticipated that the CPI will fall below 3.0 percent throughout 2024 and average in the mid-two percent range for the year.

The housing market continued to slow from 2022 into 2023 amidst elevated mortgage interest rates and elevated home prices. The average U.S. 30-year fixed rate mortgage in December 2023 hovered over 6.0 percent, double its 3.0 percent level in December 2021. The median sales price for a single-family home in New Jersey eclipsed \$500,000 in 2023, rising 6.3 percent from 2022, when prices rose 8.7 percent. According to New Jersey Realtors data, existing-home sales started to weaken near the end of 2021 and total closed sales fell 17.8 percent in 2022, matching levels last seen in 2015. Sales continued to decline in 2023, matching levels not seen since 2012-2013 as both the inventory of homes for sale and the affordability index reached their lowest levels since at least 2010.

The economic outlook has brightened recently for both New Jersey and the United States, as interest rates are thought to have peaked and inflation continues to recede. Members of the FOMC estimated real GDP in the U.S. to grow 2.1 percent in 2024 off of a surprisingly strong 2023 (estimates show U.S. GDP rose 2.5 percent in 2023), according to their March 2024 projection. Economists surveyed by the Wall Street Journal in January 2024 forecasted real GDP growth of 1.0 percent for the U.S. in 2024.

Risk of Climate Events

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

The State's Department of Environmental Protection ("NJDEP") is responsible for developing studies and strategies to reduce and respond to the effects of climate change. In 2020, the NJDEP released a scientific study regarding climate change and its impact upon the State, including New Jersey specific sea-level rise information. In 2021, the NJDEP released new data regarding the risk of extreme precipitation throughout the state. As a matter of practice, the NJDEP will incorporate this and other appropriate new data into the State's climate science report. The NJDEP also has developed short- and long-term strategies to make the State more resilient to the impacts of climate change, including through regulatory requirements aimed at better protecting public and private assets from risks associated with extreme weather, sea-level rise, and flooding. For example, on July 17, 2023, NJDEP issued the Inland Flood Protection rule which will improve flood protection for development in New Jersey, including for state assets. The rule incorporates the current and future predicted precipitation data to ensure that projects are designed in consideration of these potential flood impacts. The NJDEP has also established a resilience planning program to provide technical and planning assistance to local governments. In 2024, the Resilient NJ program will increase the number of local governments it has supported, resulting in technical support to over 40 local governments to identify and enact appropriate measures to address climate impacts in coordination with State and federal agencies.

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

In response to these increasing risks across the State, the New Jersey flood risk notification law, *L. 2023, c. 93*, was enacted on July 3, 2023. The law requires landlords and sellers of real property to make certain disclosures concerning known and potential flood risks.

The State does not develop any of its climate change reports or strategies for purposes of investors making investment decisions and none of the NJDEP reports or strategies are incorporated by reference into this Appendix I.

Cybersecurity

New Jersey state government has implemented a comprehensive cybersecurity program that is aligned with the six key functions of the National Institute of Standards and Technology's Cybersecurity Framework, namely: governance, identify, protect, detect, respond, and recover. The New Jersey Office of Information Technology ("NJOIT") serves as the State's centralized infrastructure technology provider. Over the past 24 months, NJOIT has implemented advanced technologies to modernize the Garden State Network infrastructure, which includes next-generation firewalls with advanced cyber threat intelligence features, to enhance the State government's cybersecurity posture. These efforts are in collaboration with the New Jersey Office of Homeland Security and Preparedness' cybersecurity arm, the New Jersey Cybersecurity & Communications Integration Cell ("NJCCIC"). This separation of accountability for cyber protection has served to substantially increase effectiveness due to focused skillsets, budgets, and technology platforms. These measures are recognized as industry standard modern cyber protection mechanisms and serve to reduce the risk of successful cyber-attacks upon the State's information technology assets. The NJCCIC manages the State's security operation center to monitor, detect, and respond to attacks in real-time. However, despite these measures, it is recognized in the cybersecurity industry that no amount of preventative countermeasures and security features successfully prevent 100% of all cyber attacks. To further manage risk, the State maintains cyber liability insurance coverage.

Revenues

Fiscal Year 2024 Revenues to Grow Slightly from Fiscal Year 2023

State revenue collections grew significantly in Fiscal Years 2021 and 2022, coming out of the pandemic. The Fiscal Year 2023 Appropriation Act forecast expected Fiscal Year 2023 revenues to decline by \$1.6 billion, but collections continued to exceed expectations through the first half of Fiscal Year 2023, before declining in the Spring of 2023. Fiscal Year 2023 revenue collections ultimately exceeded the Fiscal Year 2023 Appropriations Act projection, totaling \$52.1 billion, but declined by \$553.6 million compared to Fiscal Year 2022. The revenue decline experienced in the Spring of 2023 continued into the first half of Fiscal Year 2024, but aggregate revenue growth is expected to resume in the second half of Fiscal Year 2024. The revised Fiscal Year 2024 revenue forecast contained in the Governor's Fiscal Year 2025 Budget Message projects total revenue of \$52.2 billion, an increase of \$146.0 million compared to Fiscal Year 2023.

The revised Fiscal Year 2024 Gross Income Tax ("GIT") revenue estimate of \$18.7 billion anticipates a decline of \$89.3 million, or 0.5 percent below Fiscal Year 2023. The estimate is \$789.2 million below the Governor's revenue certification for Fiscal Year 2024. In particular, Fiscal Year 2024 has been an echo of the declining Spring 2023 period, when estimated and final payments fell and refunds surged. Withholding collections from employee wages continued to grow throughout the fiscal year, but that growth was not enough to offset weakness in quarterly estimated and final extension payments and historically high refund issuances. The GIT estimate includes a tax policy change: an increase in the child tax credit for families with young children (*L. 2022, c. 24*), is expected to save taxpayers an additional \$120.0 million.

The revised Fiscal Year 2024 Corporation Business Tax ("CBT") revenue forecast of \$5.1 billion is now \$383.4 million below Fiscal Year 2023, and \$182.6 million below the amount certified at the time of the enactment of the Fiscal Year 2024 Appropriations Act. Fiscal Year 2024 CBT revenue collections were expected to decline due to the expiration of the CBT surtax on December 31, 2023. However, the decline has been greater than anticipated as historically high refund issuances have more than offset a significant one-time multi-year tax settlement. The refund surge is a function of multiple factors, including prior overpayments, claims for various tax credits for prior privilege periods, and increased utilization of prior net operating losses. CBT revenues are expected to decline throughout the

remainder of Fiscal Year 2024 as the CBT surtax expiration reduces April and June quarterly estimated payments, and refund issuances are expected to continue at historically high levels.

The revised Fiscal Year 2024 Sales and Use Tax (“SUT”) revenue forecast of \$13.3 billion is \$23.2 million above Fiscal Year 2023 SUT collections and \$283.9 million below the amount certified at the time of the enactment of the Fiscal Year 2024 Appropriations Act. Revenue growth was modest through the first half of Fiscal Year 2024, generally lagging the rate of regional core consumer price inflation. The remainder of Fiscal Year 2024 is expected to see increased SUT revenue growth, but albeit at a lower rate than price inflation. SUT energy-use related collections are expected to fall as natural gas prices decline and less energy is utilized due to warmer winter temperatures.

The revised Fiscal Year 2024 Pass-Through Business Alternative Income Tax (“PTBAIT”) revenue forecast of \$4.3 billion is up \$180.2 million from the total certified at the time of the enactment of the Fiscal Year 2024 Appropriations Act. Collections were forecasted to grow slightly in Fiscal Year 2024, as profits were expected to moderate, but more taxpayers were expected to elect to pay the tax for the first time. Additionally, collections were thought to have largely stabilized as early electors of the tax have transitioned to making regular quarterly estimated and final payments. PTBAIT collections have outperformed expectations through the first half of Fiscal Year 2024 and are expected to grow through the remainder of Fiscal Year 2024 as newly electing taxpayers make final payments for the first time and make quarterly estimated payments in April and June.

Among other notable tax revenues, the Transfer Inheritance Tax is no longer expected to decline as much as anticipated, with revenues expected to total \$528.2 million for Fiscal Year 2024 compared to \$504.5 million expected at the time of the enactment of the Fiscal Year 2024 Appropriations Act. The Realty Transfer Fee is performing in line with expectations, while Petroleum Products Gross Receipts Tax revenues were adjusted upward by \$54.3 million to a revised Fiscal Year 2024 projected total of \$1.5 billion to account for the tax rate increase that went into effect on October 1, 2023. Insurance Premiums Tax revenues were revised downward by \$40.0 million to a revised Fiscal Year 2024 projected total of \$555.9 million as refund activity was greater than anticipated during the first half of Fiscal Year 2024. The State’s investment earnings remain noticeably strong in Fiscal Year 2024, yielding an estimated \$1.1 billion, well above the certified level of \$672.9 million due to higher State balances and higher interest rates.

Fiscal Year 2025 Revenues Forecasted to Grow 3.6 Percent

The Governor’s Fiscal Year 2025 Budget Message reflects anticipated revenue growth of 3.6 percent, following a Fiscal Year 2024 that has endured weaker than expected revenue collections as well as policy changes, most notably the CBT surtax expiration, that caused revenues to decline relative to Fiscal Year 2023. Fiscal Year 2025 revenues are forecasted at \$54.1 billion, an increase of \$1.9 billion over the revised Fiscal Year 2024 estimates. Most revenues are expected to grow next fiscal year, and will be bolstered by the addition of the Corporate Transit Fee, which is estimated to generate roughly \$1.0 billion in Fiscal Year 2025, as well as other smaller fee increases.

The Fiscal Year 2025 GIT projection of \$19.4 billion is an increase of \$646.3 million, or 3.5 percent above Fiscal Year 2024. Steady economic performance and positive wage growth are expected to support moderate revenue growth, closer to long-run historical patterns. Non-wage income sources are also expected to grow in Fiscal Year 2025 as financial markets continue to rebound.

Fiscal Year 2025 SUT revenue collections are projected at \$13.8 billion, an increase of \$474.0 million or 3.6 percent over Fiscal Year 2024. Slowing consumer spending is expected to continue softening collections growth, but consumption is expected to keep up with price inflation. The Fiscal Year 2025 revenue forecast includes two tax policy changes: (1) the repeal of the annual SUT holiday for back to school purchases valued at \$35.0 million; and (2) the first step in a three-year phase out of the SUT exemption on the purchase of electric vehicles valued at \$70.0 million.

Fiscal Year 2025 CBT revenue collections are projected to fall from Fiscal Year 2024 levels, declining to \$4.4 billion, a decrease of 15.0 percent, primarily due to the full impact of the expiration of the CBT surtax. The CBT surtax is expected to reduce CBT revenues in Fiscal Year 2025 by an additional \$800 million from Fiscal Year 2024. While baseline collections decline due to the surtax change, economic forecasters anticipate an improving corporate profits outlook for 2024 and 2025, which partially mitigates the year-to-year decline.

The Governor’s Fiscal Year 2025 Budget Message proposes a new Corporate Transit Fee on corporations with income over \$10.0 million. The Corporate Transit Fee is estimated to initially raise \$1.0 billion in Fiscal Year 2025, including \$205.0 million in anticipated one-time catch-up payments related to a retroactive effective date to the start of Tax Year 2024. This fee is expected to dedicate between \$800.0 million and \$900.0 million in annually recurring collections to support New Jersey Transit.

Stability in PTBAIT revenue collections is anticipated as well as improvements in other taxes such as the Realty Transfer Fee as the Federal Open Market Committee is expected to begin cutting the federal funds rate in the latter half of 2024 and into 2025.

The following table sets forth actual and estimated revenues for fiscal years ended June 30, 2021 through 2025 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The amounts for Fiscal Years 2021, 2022 and 2023 are actual and final. The Fiscal Years 2024 and 2025 estimates are as presented in the Governor’s Fiscal Year 2025 Budget Message. See “FINANCIAL RESULTS AND ESTIMATES – New Jersey Current Economic Outlook” above and “APPENDIX I-A – SUMMARY OF CERTAIN STATE TAXES” below.

REVENUES
(In Millions)

	2025	2024	2023	2022	2021
	Estimated	Estimated	Actual	Actual	Actual
General Fund:					
Sales and Use Tax	\$ 13,798.7	\$ 13,324.7	\$ 13,301.5	\$ 12,630.0	\$ 11,366.6
Sales and Use Tax (Energy Tax Receipts)	805.6	798.4	788.5	788.5	788.5
Less: Property Tax Dedication	(1,077.3)	(1,041.0)	(1,065.8)	(1,013.0)	(917.3)
Net Sales and Use Tax	13,527.0	13,082.1	13,024.2	12,405.5	11,237.8
Corporation Business Tax	4,367.7	5,139.0	5,522.4	5,718.0	4,894.9
Corporate Transit Fee	1,023.0	–	–	–	–
Business Alternative Income Tax	4,465.9	4,326.8	3,981.1	3,980.0	1,968.4
NJ COVID-19 State Emergency Fund	–	–	–	–	4,288.7
Transfer Inheritance Tax	540.9	528.2	567.9	601.7	485.3
Insurance Premium Tax	620.9	555.9	641.3	703.7	464.0
Fringe Benefit Recoveries	1,532.8	1,462.9	1,227.7	999.7	806.9
Motor Fuels Tax	454.8	461.6	468.7	461.8	434.4
Motor Vehicle Fees	434.4	420.1	424.7	393.4	477.2
Medicaid Uncompensated Care	245.0	462.6	577.8	477.6	524.2
Realty Transfer Tax	434.3	428.2	523.2	674.6	526.2
Petroleum Products Gross Receipts	1,452.0	1,473.5	1,438.7	1,553.9	1,624.2
Petroleum Products Gross Receipts-Capital Reserves	(460.6)	(586.7)	(625.3)	(756.3)	(844.3)
Corporation Business Tax-Banks and Financials	–	–	68.1	81.9	107.8
Cigarette Tax	6.8	32.6	63.4	38.0	71.0
Alcoholic Beverage Excise Tax	149.7	145.9	146.3	142.6	140.1
Other	4,182.5	3,906.6	3,590.5	2,879.6	2,514.5
Total General Fund ⁽¹⁾	32,977.1	31,839.3	31,640.7	30,355.7	29,721.3
Property Tax Relief Fund:					
Gross Income Tax	19,355.7	18,709.4	18,798.7	20,737.5	17,469.9
Plus: Property Tax Dedication	1,101.3	1,065.0	1,095.6	1,041.4	943.9
Gross Property Tax Relief Fund	20,457.0	19,774.4	19,894.3	21,778.9	18,413.8
Gubernatorial Elections Fund-Taxpayer Designations	0.7	0.7	0.2	0.2	0.3
Casino Control Fund-License Fees, Interest	77.4	73.5	64.0	60.2	54.0
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	596.4	557.5	500.2	458.0	363.5
Total	\$ 54,108.6	\$ 52,245.4	\$ 52,099.4	\$ 52,653.0	\$ 48,552.9

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

Revenues — Dollar Growth

The following table sets forth actual and estimated incremental dollar growth in revenues for fiscal years ended June 30, 2021 through 2025 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. The incremental dollar growth in revenues for Fiscal Years 2021, 2022 and 2023 are actual and final. The Fiscal Years 2024 and 2025 estimates are as presented in the Governor’s Fiscal Year 2025 Budget Message.

REVENUES — DOLLAR GROWTH (In Millions)

	2025 Estimated	2024 Estimated	2023 Actual	2022 Actual	2021 Actual
General Fund:					
Sales and Use Tax	\$ 474.0	\$ 23.2	\$ 671.5	\$1,263.4	\$ 1,580.6
Sales and Use Tax (Energy Tax Receipts)	7.2	9.9	—	—	—
Less: Property Tax Dedication	(36.3)	24.8	(52.8)	(95.7)	(119.2)
Net Sales and Use Tax	444.9	57.9	618.7	1,167.7	1,461.4
Corporation Business Taxes	(771.3)	(383.4)	(195.6)	823.1	1,083.3
Corporate Transit Fee	1,023.0	—	—	—	—
Business Alternative Income Tax	139.1	345.7	1.1	2,011.6	1,968.4
NJ COVID-19 State Emergency Fund	—	—	—	(4,288.7)	4,288.7
Transfer Inheritance Tax	12.7	(39.7)	(33.8)	116.4	127.2
Insurance Premium Tax	65.0	(85.4)	(62.4)	239.7	(158.3)
Fringe Benefit Recoveries	69.9	235.2	228.0	192.8	98.8
Motor Fuels Tax	(6.8)	(7.1)	6.9	27.4	(6.0)
Motor Vehicle Fees	14.3	(4.6)	31.3	(83.8)	56.9
Medicaid Uncompensated Care	(217.6)	(115.2)	100.2	(46.6)	5.7
Realty Transfer Tax	6.1	(95.0)	(151.4)	148.4	161.5
Petroleum Products Gross Receipts	(21.5)	34.8	(115.2)	(70.3)	285.8
Petroleum Products Gross Receipts-Capital Reserves	126.1	38.6	131.0	88.0	(265.8)
Corporation Business Tax-Banks and Financials	—	(68.1)	(13.8)	(25.9)	(175.2)
Cigarette Tax	(25.8)	(30.8)	25.4	(33.0)	(9.1)
Alcoholic Beverage Excise Tax	3.8	(0.4)	3.7	2.5	18.3
Other	275.9	316.1	710.9	365.1	154.1
Total General Fund ⁽¹⁾	\$1,138.0	\$198.6	\$1,285.0	\$ 634.4	\$ 9,095.7
Property Tax Relief Fund:					
Gross Income Tax	646.3	(89.3)	(1,938.8)	3,267.6	1,216.2
Plus: Property Tax Dedication	36.3	(30.6)	54.2	97.5	123.1
Gross Property Tax Relief Fund	682.6	(119.9)	(1,884.6)	3,365.1	1,339.3
Gubernatorial Elections Fund-Taxpayer Designations	—	0.5	—	(0.1)	—
Casino Control Fund-Licenses, Interest	3.9	9.5	3.8	6.2	3.7
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	38.9	57.3	42.2	94.5	101.0
Total	\$1,863.4	\$146.0	\$(553.6)	\$4,100.1	\$10,539.7

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

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Revenues — Percentage Growth

The following table sets forth actual and estimated year over year percentage growth in revenues for the fiscal years ended June 30, 2021 through 2025 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. These growth percentages are calculated for each individual revenue source and are not intended to sum when reading down the table. Year over year percentage growth in revenues for Fiscal Years 2021, 2022 and 2023 are actual and final. The Fiscal Years 2024 and 2025 estimates are as presented in the Governor’s Fiscal Year 2025 Budget Message.

REVENUES — PERCENTAGE GROWTH

	2025 Estimated	2024 Estimated	2023 Actual	2022 Actual	2021 Actual
General Fund:					
Sales and Use Tax	3.6 %	0.2%	5.3%	11.1%	16.2%
Sales and Use Tax (Energy Tax Receipts)	0.9	1.3	–	–	–
Less: Property Tax Dedication	3.5	(2.3)	5.2	10.4	14.9
Net Sales and Use Tax	3.4	0.4	5.0	10.4	14.9
Corporation Business Taxes	(15.0)	(6.9)	(3.4)	16.8	28.4
Corporate Transit Fee	–	–	–	–	–
Business Alternative Income Tax	3.2	8.7	–	102.2	–
NJ COVID-19 State Emergency Fund	–	–	–	(100.0)	–
Transfer Inheritance Tax	2.4	(7.0)	(5.6)	24.0	35.5
Insurance Premium Tax	11.7	(13.3)	(8.9)	51.7	(25.4)
Fringe Benefit Recoveries	4.8	19.2	22.8	23.9	14.0
Motor Fuels Tax	(1.5)	(1.5)	1.5	6.3	(1.4)
Motor Vehicle Fees	3.4	(1.1)	8.0	(17.6)	13.5
Medicaid Uncompensated Care	(47.0)	(19.9)	21.0	(8.9)	1.1
Realty Transfer Tax	1.4	(18.2)	(22.4)	28.2	44.3
Petroleum Products Gross Receipts	(1.5)	2.4	(7.4)	(4.3)	21.4
Petroleum Products Gross Receipts-Capital Reserves	(21.5)	(6.2)	(17.3)	(10.4)	45.9
Corporation Business Tax-Banks and Financials	–	(100.0)	(16.8)	(24.0)	(61.9)
Cigarette Tax	(79.1)	(48.6)	66.8	(46.5)	(11.4)
Alcoholic Beverage Excise Tax	2.6	(0.3)	2.6	1.8	15.0
Other	7.1	8.8	24.7	14.5	6.5
Total General Fund ⁽¹⁾	3.6	0.6	4.2	2.1	44.1
Property Tax Relief Fund:					
Gross Income Tax	3.5	(0.5)	(9.3)	18.7	7.5
Plus: Property Tax Dedication	3.4	(2.8)	5.2	10.3	15.0
Gross Property Tax Relief Fund	3.5	(0.6)	(8.7)	18.3	7.8
Gubernatorial Elections Fund-Taxpayer Designations	–	250.0	–	(33.3)	–
Casino Control Fund-Licenses, Interest	5.3	14.8	6.3	11.5	7.4
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	7.0	11.5	9.2	26.0	38.5
Total	3.6%	0.3%	(1.1)%	8.4%	27.7%

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

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Revenues — Percent of Total

The following table sets forth actual and estimated revenues as a percent of total revenue for fiscal years ended June 30, 2021 through 2025 for the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Revenues as percent of total for Fiscal Years 2021, 2022 and 2023 are actual and final. The Fiscal Years 2024 and 2025 estimates are as presented in the Governor’s Fiscal Year 2025 Budget Message.

REVENUES — PERCENT OF TOTAL

	2025 Estimated	2024 Estimated	2023 Actual	2022 Actual	2021 Actual
General Fund:					
Sales and Use Tax	25.5%	25.5%	25.5%	24.0%	23.4%
Sales and Use Tax (Energy Tax Receipts)	1.5	1.5	1.5	1.5	1.6
Less: Property Tax Dedication	(2.0)	(2.0)	(2.0)	(1.9)	(1.9)
Net Sales and Use Tax	25.0	25.0	25.0	23.5	23.1
Corporation Business Taxes	8.1	9.8	10.6	10.9	10.1
Corporate Transit Fee	1.9	—	—	—	—
Business Alternative Income Tax	8.3	8.3	7.6	7.5	4.1
NJ COVID-19 State Emergency Fund	—	—	—	—	8.8
Transfer Inheritance Tax	1.0	1.0	1.1	1.1	1.0
Insurance Premium Tax	1.1	1.1	1.2	1.3	1.0
Fringe Benefit Recoveries	2.8	2.8	2.4	1.9	1.7
Motor Fuels Tax	0.9	0.9	0.9	0.9	0.9
Motor Vehicle Fees	0.8	0.8	0.8	0.7	1.0
Medicaid Uncompensated Care	0.5	0.9	1.1	0.9	1.1
Realty Transfer Tax	0.8	0.8	1.0	1.3	1.1
Petroleum Products Gross Receipts	2.7	2.8	2.8	3.0	3.3
Petroleum Products Gross Receipts-Capital Reserves	(0.9)	(1.2)	(1.2)	(1.4)	(1.7)
Corporation Banks and Financials	0.0	0.0	0.1	0.2	0.2
Cigarette Tax	0.0	0.1	0.1	0.1	0.1
Alcoholic Beverage Excise Tax	0.3	0.3	0.3	0.3	0.3
Other	7.7	7.6	6.9	5.5	5.2
Total General Fund ⁽¹⁾	61.0	61.0	60.7	57.7	61.3
Property Tax Relief Fund:					
Gross Income Tax	35.8	35.8	36.1	39.4	36.0
Plus: Property Tax Dedication	2.0	2.0	2.1	2.0	1.9
Gross Property Tax Relief Fund	37.8%	37.8%	38.2%	41.4%	37.9%
Gubernatorial Elections Fund-Taxpayer Designations				—	—
Casino Control Fund-Licenses, Interest	0.1	0.1	0.1	0.1	0.1
Casino Revenue Fund-8% Gross Revenue Tax, Other Taxes and Fees, Interest	1.1	1.1	1.0	0.9	0.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%

⁽¹⁾ Excludes Non-Budgeted Revenues which include primarily Federal Funds. Non-Budgeted Revenues are offset by matching appropriations; therefore, these Non-Budgeted Revenues do not affect the General Fund’s undesignated fund balance.

New Jersey Economic Development Authority Tax Credit Programs

The NJEDA administers a number of statutorily-authorized economic development tax credit programs. The programs that were in effect prior to January 7, 2021 are collectively referred to herein as the “Legacy Programs.” The New Jersey Economic Recovery Act of 2020, *L. 2020, c. 156* (the “NJ ERA”), which was enacted on January 7, 2021, and amended by *L. 2021, c. 160* and *L. 2023, c. 98*, established several new programs collectively referred to herein as the “NJ ERA Programs.”

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

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

The table below compares the projected tax credit award amounts to actual award amounts for the NJEDA’s Legacy Programs and the NJ ERA Programs from Fiscal Year 2020 to Fiscal Year 2023, and provides the current projected award amounts for Fiscal Years 2024 and 2025. Actual award amounts ranged from 45.4 percent to 67.0 percent of the projected level from Fiscal Year 2020 to Fiscal Year 2022, then rose to 71.9 percent in Fiscal Year 2023, possibly accounting for some portion of the increased level of CBT refund activity witnessed in recent years. In Fiscal Year 2023, projected and actual credit award amounts were elevated due to backlogged BEIP program credits reaching their peak, as well as increased use of the Film and Digital Tax Credit. Fiscal Year 2024 awards are currently projected at \$1.2 billion attributable to a noticeable jump in anticipated Grow NJ Tax Credit awards and more NJ ERA Programs coming online. Fiscal Year 2025 awards are currently projected to fall to \$1.0 billion. While the tax credits primarily impact CBT revenues, certain credits can also be applied to GIT liabilities, and the State’s Insurance Premiums Tax also has been impacted in recent years because credits may be sold or transferred to insurance companies on the secondary market.

EDA Tax Credit Programs
Projected Award Amounts vs Actual Award Amounts
(In Millions)

	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2024</u>	<u>Fiscal Year 2025</u>
Projected Award Amounts*	\$872.1	\$876.8	\$883.7	\$1,105.5	\$1,160.9**	\$1,030.5**
Actual Award Amounts	\$396.3	\$437.8	\$592.3	\$ 795.4	n/a	n/a
Difference	\$475.8	\$439.0	\$291.4	\$ 310.1	n/a	n/a

* For Fiscal Year 2020 through Fiscal Year 2024, projected award amounts are estimates as of January of the given Fiscal Year. The Fiscal Year 2025 projection is as of January 2024.

** Projection subject to revision.

NJ ERA - Economic Development Tax Incentive Programs

The NJ ERA established eight new tax credit programs. There are seven primary tax credit programs as well as an additional smaller program aimed at supporting the in-State manufacturing of personal protective equipment (“PPE”). The PPE Manufacturing Tax Credit Program is for Tax Years 2020 through 2022 and has an annual cap of \$10.0 million, however, this program has not been utilized. The seven primary programs expire after nine years and have an overall cap of \$11.5 billion.

The NJ ERA sets annual award limits for each of the seven new primary tax credit programs. However, if any program’s annual limit is not reached, the NJEDA is authorized to add the unused amount to the subsequent year’s program limit. The annual program award caps are for the first six years of the nine-year period. After the completion of the sixth year, the NJEDA may award any unused amount that has been carried forward from the first six years of the program. The NJ ERA also permits the NJEDA to exceed program limits in a given year by up to \$200.0 million annually. In the case of the Aspire/Emerge Program, part of the cap may be utilized for tax credit awards for qualified

offshore wind projects or for New Jersey studio partners under certain circumstances. The table below summarizes the annual tax credit award limits and projected award amounts for the seven primary programs created by the NJ ERA:

**Summary of NJ ERA Tax Credit Programs
(In Millions)**

	Annual Cap	Total Cap	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
Historic Property Reinvestment Act	\$ 50	\$ 300	–	–	–
Brownfield Redevelopment Incentive Program					
Act	50	300	–	–	–
New Jersey Innovation Evergreen Act	60	300	\$50	\$ 60	\$ 60
Food Desert Relief Act	40	240	–	40	40
Community Anchored Development Act	200	1,200	–	–	–
New Jersey Aspire (Non-Transformative) + Emerge	1,100	6,600	–	17	70
New Jersey Aspire (Transformative)	–	2,500	–	–	–
Total “New NJ ERA Programs”	\$1,500	\$11,500	\$50	\$117	\$170

Tax Credit Buy-Back Requirements

The NJ ERA incorporates tax credit buy-back and surrender provisions. For the NJ ERA Programs, as well as for some of the Legacy Programs, and at the discretion of the Director of the Division of Taxation, the State may buy back awarded but unused tax credits at a maximum price of 75.0 percent of the value of the tax credit. In addition, only with respect to tax credits awarded in the Aspire/Emerge Program, the NJ ERA allows an awardee to “surrender” the unused credit as long as it is at least two years after the award, to the Division of Taxation for a cash payment equal to 90.0 percent of the face value of the tax credit.

Statutory “Poison Pills”

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

Appropriations

Appropriations — Fiscal Year 2021 through Fiscal Year 2025

The following table sets forth the composition of annual appropriations in Fiscal Years 2021 through 2025, including supplemental appropriations and deappropriations, if any, from the General Fund, the Property Tax Relief Fund, the Gubernatorial Elections Fund, the Casino Control Fund and the Casino Revenue Fund. Should revenues be less than the amount anticipated in the Appropriations Act, the Governor may, pursuant to statutory authority, prevent expenditure under any appropriation. The amounts for Fiscal Years 2021, 2022 and 2023 are actual and final. The Fiscal Years 2024 and 2025 estimates are as presented in the Governor’s Fiscal Year 2025 Budget Message.

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

	2025	2024	2023	2022	2021
	Estimated	Estimated	Actual	Actual	Actual
General Fund					
Legislature	\$ 117.8	\$ 118.7	\$ 109.9	\$ 107.1	\$ 96.5
Chief Executive	13.7	13.7	11.7	9.2	7.2
Department of:					
Agriculture	106.9	286.3	104.2	116.4	88.2
Banking and Insurance	85.3	90.3	90.3	89.5	64.0
Children and Families	1,436.3	1,436.0	1,326.9	1,283.0	1,212.1
Community Affairs	193.2	380.3	338.0	377.4	152.3
Corrections	1,183.8	1,219.2	1,176.6	1,101.1	1,044.7
Education	6,196.6	5,301.4	941.2	249.1	2,743.3
Environmental Protection	506.5	729.9	724.8	695.8	489.4
Health	1,335.9	1,425.1	1,176.1	1,183.8	1,120.6
Human Services	8,843.5	8,424.8	7,594.6	6,720.9	6,250.0
Labor and Workforce Development	204.9	208.4	204.7	207.6	176.3
Law and Public Safety	860.1	853.4	772.0	682.9	659.6
Military and Veterans' Affairs	121.3	125.2	105.3	100.0	96.4
State	1,994.2	2,085.2	1,839.0	1,759.7	1,496.0
Transportation	1,776.0	1,715.0	1,613.0	1,585.7	1,839.2
Treasury	1,664.6	1,841.0	1,941.1	1,749.9	1,640.5
Miscellaneous Commissions	1.0	1.0	1.0	1.0	0.8
Interdepartmental Accounts - Employee Benefits and Miscellaneous	7,210.3	7,021.4	7,174.8	11,885.3	8,777.0
Judicial Branch	895.5	905.5	852.1	831.7	810.5
Total, General Fund	34,747.4	34,181.8	28,097.3	30,737.1	28,764.6
Property Tax Relief Fund					
Department of:					
Agriculture	71.2	41.2	19.0	18.2	13.2
Community Affairs	877.4	1,138.7	997.5	856.5	824.9
Corrections	38.6	41.2	33.4	25.6	23.5
Education	14,767.9	14,619.0	17,856.7	18,009.2	12,893.3
Environmental Protection	12.3	16.3	14.3	7.8	6.5
Human Services	273.2	263.6	245.2	247.2	228.5
Law and Public Safety	9.0	9.5	5.5	5.0	4.6
State	4.7	7.2	6.8	5.0	3.7
Transportation	300.9	327.3	319.3	301.9	228.9
Treasury	4,087.5	4,141.5	3,689.4	1,975.5	1,783.8
Interdepartmental Accounts - Employee Benefits and Miscellaneous	14.3	45.5	45.5	45.4	45.4
Total, Property Tax Relief Fund	20,457.0	20,651.0	23,232.6	21,497.3	16,056.3
Gubernatorial Elections Fund					
Department of:					
Law and Public Safety	29.7	—	—	21.5	11.0
Total, Gubernatorial Elections Fund	29.7	—	—	21.5	11.0
Casino Control Fund					
Department of:					
Law and Public Safety	68.7	65.4	60.1	55.0	53.3
Treasury	8.7	8.1	8.0	7.4	7.6
Total, Casino Control Fund	77.4	73.5	68.1	62.4	60.9
Casino Revenue Fund					
Department of:					
Health	0.5	0.5	0.5	0.5	0.5
Human Services	593.6	523.9	498.4	461.4	364.1
Labor and Workforce Development	2.2	2.2	2.2	2.2	2.2
Law and Public Safety	0.1	0.1	0.1	0.1	0.1
Total, Casino Revenue Fund	596.4	526.7	501.2	464.2	366.9
Total Appropriations	\$55,907.9	\$55,433.0	\$51,899.2	\$52,782.5	\$45,259.7

(footnote appears on next page)

⁽¹⁾ These amounts do not reflect amounts included under the caption “Other Adjustments” in the table entitled “SUMMARY OF REVENUES, APPROPRIATIONS AND UNDESIGNATED FUND BALANCES — BUDGETED STATE FUNDS” above.

The following table sets forth, by major category, the original and actual supplemental appropriations for Fiscal Years 2021 through 2024 and the recommended appropriations for Fiscal Year 2025 as presented in the Governor’s Fiscal Year 2025 Budget Message.

SUMMARY OF APPROPRIATIONS BY MAJOR CATEGORY
(In Millions)

	Fiscal Year 2025 Estimated	Fiscal Year 2024 Estimated	Fiscal Year 2023 Actual	Fiscal Year 2022 Actual	Fiscal Year 2021 Actual
State Aid	\$23,928.8	\$23,322.0	\$21,861.6	\$20,861.7	\$18,231.0
Grants-in-Aid	17,991.2	18,058.0	16,199.1	14,023.2	12,204.3
Direct State Services	11,440.0	11,128.5	10,645.6	10,148.2	8,593.6
Capital Construction	1,973.7	2,342.8	2,572.2	7,354.2	5,589.6
Debt Service on General Obligation Bonds	574.2	581.7	620.7	395.2	641.2
Total	\$55,907.9	\$55,433.0	\$51,899.2	\$52,782.5	\$45,259.7

Total Fiscal Year 2025 recommended appropriations increased by almost \$475 million as compared to total Fiscal Year 2024 adjusted appropriations. Significant increases include increased recommended funding for PreK-12 school aid, increased funding to pay the contributions to the Pension Plans, increased costs in entitlement programs, continuing enhanced payments to child care providers, net increases in Health Benefits costs, as well as support for enhanced ANCHOR benefits and for StayNJ. StayNJ is a new property tax relief program that will provide a property tax credit for eligible seniors, and is scheduled to begin in January 2026. The Fiscal Year 2025 recommended appropriation of \$200 million for the StayNJ program is part of a scheduled buildup to ensure the program has resources to support the costs of the program when implemented. These combined increases are partially offset by the removal in Fiscal Year 2025 of one-time appropriations enacted in Fiscal Year 2024.

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The following tables set forth recommended appropriations by department and by major category for Fiscal Year 2025 and adjusted appropriations by department and major category for Fiscal Year 2024.

**RECOMMENDED APPROPRIATIONS FOR BUDGETED STATE FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2025
(In Millions)**

Government Branch	Direct State Services	Grants-in-Aid	State Aid	Capital Construction	Debt Service	Total
Chief Executive	\$ 13.7	-	-	-	-	\$ 13.7
Agriculture	13.2	\$ 93.7	\$ 71.2	-	-	178.1
Banking and Insurance	85.3	-	-	-	-	85.3
Children and Families	446.8	989.5	-	-	-	1,436.3
Community Affairs	68.5	115.6	886.5	-	-	1,070.6
Corrections	1,079.1	104.7	38.6	-	-	1,222.4
Education	120.9	70.0	20,773.6	-	-	20,964.5
Environmental Protection	298.2	1.6	19.1	\$ 172.5	\$ 27.4	518.8
Health	479.9	856.5	-	-	-	1,336.4
Human Services	347.2	8,834.6	528.5	-	-	9,710.3
Labor and Workforce Development	124.8	82.3	-	-	-	207.1
Law and Public Safety	873.9	64.8	28.9	-	-	967.6
Military and Veterans' Affairs	118.0	3.3	-	-	-	121.3
State	77.5	1,899.8	21.6	-	-	1,998.9
Transportation	156.8	161.0	100.9	1,658.2	-	2,076.9
Treasury	677.8	3,076.3	1,459.9	-	546.8	5,760.8
Miscellaneous Commissions	1.0	-	-	-	-	1.0
Interdepartmental	5,444.1	1,637.5	-	143.0	-	7,224.6
Subtotal	<u>10,426.7</u>	<u>17,991.2</u>	<u>23,928.8</u>	<u>1,973.7</u>	<u>574.2</u>	<u>54,894.6</u>
Legislature	117.8					117.8
Judiciary	895.5					895.5
Grand Total	<u>\$11,440.0</u>	<u>\$17,991.2</u>	<u>\$23,928.8</u>	<u>\$1,973.7</u>	<u>\$574.2</u>	<u>\$55,907.9</u>

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

<u>Government Branch</u>	<u>Direct State Services</u>	<u>Grants-in-Aid</u>	<u>State Aid</u>	<u>Capital Construction</u>	<u>Debt Service</u>	<u>Total</u>
Chief Executive	\$ 13.7	-	-	-	-	\$ 13.7
Agriculture	11.6	\$ 95.9	\$ 41.2	\$ 178.8	-	327.5
Banking and Insurance	90.3	-	-	-	-	90.3
Children and Families	423.4	1,012.6	-	-	-	1,436.0
Community Affairs	69.1	288.6	1,161.3	-	-	1,519.0
Corrections	1,119.6	99.7	41.1	-	-	1,260.4
Education	112.6	95.6	19,712.2	-	-	19,920.4
Environmental Protection	301.3	12.9	23.1	377.5	\$ 31.4	746.2
Health	500.2	925.4	-	-	-	1,425.6
Human Services	344.4	8,357.5	510.4	-	-	9,212.3
Labor and Workforce Development	122.5	88.1	-	-	-	210.6
Law and Public Safety	850.7	57.9	19.8	-	-	928.4
Military and Veterans' Affairs	118.6	6.6	-	-	-	125.2
State	82.1	1,983.1	27.2	-	-	2,092.4
Transportation	173.0	164.0	127.3	1,578.0	-	2,042.3
Treasury	637.9	3,144.0	1,658.4	-	550.3	5,990.6
Miscellaneous Commissions	1.0	-	-	-	-	1.0
Interdepartmental	5,132.3	1,726.1	-	208.5	-	7,066.9
Subtotal	<u>10,104.3</u>	<u>18,058.0</u>	<u>23,322.0</u>	<u>2,342.8</u>	<u>581.7</u>	<u>54,408.8</u>
Legislature	118.7	-	-	-	-	118.7
Judiciary	905.5	-	-	-	-	905.5
Grand Total	<u>\$11,128.5</u>	<u>\$18,058.0</u>	<u>\$23,322.0</u>	<u>\$2,342.8</u>	<u>\$581.7</u>	<u>\$55,433.0</u>

Programs Funded Under Recommended Appropriations in Fiscal Year 2025

\$55.908 billion in appropriations is recommended for Fiscal Year 2025 from the General Fund, the Property Tax Relief Fund, the Casino Control Fund and the Casino Revenue Fund. \$23.929 billion (43%) is recommended for State Aid, which consists of payments to, or on behalf of, local government entities including counties, municipalities and school districts, to assist them in carrying out their local responsibilities. \$17.991 billion (32%) is recommended for Grants-in-Aid, which represents payments to individuals or public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State. \$11.440 billion (20%) is recommended for Direct State Services, which supports the operation of the State government's departments, the Governor's Office, several commissions, the State Legislature and the Judiciary. \$1.974 billion (4%) is recommended for Capital Construction, which supports capital construction pay-as-you-go and debt service on bonds issued to fund capital construction. \$574 million (1%) is recommended for Debt Service on State General Obligation Bonds.

In Fiscal Year 2025, \$6.036 billion of State funds has been recommended to the Pension Plans. This amount is equal to the actuarially recommended contribution less a Special Asset Adjustment calculated by LECA. See "STATE FUNDING OF PENSION PLANS" herein. For more information on the fiscal impact of the Lottery Enterprise contribution on the Teachers' Pension and Annuity Fund ("TPAF"), the Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS"), see "STATE FUNDING OF PENSION PLANS - Lottery Enterprise Contribution Act."

Capital Construction

All recommended appropriations for capital projects are subject to the review of the New Jersey Commission on Capital Budgeting and Planning (the "Commission") which voted to recommend such funding at its meeting on February 23, 2024. The Commission is charged with the preparation of the State's seven-year Capital Improvement Plan. The Capital Improvement Plan is a detailed account of capital construction projects requested by State

departments, agencies and institutions of higher education for the next three fiscal years and forecasts as to the requirements for capital projects for the four fiscal years following. The Capital Improvement Plan includes the Commission's recommendations as to the priority of such capital projects and the means of funding them. The Capital Improvement Plan is also required to include a report on the State's overall debt. This debt report includes information on the outstanding general obligation debt and debt service costs for the prior fiscal year, the current fiscal year, and the estimated amount for the subsequent five fiscal years. The report also provides similar information on capital leases and installment obligations. *L. 2009, c. 304*, enacted in January 2010, requires that the debt report also include data on other State liabilities as reported in the ACFR, as well as the unfunded actuarial accrued liability for pension plans and the actuarial accrued liability for other post-employment medical benefits. The debt report is not an audited report.

For Fiscal Year 2025, requests for Capital Construction funding were substantially higher than the amount recommended by the Commission. The recommended appropriations for Capital Construction contained in the Governor's Fiscal Year 2025 Budget Message are largely based on the recommendations of the Commission. In addition to amounts in the Governor's Fiscal Year 2025 Budget Message, the Debt Defeasance and Prevention Fund will be utilized to address additional capital projects, including, but not limited to the remaining capital projects recommended by the Commission that are not included in the Governor's Fiscal Year 2025 Budget Message. There can be no assurance that the amounts ultimately appropriated, either through General Fund appropriations or the Debt Defeasance and Prevention Fund, are sufficient to maintain or improve the State's capital facilities and infrastructure assets, or that such capital funding requests will not be substantially greater in future years.

Transportation Capital Program

The Governor's Fiscal Year 2025 Budget Message recommends a \$2 billion Transportation Capital Program for the New Jersey Department of Transportation ("NJDOT"), NJ Transit and local governments. *L. 2024, c. 7* provides for a five (5) year, \$10.367 billion Transportation Capital Program between Fiscal Year 2025 and Fiscal Year 2029, with amounts above \$2 billion in Fiscal Years 2027 to 2029 specifically allocated in 25% allotments of the total amount above \$2 billion to counties, municipalities, the Department of Transportation, and the New Jersey Transit Corporation for transportation projects. *L. 2024, c. 7* amends *L. 2016, c. 56* and increases the New Jersey Transportation Trust Fund Authority's existing aggregate bonding capacity to \$15.6 billion through June 30, 2029. Additionally, the *L. 2024, c. 7* revises the rate of tax imposed on highway fuels under the Petroleum Products Gross Receipts Tax by setting the highway fuel cap amount for Fiscal Years 2025 to 2029, and establishes an additional annual fee for zero emission vehicles. The revenues from the additional annual fee for zero emission vehicles shall be deposited to the Transportation Trust Fund Account – Subaccount for Capital Reserves, but no amount of the monies deposited shall be appropriated to pay for debt service on any bonds of the New Jersey Transportation Trust Fund Authority, unless subsequently constitutionally dedicated.

Debt Service on General Obligation Bonds and State Appropriation Obligations

The total Fiscal Year 2025 recommended appropriation for debt service on General Obligation Bonds and State Appropriation Obligations is \$4.445 billion. Of this amount, \$574.2 million represents principal and interest payments for General Obligation Bonds.

The Governor's Fiscal Year 2025 Budget Message includes appropriations for debt service on State Appropriation Obligations are in the aggregate amount of \$3.871 billion. Such appropriations are contained within the multiple functional categories, including State Aid, Grants-in-Aid, Direct State Services and Capital Construction. Appropriated debt service differs from the amounts shown in the tables entitled "SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023" and "ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023" due to various budgetary adjustments.

Federal Aid

Federal Aid Receipts

In general, federal aid receipts in the General Fund and Special Transportation Fund of the State do not have a material impact on the financial condition of the General Fund of the State because federal aid receipts are required

to be applied to specific designated expenditures, and the amount of federal aid receipts matches the amount of such expenditures. In some circumstances, federal aid receipts do impact the General Fund because they offset expenditures that the State would otherwise be required to make. In addition, with respect to many of the programs pursuant to which the State receives federal aid, the State is subject to audits of the expenditures to ensure that the State complied with the program requirements. In instances in which the State makes expenditures in violation of program requirements, the State may be obligated to repay the federal government the amounts of such expenditures and other associated amounts.

Actual federal aid receipts in the General Fund and Special Transportation Fund for Fiscal Years 2021 through 2023, which are non-budgeted revenues, amounted to \$20,348.0 million, \$24,103.9 million and \$25,599.0 million, respectively. Federal receipts in the General Fund and the Special Transportation Fund for Fiscal Year 2024 and for Fiscal Year 2025 are estimated to be \$25,368.8 million and \$24,331.9 million respectively. Such federal aid receipts for Fiscal Year 2025 are composed of \$15,106.9 million for health-related family programs under Titles XIX and XXI, \$1,447.7 million for other human services, \$1,221.8 million for Title I and other education, \$598.4 million for labor, \$1,942.4 million for transportation, and the remainder for all other federal aid programs.

Federal Coronavirus Relief Aid

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

The State has utilized some of the federal funding streams to offset State budgeted costs. The State received \$6.2 billion in direct SLFRF and all SLFRF balances have been allocated across a variety of, largely one-time, programs. If any balances from these allocations remain unspent, the State will work to ensure that all SLFRF balances are obligated by the December 31, 2024 deadline and the entire \$6.2 billion award is expended by the December 31, 2026 deadline.

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

Expenditures

As used herein, the term “expenditures” refers to a fiscal year’s net disbursements plus amounts obligated for payment in a subsequent fiscal year for budgeted, non-budgeted and federal funds. The table entitled “EXPENDITURES” on the next page displays the expenditures for Fiscal Years 2021 through 2023.

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

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EXPENDITURES
(In Millions)

	For the Fiscal Year Ended June 30		
	2023	2022	2021
General Fund:			
Legislative Branch	\$ 102.3	\$ 93.2	\$ 89.7
Chief Executive's Office	8.4	8.2	8.0
Department of:			
Agriculture	961.0	1,219.3	746.7
Banking and Insurance	86.5	80.0	54.5
Children and Families	2,130.6	2,042.3	1,799.3
Community Affairs	2,024.4	2,799.1	1,466.7
Corrections	1,304.1	1,229.0	1,149.2
Education	2,130.9	2,272.4	6,961.7
Environmental Protection	1,093.2	708.1	647.9
Health	2,661.0	2,564.5	2,450.8
Human Services	24,885.7	23,202.8	20,380.1
Labor and Workforce Development	935.1	924.7	885.0
Law and Public Safety	2,343.6	2,110.1	1,843.9
Military and Veterans' Affairs	177.6	175.1	157.2
State	2,128.9	1,760.4	1,732.9
Transportation	3,611.9	3,208.0	2,819.2
Treasury	2,423.0	2,164.8	2,118.1
Miscellaneous Executive Commissions	1.0	1.0	0.8
Interdepartmental Accounts	6,847.5	11,603.0	8,829.9
Judicial Branch	977.5	950.7	904.1
Total General Fund	\$56,834.2	\$ 59,116.7	\$ 55,045.7
Property Tax Relief Fund:			
Department of:			
Agriculture	\$ 17.9	\$ 14.1	\$ 8.6
Community Affairs	466.0	384.4	363.5
Corrections	33.3	23.9	21.9
Education	17,867.8	17,867.8	12,832.6
Environmental Protection	7.5	5.1	4.8
Human Services	249.2	246.0	220.2
Law and Public Safety	5.5	5.2	4.5
State	6.8	5.0	3.7
Transportation	319.3	301.9	223.4
Treasury	3,988.2	2,334.8	2,164.8
Interdepartmental	45.4	45.4	45.2
Total Property Tax Relief Fund	\$23,006.9	\$ 21,233.6	\$ 15,893.2
Gubernatorial Elections Fund:			
Law and Public Safety	-	\$ 19.1	\$ 10.6
Casino Control Fund:			
Department of:			
Law and Public Safety	\$ 57.4	\$ 53.6	\$ 49.1
Treasury	6.5	6.0	5.3
Total Casino Control Fund	\$ 63.9	\$ 59.6	\$ 54.4
Casino Revenue Fund:			
Department of:			
Health	\$0.5	\$0.5	\$ 0.5
Human Services	498.2	458.2	363.9
Labor and Workforce Development	2.2	2.2	0.8
Law and Public Safety	0.1	0.1	0.1
Total Casino Revenue Fund	\$ 501.0	\$461.0	\$ 365.3
Total Expenditures	\$ 80,406.0	\$ 80,890.0	\$71,369.2

CASH MANAGEMENT

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

Furthermore, *L. 2016, c. 83* (the "Pension Contribution Act") requires the State to make its payments to the Pension Plans in quarterly installments on September 30, December 31, March 31 and June 30 commencing in Fiscal Year 2018. Prior to Fiscal Year 2018, the State had made its payments to the Pension Plans at the end of each fiscal year. The Pension Contribution Act reduces the State's flexibility to decrease expenditures in a fiscal year if revenues are less than anticipated. To address these challenges, the State employs a cash flow modeling system in order to manage cash on a daily basis and forecast cash flow throughout the fiscal year. Should it become necessary, the State may utilize a variety of tools to manage its cash flow. These tools include, but are not limited to: issuance of Tax and Revenue Anticipation Notes ("TRANs"); management of the impact of debt issuances during a fiscal year; interfund borrowing during a fiscal year; and eliminating and/or limiting the use of General Fund balances to provide upfront cash for other funds' expenditures, such as the Transportation Trust Fund ("TTF").

TAX AND REVENUE ANTICIPATION NOTES

The State has the ability to issue TRANs to aid in providing effective cash flow management by funding timing imbalances that occur in the collection and disbursement of the General Fund and Property Tax Relief Fund revenues. TRANs do not constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution. Such TRANs constitute special obligations of the State payable solely from monies on deposit in the General Fund and the Property Tax Relief Fund and legally available for such payment. TRANs are payable solely from revenues attributable to the fiscal year in which the TRANs were issued. No TRANs have been issued since Fiscal Year 2020 and the State does not expect to issue TRANs during Fiscal Year 2025.

LONG-TERM OBLIGATIONS

General Obligation Bonds

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

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

General Obligation Bonds are described in the “Notes to the Financial Statements” and the Statistical Section set forth in the 2023 ACFR which is incorporated by specific reference herein. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2023 AND 2022” in the 2023 ACFR.

State Appropriation Obligations

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

The State expects that additional State Appropriation Obligations will be issued during Fiscal Years 2024 and 2025 and future fiscal years. The Lance Amendment, described under “CERTAIN CONSTITUTIONAL PROVISIONS AND JUDICIAL DECISIONS — Debt Limitations” herein, prohibits the State Legislature from enacting legislation authorizing State Appropriation Obligations payable from sources other than constitutionally dedicated sources unless such legislation is submitted and approved by a majority of legally qualified voters of the State voting thereon at a general election. The State Legislature is not legally obligated to appropriate amounts for the payment of such State Appropriation Obligations debt service in any year, and there can be no assurance that the State Legislature will make any such appropriations. See also the table captioned “STATE OF NEW JERSEY — LEGISLATIVELY AUTHORIZED BUT UNISSUED DEBT, 2023 AND 2022” in the 2023 ACFR.

The following tables set forth the State’s long-term obligations. The first table summarizes by issuer and by program the principal amounts outstanding on June 30, 2023 and the estimated Fiscal Year 2024 debt service on such obligations. The second table depicts the aggregate estimated future debt service as of June 30, 2023 on all such General Obligation Bonds and State Appropriation Obligations. The data contained in the tables has not been adjusted to reflect subsequent activity. The tables include certain data that are (1) for governmental entities or programs that are not considered part of the State’s long-term obligations for financial reporting purposes under generally accepted accounting principles or (2) for a component unit of the State. These items are therefore not reflected in Note 11 — Long-Term Obligations and the Schedule of Long-Term Obligations in the 2023 ACFR. In addition, there are certain obligations which are included in such Note 11, which are not included in the following tables or elsewhere in this Appendix I. The amounts included in Note 11 which are not included in the following tables consist of Business Employment Incentive Program (“BEIP”) payments to private businesses. The State Legislature has never failed to appropriate amounts for the payment of debt service on the State Appropriation Obligations included in the following tables.

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**SUMMARY OF LONG-TERM OBLIGATIONS
AS OF JUNE 30, 2023**

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

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

⁽²⁾ For variable rate obligations, estimated interest amounts were calculated using the rates in effect on June 30, 2023. (See "LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations" herein.)

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ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS

AS OF JUNE 30, 2023

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

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

⁽²⁾ For variable rate bonds, interest amounts were calculated using the rates in effect on June 30, 2023. (See “LONG-TERM OBLIGATIONS – Description of Certain Long-Term Obligations – Variable Rate Obligations” herein.)

New Jersey Debt Defeasance and Prevention Fund

Establishment of Debt Defeasance and Prevention Fund and Deposits

As a result of higher-than-expected revenues during Fiscal Year 2021, at the end of Fiscal Year 2021, the State established the New Jersey Debt Defeasance and Prevention Fund (the “Debt Defeasance and Prevention Fund”). Under the legislation that established the Debt Defeasance and Prevention Fund in Fiscal Year 2021, amounts in the Debt Defeasance and Prevention Fund were available to retire and defease State debt (including General Obligation Bonds and State Appropriation Obligations) and to fund capital projects on a pay-as-you-go basis. At the end of Fiscal Year 2021, the State Legislature appropriated \$3.7 billion from the State’s General Fund into the Debt Defeasance and Prevention Fund for the following purposes: \$2.5 billion for retiring and defeasing State debt and \$1.2 billion for funding capital construction projects.

At the end of Fiscal Year 2022, the State Legislature appropriated \$5.15 billion to the Debt Defeasance and Prevention Fund. While the general purposes of the amounts appropriated at the end of Fiscal Year 2022 were

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

The State Legislature made an additional appropriation to the Debt Defeasance and Prevention Fund in an amount equal to \$400 million at the end of Fiscal Year 2023. This amount may be used for the same general purposes - to retire and defease State debt and to fund capital projects on a pay-as-you-go basis. However, the State Legislature designated specific allocations for capital projects from this source, including \$90 million to the Department of Corrections for the design and construction of a new correctional facility; \$120 million to the Department of Law and Public Safety for the design and construction of a State Police Training Center; \$24 million to the South Jersey Port Corporation for the purpose of funding capital projects; and \$137 million for the NJDOT to support the State match required as a condition of receiving federal funds to support various transportation projects. After this deposit and allocations, the unallocated balance in the Debt Defeasance and Prevention Fund was \$2 billion as of June 30, 2023. During Fiscal Year 2024, the State used \$500 million from the Debt Defeasance and Prevention Fund to defease debt, reducing the unallocated balance to \$1.5 billion.

The Governor’s Fiscal Year 2025 Budget Message includes a recommended transfer of \$585 million from the Debt Defeasance and Prevention Fund to the State’s General Fund. The Governor’s Fiscal Year 2025 Budget Message also recommends approximately \$329 million to support capital projects on a pay-as-you-go basis. These projections include: \$120 million to complete the next phase of the State Police Training Center, \$70 million to support State Park capital projects, \$60 million to complete a third Juvenile Justice Commission facility, almost \$40 million in capital projects across state facilities, \$21 million to convert rooms in the State’s Veterans’ Homes from double occupancy to single occupancy, and \$18 million to support the State Police’s Southern Laboratory. The remaining unallocated balance in the fund after the recommended transfer and project appropriations will be approximately \$586 million.

Pursuant to *L. 2023, c. 68*, amounts in the Debt Defeasance and Prevention Fund may be allocated to the defeasance of State debt as determined by the State Treasurer and may be allocated to capital projects as recommended by the State Treasurer upon the approval of the Joint Budget Oversight Committee.

State Debt Defeased from Debt Defeasance and Prevention Fund

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

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

These Fiscal Year 2023 defeasances are included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023 and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023.” The escrow deposit agreement for each defeasance has been filed with the MSRB in connection with each series of defeased bonds. The State intends to utilize approximately \$500 million from the Debt Defeasance and Prevention Fund to defease additional State debt in Fiscal Year 2024. As of the date hereof and except as stated above, the State has not allocated any additional amounts from the Debt Defeasance and Prevention Fund.

During Fiscal Year 2024, the State defeased the following obligations:

Description and Par Amount of Defeased Obligations

Bond Issue	Par Amount Defeased
State General Obligation Bonds, Series 2013	\$81,970,000
State General Obligation Bonds, Series 2014	194,775,000
State General Obligation Bonds, Series 2016	101,405,000
NJEDA School Facilities Construction Bonds, 2016 Series AAA	73,900,000
N.J. Building Authority State Building Revenue Refunding Bonds, 2013 Series A	3,875,000
N.J. Building Authority State Building Revenue Refunding Bonds, 2016 Series A	28,250,000

These Fiscal Year 2024 defeasances are not included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023.” The escrow deposit agreement for each defeasance has been filed with the MSRB in connection with each series of defeased bonds.

Issuers of State Appropriation Obligations

Garden State Preservation Trust

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

New Jersey Building Authority

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

New Jersey Economic Development Authority

The NJEDA is authorized to issue bonds for various purposes described below.

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

The Motor Vehicle Surcharges Securitization Act of 2004, L. 2004, c. 70, authorizes the NJEDA to issue bonds payable from, and secured by, dedicated motor vehicle surcharge revenues as defined in the legislation. Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature. Pursuant to L. 2005, c. 163, L. 2004, c. 70 was amended to authorize the issuance of bonds by NJEDA in an amount not to exceed \$200 million to fund grants and loans for the costs of special needs housing projects in the State.

The Municipal Rehabilitation and Economic Recovery Act, L. 2002, c. 43 (N.J.S.A. 52:27BBB-1 et seq.), authorizes the NJEDA to issue bonds for the purpose of making deposits into certain funds described in N.J.S.A.

52:27BBB-49 and *N.J.S.A. 52:27BBB-50*, to provide loans and grants to sustain economic activity in qualified municipalities under the Act. Debt service on the bonds is paid pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

The Educational Facilities Construction and Financing Act, *L. 2000, c. 72* (“EFCFA”) authorizes the NJEDA to issue bonds to finance the State share of costs for school facilities construction projects. EFCFA originally provided that the aggregate principal amount of bonds, notes or other obligations issued by NJEDA shall not exceed: \$100,000,000 for the State share of costs for county vocational school district school facilities projects, \$6,000,000,000 for the State share of costs for “Abbott District” school facilities projects, and \$2,500,000,000 for the State share of costs for school facilities projects in all other districts. Debt service on the bonds issued pursuant to EFCFA is paid pursuant to a contract between the State Treasurer and the NJEDA, subject to appropriation by the State Legislature. EFCFA was amended in July 2008 to increase the amount of bonds, notes or other obligations authorized to be issued by the NJEDA in additional aggregate principal amounts not to exceed: \$2,900,000,000 for the State share of costs for school facilities projects in the “SDA Districts” (formerly “Abbott Districts”), and \$1,000,000,000 for the State share of costs for school facilities projects in all other districts, \$50,000,000 of which is allocated for the State share of costs for county vocational school district facilities projects. In regard to this increase in the amount of bonds authorized to be issued by NJEDA pursuant to this amendment, debt service on these bonds or refunding bonds issued by NJEDA and any additional costs authorized pursuant to Section 14 of EFCFA shall first be payable from revenues received from the GIT except that debt service on bonds issued to pay for administrative, insurance, operating and other expenses of the NJEDA and the Schools Development Authority in connection with school facilities projects shall be payable from the General Fund. The additional bonds issued pursuant to this amendment are also payable pursuant to the contract between the State Treasurer and the NJEDA, mentioned above, subject to appropriation by the State Legislature.

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

L. 2006, c. 102 authorized the issuance of \$270 million of bonds by the NJEDA to fund various State capital construction projects, including stem cell research facilities in New Brunswick and Newark, biomedical research facilities, blood collection facilities and cancer research facilities. On September 14, 2016, the NJEDA issued \$46.850 million of Biomedical Research Facilities Bonds, Series 2016A. Debt service on the bonds is payable pursuant to a contract between the NJEDA and the State Treasurer, subject to appropriation by the State Legislature.

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

New Jersey Educational Facilities Authority

The New Jersey Educational Facilities Authority (“NJEFA”) issues bonds pursuant to seven separate programs to finance: (i) the purchase of equipment to be leased to institutions of higher learning (the “Equipment Leasing Fund”); (ii) grants to the State’s public and private institutions of higher education for the development, construction and improvement of instructional, laboratory, communication and research facilities (the “Facilities Trust Fund”); (iii) grants to public and private institutions of higher education to develop a technology infrastructure within and among the State’s institutions of higher education (the “Technology Infrastructure Fund”); (iv) capital projects at county colleges; (v) grants to public and private institutions of higher education to finance the renewal, renovation, improvement, expansion, construction, and reconstruction of educational facilities and technology infrastructure (the “Capital Improvement Fund”); (vi) grants to public libraries to finance the acquisition, expansion and rehabilitation of buildings to be used as public library facilities and the acquisition and installation of equipment to be located therein (the “Public Library Project Grant Program”); and (vii) loans to public and private institutions of higher education and

public or private secondary schools, military schools or boarding schools located in the State which are required under the Dormitory Safety Trust Fund Act to install automatic fire suppression systems for the cost or a portion of the cost of the construction, reconstruction, development, extension or improvement of dormitory safety facilities, including fire prevention and sprinkler systems (the “Dormitory Safety Trust Fund”). The debt service on the bonds issued under these programs is payable by the State pursuant to statutory provisions or contracts between the NJEFA and the State Treasurer, subject to appropriation by the State Legislature. Under the financing programs for the Equipment Leasing Fund, the Facilities Trust Fund, the Technology Infrastructure Fund and the Capital Improvement Fund, as bonds mature or are redeemed, the bonding capacity revolves. As of June 30, 2023, under these programs, the NJEFA has, in aggregate, approximately \$625,240,000 of bonding capacity.

New Jersey Health Care Facilities Financing Authority

The New Jersey Health Care Facilities Financing Authority (“HCFFA”) is authorized to acquire, construct and lease projects to the New Jersey Department of Human Services (“DHS”) and to issue bonds to finance such projects, the debt service on which shall be paid by DHS, subject to appropriation by the State Legislature. The State has financed the construction of a new Greystone Park Psychiatric Hospital, the demolition of the old Greystone Park Psychiatric Hospital and the demolition of the old Marlboro Psychiatric Hospital through the issuance of bonds by HCFFA that are secured by payments made by DHS, subject to appropriation by the State Legislature.

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

New Jersey Sports and Exposition Authority

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

New Jersey Transportation Trust Fund Authority

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

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

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

Transportation Capital Program project costs are appropriated to the Transportation Trust Fund Account - Subaccount for Capital Reserves to meet future Transportation Capital Program needs.

State Supported County College Bonds

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

State Equipment Lease Financing

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

Master Energy Lease Purchase Agreement

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

Description of Certain Long-Term Obligations

Variable Rate Obligations

As of June 30, 2023, the NJEDA had outstanding \$60,850,000 of floating rate notes (“FRN”), which bear interest at rates that reset weekly and are based on the Securities Industry and Financial Markets Association (“SIFMA”) rate plus a fixed spread. There are no letters of credit in support of these notes. Such notes are included within the Long-Term Obligations tables herein.

The following table provides a summary of the State-supported variable rate obligations outstanding as of June 30, 2023.

SUMMARY OF VARIABLE RATE OBLIGATIONS AS OF JUNE 30, 2023

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

Bank Loan Bonds

The NJEDA and the NJEFA have issued certain series of bonds to finance school facilities construction projects and higher education capital improvement projects pursuant to term loan agreements with several banks. A bank’s rights under such term loan agreements are essentially the same as bondholders’ rights except for a few differences. The bank may require the mandatory term out of the bonds for a shortened amortization period if certain events occur under the loan agreement, including, without limitation, the failure to pay, or cause to be paid, when due, principal of or interest on the bonds, a debt moratorium, a ratings downgrade, a material failure to perform under the applicable State contract, an action that materially adversely affects the rights, remedies or security of the trustee under the bond resolution or the bank under the term loan agreement or a material amendment or modification to the

applicable State contract without the prior written consent of the bank. For tax-exempt bonds, the term loan agreements provide that if an event of taxability occurs, the interest rate on the bonds will increase. The aggregate amount of such bank loan bonds outstanding as of June 30, 2023 is \$1,041,651,000. Such bonds are included within the Long-Term Obligations tables herein.

The following table provides a summary of the State-supported term loan agreements outstanding as of June 30, 2023.

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BANK LOAN PORTFOLIO

<u>Lender</u>	<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding as of 6/30/23</u>	<u>Fixed Interest Rate*</u>	<u>Maturity Date</u>
<u>NJEDA School Facilities Construction Bonds</u>					
Bank of America, N.A.	2014 Series SS	Tax Exempt	\$41,800,000	2.910%	6/15/2024
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	79,440,000	5.250	9/1/2023
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	102,850,000	5.250	9/1/2024
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	86,620,000	5.250	9/1/2025
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	104,200,000	5.250	9/1/2026
Barclays Capital Inc.	2019 Series GGG	Tax Exempt	30,555,000	5.250	9/1/2027
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	1,567,000	3.070	12/15/2023
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	7,579,000	3.070	12/15/2024
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	2,355,000	3.070	12/15/2025
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	13,065,000	3.070	12/15/2026
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	18,856,000	3.070	12/15/2027
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,946,000	3.070	12/15/2028
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	10,304,000	3.070	12/15/2029
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	25,544,000	3.070	12/15/2030
Capital One Public Funding, LLC	2019 Series III	Tax Exempt	8,344,000	3.070	12/15/2031
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	8,360,000	2.765	9/1/2023
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	351,000	2.765	9/1/2024
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	361,000	2.765	9/1/2025
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,528,000	2.765	9/1/2026
PNC Bank, N.A.	2019 Series JJJ	Tax Exempt	9,795,000	2.765	9/1/2027
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	467,000	3.470	12/15/2023
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	483,000	3.470	12/15/2024
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	500,000	3.470	12/15/2025
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	518,000	3.470	12/15/2026
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	536,000	3.470	12/15/2027
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	555,000	3.470	12/15/2028
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	575,000	3.470	12/15/2029
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	595,000	3.470	12/15/2030
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	27,695,000	3.470	12/15/2031
PNC Bank, N.A.	2019 Series KKK	Tax Exempt	21,782,000	3.470	12/15/2032
Bank of America, N.A.	2020 Series OOO	Tax Exempt	99,245,000	4.240	6/15/2024
Bank of America, N.A.	2020 Series OOO	Tax Exempt	79,935,000	4.390	6/15/2025
Bank of America, N.A.	2020 Series PPP	Taxable	98,900,000	4.750	6/15/2024
Bank of America, N.A.	2020 Series PPP	Taxable	79,655,000	4.900	6/15/2025
Total			\$983,861,000		
<u>NJEDA Municipal Rehabilitation Bonds</u>					
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,545,000	5.250	4/1/2025
Barclays Capital Inc.	2019 Series A	Tax Exempt	10,430,000	5.250	4/1/2026
Barclays Capital Inc.	2019 Series A	Tax Exempt	9,320,000	5.250	4/1/2027
Barclays Capital Inc.	2019 Series A	Tax Exempt	13,435,000	5.250	4/1/2028
Barclays Capital Inc.	2019 Series B	Taxable	1,790,000	4.580	4/1/2026
Barclays Capital Inc.	2019 Series B	Taxable	3,500,000	4.580	4/1/2027
Total			\$49,020,000		
<u>NJEFA Higher Education Capital Improvement Fund Bonds</u>					
DNT Asset Trust	Series 2016 A	Tax Exempt	4,650,000	3.300	9/1/2023
DNT Asset Trust	Series 2016 A	Tax Exempt	4,120,000	3.440	9/1/2024
Total			\$8,770,000		
Grand Total			\$1,041,651,000		

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

Swap Agreements

The various independent State authorities authorized to issue State Appropriation Obligations in certain cases are also authorized to enter into interest rate exchange agreements (“Swap Agreements”). As of June 30, 2023, the notional amount of Swap Agreements supported by State appropriations is zero.

MORAL OBLIGATIONS

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

The following table sets forth the moral obligations outstanding as of June 30, 2023 and debt service for Fiscal Year 2024.

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

South Jersey Port Corporation

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

The following table sets forth the amounts paid to the Port Corporation to replenish its debt service reserve fund and subordinated debt service reserve fund for the past five fiscal years. The State expects the Port Corporation to request that the State replenish the debt service reserve funds of the Port Corporation in Fiscal Year 2024.

Fiscal Year	Amounts Paid for Debt Service	Amounts Paid for Debt Service (Subordinated)
2019	\$ 17,650,000	\$ -
2020	17,000,000	11,375,275
2021	17,873,000	11,291,000
2022	16,925,000	12,710,000
2023	15,100,000	12,710,000

Higher Education Student Assistance Authority

The Higher Education Student Assistance Authority (“HESAA”) has not had a revenue deficiency which required the State to appropriate funds to meet its moral obligation. It is anticipated that the HESAA’s revenues will continue to be sufficient to pay debt service on its bonds.

OTHER OBLIGATIONS

The following Other Obligations are not considered State Appropriation Obligations and are therefore not included in the amounts shown in the tables entitled “SUMMARY OF LONG-TERM OBLIGATIONS AS OF JUNE

30, 2023” and “ESTIMATED FUTURE DEBT SERVICE ON LONG-TERM OBLIGATIONS AS OF JUNE 30, 2023”.

New Jersey Transportation Trust Fund Authority – “GARVEES”

On November 2, 2016, the TTFA issued \$3.241 billion of Federal Highway Reimbursement Revenue Notes (“GARVEE Notes”) which consisted of \$2.741 billion of publicly offered 2016 Series A GARVEE Notes and \$500 million of 2016 Series B GARVEE Notes, which are bank loan notes, purchased by Bank of America, N.A. Both Series of Notes are secured solely by reimbursements received by or on behalf of the NJDOT pursuant to Title 23 of the United States Code from the Federal Highway Administration. On July 25, 2018, \$1.2 billion of 2018 Series A GARVEE Refunding Notes were issued to refund a portion of the 2016 Series A GARVEE Notes. As of June 30, 2023, the aggregate amounts of GARVEE Notes and Refunding Notes outstanding are \$1,360,810,000 and \$851,580,000, respectively.

Qualified Bonds

L. 1976, c. 38, as amended by L. 2015, c. 95, and L. 1976, c. 39 (the “Acts”) provide for the issuance of “Qualified Bonds” by municipalities and school districts. Whenever a local board of education or the governing body of a municipality determines to issue bonds, it may file an application with the Local Finance Board, and, in the case of a local board of education, also with the Commissioner of Education, to qualify bonds pursuant to the Acts. Upon approval of such application, the State Treasurer shall withhold from certain State appropriations of revenues or other State aid payable to the municipalities or appropriations of State school aid payable to the school district, as appropriate, an amount sufficient to pay debt service on such bonds. Additionally, with respect to Qualified Bonds issued by municipalities, a statutory lien and trust, superior to all other liens, automatically attaches to such appropriations, in favor of the holders of Qualified Bonds, for the sole purpose of paying debt service on the Qualified Bonds. These Qualified Bonds are not direct, guaranteed or moral obligations of the State, and debt service on such bonds will be paid by the State only to the extent that the State aid or State school aid has been appropriated by the State Legislature. As of June 30, 2023, the aggregate amounts of municipal and school district Qualified Bonds outstanding are \$1,003,277,634 and \$20,080,000, respectively.

Tobacco Settlement Asset-Backed Bonds

The State has transferred to the Corporation, established pursuant to L. 2002, c. 32 (the “Act”), the State’s right to receive all tobacco settlement receipts (the “TSRs”) to be received by the State after December 1, 2003 from the multi-state Master Settlement Agreement (“MSA”) which settled litigation with the participating tobacco companies. In April 2018, the Corporation refunded all of its outstanding Tobacco Settlement Asset-Backed Bonds, Series 2007-1 with the proceeds of its Tobacco Settlement Bonds, Series 2018A (Senior) & 2018B (Subordinate). As of June 30, 2023, the Corporation had \$2,573,210,000 in outstanding bonds secured by TSRs.

STATE EMPLOYEES

Public Employer-Employee Relations Act

The State, as a public employer, is covered by the New Jersey Public Employer-Employee Relations Act, as amended (*N.J.S.A. 34:13A-1 et seq.*), which guarantees public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiations’ representatives for units of public employees found to be appropriate for collective negotiations purposes. Approximately 54,202 full-time Executive Branch employees are paid through the State payroll system. Of the 54,202 employees, approximately 51,295 full time executive branch employees are represented by certified or recognized exclusive majority representatives and are organized into various negotiation units. There are twelve plus civilian units, ten of which presently represent approximately 42,242 full time 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 5,197 employees. The Administrative and Clerical Services Unit, the Primary Supervisory Unit, the Professional Unit and the Higher-Level Supervisory Unit are all represented by the Communications Workers of America (“CWA”) and include about 5,468 employees, 6,513 employees, 17,059

employees and 2,432 employees, respectively, for a total of 31,472 employees. The Crafts Unit, the Inspection and Security Unit, and the Operations, Maintenance and Services Unit are represented by the International Federation of Professional and Technical Engineers (“IFPTE”) and the New Jersey State Motor Vehicle Employees Union, Service Employees International Union (“SEIU”), and combined include about 4,128 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 426 employees (represented by IBEW Local 33) and 1,019 employees (represented by IBEW Local 30), respectively. There are approximately 9,053 employees represented by twelve law enforcement units.

Negotiation Process

The New Jersey Public Employer-Employee Relations Act specifies a negotiation process for non-police and non-fire units which includes mediation and advisory fact-finding in the event of a negotiations impasse. This process is geared to the public employer’s budget submission process. The economic provisions included in these negotiated agreements generally take effect at the beginning of each fiscal year or at other times provided in the agreements. Police and fire negotiations units may also submit to mediation and fact-finding in the event that negotiations with the State produces an impasse and the parties agree to do so, but where no agreement is achieved by exhaustion of these processes, police and fire units are additionally entitled to submit their final demands to binding interest arbitration. Approximately 9,053 State employees come under the binding interest arbitration process. Of the 9,053, approximately 3,190 are in the State Police.

Contract Status

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the IFPTE Local 195 and the Motor Vehicle Inspector Division of Local 32BJ SEIU, CTW, CLC. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In addition to these 3.5% increases, any full-time employee on the active payroll with an annual base salary under \$41,400 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of \$41,400 and the across the board increase of that employee’s base salary. In Fiscal Year 2025 (effective first full pay period on or after July 1, 2024) employees serving in ranges 1-8 will migrate to Range 9. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the CWA representing four (4) units. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2025 (effective first full pay period on or after July 1, 2024) employees serving in ranges 1-8 will migrate to Range 9. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with AFSCME New Jersey Council 63. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In addition to these 3.5% increases, any full-time employee on the active payroll with an annual base salary under \$39,900 shall receive a cash bonus, not included in base salary, equal to the difference between the across the board increase on an annual salary of \$39,900 and the across the board increase of that employee’s base salary. In Fiscal Year 2025 (effective first full pay period on or after July 1, 2024) employees serving in ranges 1-8 will migrate to Range 9. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the IBEW, Local 33, Deputy Attorneys General (DAsG) unit. The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to range ZR 33 of the salary schedule. The contract provides for a salary cap of \$171,000.

The State has entered into a four-year contract for Fiscal Years 2024-2027 with the IBEW, Local 30, State Government Managers' Unit (SGM Unit). The contract provides for across the board salary increases of 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024), 3.5% in Fiscal Year 2026 effective the first full pay period after July 1, 2025), and 3.5% in fiscal year 2027 (effective the first full pay period after July 1, 2026). The contract provides for a salary cap of \$170,000. In addition to the across the board salary increases described above, the contract provides for a \$2,000 increase to base salary of "&98" (no range) employees effective July 1, 2024. In fiscal year 2026 (effective the first full pay period on or after July 1, 2025) there shall be a new top step added to each range of the applicable salary schedules.

The State entered into a four-year contract for Fiscal Years 2024-2027 with the Policemen's Benevolent Association Local 105 ("PBA 105"). The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2025 (effective the first full pay period after July 1, 2024) the employee relations group "LA" salary scale will be eliminated and Senior Correctional Police Officers on the "LA" scale will migrate to the "L" salary scale. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be an eleventh step added to each range of the salary schedule.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Investigators Association, State Fraternal Order of Police Lodge 174 ("NJIA" or "FOP Lodge 174"). The contract expired and negotiations have commenced for a successor agreement. The parties did not reach a mutual agreement and the union filed for interest arbitration in early 2023 for a contract that would commence in Fiscal Year 2020. On June 9, 2023, the arbitrator issued a decision and awarded a four-year contract for Fiscal Years 2020-2023, with percentage increases as follows: 2% effective October 2019; 2% effective July 2021; 2.75% effective December 2021; 2.75% effective July 2022. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2016-2019 with the New Jersey Policemen's Benevolent Association State Law Enforcement Unit ("SLEU"). The contract has expired and negotiations commenced for a successor agreement. The parties did not reach a mutual agreement and the union filed for interest arbitration for a contract that would commence in Fiscal Year 2020. On December 7, 2023, the arbitrator issued a decision and awarded a four-year contract for Fiscal Years 2020-2023, with percentage salary increases as follows: 2% effective October 2019; 2% effective July 2021; 2% effective December 2021; 2% effective July 2022; and 3.75% effective January 2023. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Law Enforcement Supervisors Association ("NJLESA"). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2024-2027 with the New Jersey Superior Officers Law Enforcement Association ("NJSOLEA"). The contract provides for across the board salary increases of 14% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023); 3.5% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024); 3.5% in Fiscal Year 2026 (effective the first full pay period after

July 1, 2025); and 3.5% in Fiscal Year 2027 (effective the first full pay period after July 1, 2026). The contract also provides for a \$4,500 salary adjustment to the salary schedules of all unit members, except members in the District Parole Supervisor title, effective first full pay period on or after January 1, 2024. In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be a new step 11 added to each range of the applicable salary schedules.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the New Jersey Law Enforcement Commanding Officers Association (“NJLECOA”). The contract provides for across the board salary increases of approximately 8.0% as follows: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). In addition to the across-the-board increases, the Chief, Bureau Law Enforcement, DEP, Assistant Chief, JJC, and Deputy Chief Investigator, DOC will receive salary adjustments. The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State entered into a four-year contract for Fiscal Years 2020-2023 with the Policemen’s Benevolent Association, Local 383 (“PBA 383”) formerly, FOP Lodge 91. The contract provides for the following across the board salary increases: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019), 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021), an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022), and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

The State has entered into a four-year contract for Fiscal Years 2022-2025 with the State Troopers Non-Commissioned Officers Association (“STNCOA-Sergeants”), which was resolved through binding arbitration. The arbitration award was issued on September 16, 2022 and provides for across the board salary increases as follows: 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022), 2.75% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2.75% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024). Maintenance allowance increases in each year of the contract effective the first full pay period after the following dates: July 1, 2021 \$16,565.67, January 1, 2022 \$17,315.67, April 1, 2022, \$17,661.98, January 1, 2023 \$18,411.98, July 1, 2023 2.75% increase and July 1, 2024 2.75% increase.

The State has entered into a four-year contract for Fiscal Years 2022-2025 with the State Troopers Superior Officers Association (“STSOA-Lieutenants and Captains”), which was resolved through binding arbitration. The arbitration award was issued on September 16, 2022 and provides for across the board salary increases as follows: 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after April 1, 2022), 2.75% in Fiscal Year 2024 (effective the first full pay period after July 1, 2023) and 2.75% in Fiscal Year 2025 (effective the first full pay period after July 1, 2024). Effective the first full pay period after July 1, 2024, a 6% differential will be maintained between the ranks of State Police Captain and Lieutenant. The 6% differential is predicated upon the Lieutenants highest base salary. Maintenance allowance increases in each year of the contract effective the first full pay period after the following dates: July 1, 2021 \$16,565.67, January 1, 2022 \$17,315.67, April 1, 2022, \$17,661.98, January 1, 2023 \$18, 411.98, July 1, 2023 2.75% increase and July 1, 2024 2.75% increase.

The State has entered into a four-year contract for Fiscal Year 2024-2027 with the State Troopers Fraternal Associations (“STFA-Troopers”). The contract provides for across the board salary increases of approximately 14.0% as follows: 3.5% in Fiscal Year 2024 (effective the first full pay period on or after July 1, 2023), 3.5% in Fiscal Year 2025 (effective the first full pay period on or after July 1, 2024), 3.5% in Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) and 3.5% in Fiscal Year 2027 (effective the first full pay period on or after July 1, 2026). In Fiscal Year 2026 (effective the first full pay period on or after July 1, 2025) there shall be a tenth step added to range T-19 of the salary schedule. Maintenance allowance increased in each year of the contract: \$19,056.40 in Fiscal Year 2024, \$19,723.37 in Fiscal Year 2025, \$20,413.69 in Fiscal Year 2026 and \$21,128.17 in Fiscal Year 2027.

In March 2022, the State entered into a four-year contract for Fiscal Years 2020-2023 with the Division of Criminal Justice Non-Commissioned Officer Assoc., Sergeant, State Investigator Unit, Dept. of Law & Public Safety,

PBA 383 A. The contract provides for the following across the board salary increases: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019); 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021); an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022); and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

In March 2022, the State entered into a four-year contract for Fiscal Years 2020-2023 with the Division of Criminal Justice Superior Officers Assoc., Lieutenant, State Investigator Unit, Dept. of Law & Public Safety, PBA 383 B. The contract provides for the following across the board salary increases: 2% in Fiscal Year 2020 (effective the first full pay period after October 1, 2019; 4% in Fiscal Year 2022 (2% effective the first full pay period after July 1, 2021 and 2% effective the first full pay period after December 1, 2021); an additional 15% in Fiscal Year 2022 (effective the first full pay period after January 1, 2022; and 2% in Fiscal Year 2023 (effective the first full pay period after July 1, 2022). The parties have commenced negotiations for the successor agreement to the Fiscal Years 2020-2023 agreement.

STATE FUNDING OF PENSION PLANS

Background

The State sponsors and operates seven defined benefit pension plans (the “Pension Plans”), which fund retirement benefits for almost all of the public employees of the State. The Pension Plans will fund those retirement benefits from their assets, earnings on their assets, contributions by the State and contributions from Pension Plan members. Local governments within the State participate as employers sponsoring two of the Pension Plans. In both of these Pension Plans, the assets that the State and the local governments contribute are invested together and generate one investment rate of return. However, both of these Pension Plans segregate the active and retired members and the related actuarial liabilities between the State and the local governments. The following description of the State’s funding of the Pension Plans solely relates to the State’s portion of the Pension Plans. The State makes contributions to the Pension Plans under the State statutes and such contributions are subject to the appropriation by the State Legislature and actions by the Governor.

Overview of the Financial Condition of the Pension Plans

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

- The State followed a funding policy for the pension plans since 2016 that has resulted in fully funding the actuarially recommended contribution since Fiscal Year 2022, which the Governor proposes to continue in the Governor’s Fiscal Year 2025 Budget Message;
- The State Legislature adopted the Pension Contribution Act in 2016, under which the State is required to make its contributions to the Pension Plans quarterly instead, as the practice before then had been, at the end of a Fiscal Year; and
- Under the LECA, the State contributed its Lottery Enterprise (which is defined and explained below) to the Pension Plans as of June 30, 2017.

While the State projects that its annual contributions will increase at a much slower rate than when the State was ramping up to full actuarially recommended contributions, the Pension Plans still face potential risks and uncertainties from State and national economic conditions. Outcomes that differ from assumed investment returns,

lottery net proceeds, employer contributions, as well as changes in valuation assumptions and methodologies could impact the financial condition of the Pension Plans. The information presented in this Appendix I reflects reasonable expectations of trends over the next thirty years. Uncertain economic conditions and other factors beyond the control of the State may result in a future change in the assumptions used to generate forward-looking estimates that could ultimately affect the level of State contributions.

Prospective Financial Information of Pension Plans

The following sets forth a projection of the financial condition of the Pension Plans, contributions from the State, contributions from members of the Pension Plans, and other related information. The following information constitutes forward-looking information and does not represent a prediction of actual results. It is based on numerous assumptions and methodologies reflected in actuarial valuations as of June 30, 2023 and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

The following table is based on the actuarial valuations for the Pension Plans as of June 30, 2023.

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**AGGREGATE PROJECTED ANNUAL CASH FLOWS AND
NET VALUE OF ASSETS OF STATE'S PORTION OF PENSION PLANS
Fiscal Year Ending June 30, 2025 through June 30, 2054
(In Millions)**

Fiscal Year Ending (June 30)	Beginning Value of Net Assets⁽¹⁾	Member Contributions⁽²⁾	State Contributions⁽³⁾⁽⁴⁾	Lottery Net Proceeds⁽⁵⁾	Investment Earnings⁽⁶⁾	Benefit Payments⁽⁷⁾	Ending Value of Net Assets
2025	\$41,735	\$1,414	\$5,737	\$1,126	\$2,882	\$7,980	\$44,914
2026	44,914	1,449	5,822	1,135	3,102	8,166	48,256
2027	48,256	1,484	5,878	1,147	3,332	8,364	51,732
2028	51,732	1,520	5,923	1,157	3,572	8,563	55,340
2029	55,340	1,557	5,963	1,168	3,820	8,763	59,084
2030	59,084	1,594	5,997	1,190	4,078	8,970	62,973
2031	62,973	1,631	6,016	1,202	4,345	9,189	66,977
2032	66,977	1,669	6,011	1,214	4,619	9,410	71,081
2033	71,081	1,708	6,006	1,226	4,900	9,632	75,289
2034	75,289	1,748	5,997	1,238	5,189	9,857	79,605
2035	79,605	1,789	5,983	1,251	5,484	10,084	84,029
2036	84,029	1,832	5,970	1,263	5,788	10,300	88,583
2037	88,583	1,876	5,960	1,276	6,101	10,508	93,288
2038	93,288	1,922	5,950	1,289	6,426	10,707	98,168
2039	98,168	1,970	5,943	1,302	6,763	10,896	103,250
2040	103,250	2,020	5,938	1,315	7,114	11,072	108,565
2041	108,565	2,072	5,937	1,328	7,483	11,230	114,156
2042	114,156	2,126	5,942	1,341	7,872	11,376	120,060
2043	120,060	2,180	5,951	1,355	8,283	11,526	126,303
2044	126,303	2,235	5,962	1,368	8,717	11,681	132,904
2045	132,904	2,291	5,973	1,382	9,176	11,849	139,877
2046	139,877	2,349	5,986	1,396	9,661	12,019	147,249
2047	147,249	2,408	6,000	1,410	10,174	12,200	155,041
2048	155,041	2,469	6,887	0	10,689	12,392	162,694
2049	162,694	2,532	6,905	0	11,221	12,586	170,767
2050	170,767	2,598	5,993	0	11,757	12,792	178,323
2051	178,323	2,666	2,240	0	12,184	12,997	182,417
2052	182,417	2,737	1,828	0	12,456	13,207	186,231
2053	186,231	2,810	1,839	0	12,718	13,432	190,166
2054	190,166	2,885	1,871	0	12,989	13,663	194,247

Numbers may not add up due to rounding.

- (1) Beginning value of net assets represents the projected value of the State's portion of Pension Plan net assets at the beginning of each Fiscal Year. Net assets equal the full market value of assets at the beginning of the Fiscal Year less member and employer contribution receivables included in the full market value of assets.
- (2) Represents contributions from members of the State's portion of the Pension Plans at current statutory contribution rates. Under the State statute, State employees make contributions to the Pension Plans ranging from 7.5% to 12% of their salary. The level of these contributions in the future could be changed through subsequent legislation.
- (3) Represents projected contributions by the State. For Fiscal Year 2025, the contributions reflect the State's contributions set forth in the Governor's Fiscal Year 2025 Budget Message. For future Fiscal Years, the State assumes that its pension contributions will equal 100% of the actuarially recommended contribution. The projected State contribution amounts reflect the annual credit against the actuarially recommended contribution pursuant to LECA.
- (4) Does not include \$301 million in contributions that the State makes in respect to local governmental participation in the Pension Plans. In connection with increases in retirement benefits in the local governmental portion of the Pension Plans, the State has undertaken to make contributions to pay for a portion of the impact of those retirement benefits.
- (5) Lottery Net Proceeds represent projected net proceeds from the Lottery Enterprise. See "—Lottery Enterprise Contribution Act" below. Through 2029, these projections are consistent with the Division's management services agreement for sales and marketing with Northstar NJ. Pursuant to LECA, the State is required to revalue the Lottery Enterprise every five years. The most recent revaluation was completed as of December 31, 2021. See "Lottery Enterprise Contribution Act—Lottery Enterprise – Valuation" below.

(footnotes continue on next page)

- (6) The projection of investment earnings is based on an assumed rate of return of 7.0% for assets of the State's portion of the Pension Plans. See “—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations” below.
- (7) Benefit payments represent projected retirement benefit payments by the State's portion of the Pension Plans to current and future retired members over the forecasted period. The amounts of projected retirement benefits are based on the various applicable benefit formulas as well as numerous assumptions and methodologies made by the actuaries of the Pension Plans. Key assumptions include, among others, demographic assumptions relating to periods of employment, ages of retirement and life expectancy of members and economic assumptions such as salary growth and inflation. In addition, these projections use methodologies to calculate projected retirement benefits. As opposed to how the actuaries prepare the actuarial valuations, the projected benefit payments also include an estimate of the amount of retirement benefits that members are likely to earn in the future. In addition, the projected benefit payments assume that the State does not increase or enhance retirement benefits during the forecasted period. Under pension reforms, the State has created committees that are authorized to make some specified increases in retirement benefits for Pension Plans that achieve specified levels of funding status. The projected benefit payments assume that none of those retirement benefits are increased although the State, based on the assumptions of the projections above, expects that several of the Pension Plans will achieve the specified levels of funding status. With respect to PFRS, the projection also assumes that the PFRSNJ Board that was established pursuant to *L. 2018, c. 55*, will not increase or enhance benefits during the forecasted period. See “—Actuarial Valuations and Actuarial Funded Status of Pension Plans—Assumptions used in Actuarial Valuations” and “—Methodologies used in Actuarial Valuations” below.

State's Pension Plan Funding Policy

Historical Funding Policy

The level of the State's annual contributions has significantly varied since the 1990's. In some years, the State's contributions to the Pension Plans have been minimal or none. In other years, the State has contributed a percentage of the actuarially recommended contribution. Since Fiscal Year 2022, the State has contributed more than the full actuarially recommended contribution. For a description of the calculation of actuarially recommended contributions, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” below. The following sets forth the State's aggregate annual contributions to the Pension Plans for Fiscal Years ended June 30, 1997 through June 30, 2024, and the proposed annual contribution for Fiscal Year ending June 30, 2025, together with a comparison of those contributions to the actuarially recommended contributions. Since Fiscal Year 2018, the State calculates the percentage of its contribution relative to the actuarial recommended contribution for a Fiscal Year by adding the annual contribution set forth in the Appropriations Act together with the projected Lottery Net Proceeds for that Fiscal Year, and then dividing that sum by the actuarially recommended contribution for the Pension Plans for that Fiscal Year. Under LECA, the State appropriates a contribution to the Pension Plans for each Fiscal Year equal to the actuarially recommended contribution less a Special Asset Adjustment calculated by LECA. Starting with Fiscal Year 2023, the amount of the Special Asset Adjustment is intended to be less than the projected Lottery Net Proceeds for each Fiscal Year, which the State expects will cause contributions for future Fiscal Years to exceed 100% of the actuarially recommended contribution.

AGGREGATE STATE CONTRIBUTIONS TO PENSION PLANS
For the Fiscal Years Ending June 30, 1997 through June 30, 2025⁽¹⁾
(In Millions)

<u>Fiscal Year Ending June 30,</u>	<u>Actuarial Recommended Contributions</u>	<u>Actual Contributions</u>	<u>Percentage⁽²⁾</u>
State			
1997 ⁽³⁾	\$ 297.6	\$ 104.6	35%
1998.....	443.9	90.2	20
1999.....	511.4	284.2	56
2000.....	583.4	63.7	11
2001.....	629.6	0.0	0
2002.....	654.8	0.6	0
2003.....	663.0	10.4	2
2004.....	783.2	26.4	3
2005.....	1,066.2	61.1	6
2006.....	1,450.8	164.4	11
2007.....	1,778.6	1,023.2	58
2008.....	2,089.8	1,046.1	50
2009.....	2,230.7	106.3	5
2010.....	2,518.8	0.0	0
2011.....	3,060.5	0.0	0
2012.....	3,391.4	484.5	14
2013.....	3,600.2	1,029.3	29
2014.....	3,691.2	699.4	19
2015.....	3,935.4	892.6	23
2016.....	4,353.5	1,307.1	30
2017.....	4,663.1	1,861.6	40
2018 ⁽⁴⁾	5,017.9	2,484.1	50 ⁽⁵⁾
2019.....	5,352.2	3,280.9	60 ⁽⁶⁾
2020.....	5,438.7	3,751.6	70 ⁽⁷⁾
2021.....	6,109.7	4,787.4	78 ⁽⁸⁾
2022.....	6,387.8	6,908.0	108 ⁽⁹⁾
2023.....	6,586.4	6,889.3	104 ⁽¹⁰⁾
2024.....	6,842.6	7,086.9	104 ⁽¹¹⁾
2025.....	6,907.8	7,162.1	104 ⁽¹²⁾

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information regarding the actuarially recommended contributions of the State was derived from the actuarial valuation reports as of July 1, 1995 through July 1, 2023. Information regarding the actual contributions of the State for Fiscal Years 1997 through 2025 was provided by the Division of Pensions and Benefits. Actual contributions include Lottery Net Proceeds from the Lottery Enterprise beginning in Fiscal Year 2018. See “–Lottery Enterprise Contribution Act” below.

- (1) For all Pension Plans, the State contributions relating to an actuarial valuation as of the end of a fiscal year are made in the second succeeding fiscal year. For example, the State’s actuarial recommended contribution for Fiscal Year 2024 was determined in the actuarial valuation as of July 1, 2022.
- (2) Percentage of actual contributions by the State to the Pension Plans to the actuarially recommended contribution for the applicable Fiscal Year. Percentages may not be exact due to rounding.
- (3) As a result of the enactment of *L. 1997, c. 114*, the Pension Plans received a contribution of \$2.75 billion from the sale of pension obligation bonds by NJEDA, which, pursuant to statute, was applied toward the State’s share of the unfunded pension liabilities.
- (4) The actual contribution consists of the State’s contribution of \$1.508 billion and Lottery Net Proceeds of \$976 million.
- (5) The State planned to make a \$2.509 billion pension contribution for Fiscal Year 2018 representing 50% of the full actuarial recommended contribution of \$5.018 billion. The State made a \$1.508 billion general fund appropriation and \$1.001 billion of Lottery Net Proceeds were expected to be transferred to the eligible Pension Plans. While actual lottery proceeds matched targeted levels, a small percentage of the actual Lottery Net Proceeds in Fiscal Year 2018 pertained to prior year unclaimed prizes. Since these proceeds were earned prior to the enactment of LECA, the State determined that the eligible Pension Plans were not entitled to such proceeds, which lowered the actual Lottery Net Proceeds realized to \$976 million. As a result of this technical adjustment, the State’s total contribution to the Pension Plans for Fiscal Year 2018 was slightly less than the 50% planned contribution.

(footnotes continue on next page)

- (6) For purposes of calculating the percentage of the State’s contribution relative to the actuarially recommended contribution, the State adds the sum of the State’s contribution of \$2.176 billion and the Lottery Net Proceeds of \$1.105 billion. As a result of higher than expected Lottery Net Proceeds in Fiscal Year 2019, the overall funded percentage was slightly greater than 60%.
- (7) For Fiscal Year 2020, Lottery Net Proceeds were \$55 million lower than the Special Asset Adjustment amount set in LECA for Fiscal Year 2020 due to lower sales from multistate jackpot games and, to a much lesser extent, the pandemic. As a result, the overall funded percentage was slightly lower than 70%.
- (8) For Fiscal Year 2021, the State expects the overall funded percentage to be slightly above 78%.
- (9) For Fiscal Year 2022, the State made a contribution of \$5.797 billion. After taking into account the Lottery Net Proceeds contribution, the overall percentage of the actuarially recommended contribution was 108%.
- (10) For Fiscal Year 2023, the State made pension contributions of \$5.719 billion. This, when combined with Lottery Net Proceeds of \$1.170 billion, brings the overall pension contribution to 104% of the actuarially recommended contribution.
- (11) The State’s Fiscal Year 2024 Appropriations Act appropriated \$5.971 billion for pension contributions. This amount includes State contributions of \$294 million for certain local government participants in the Pension Plans. After taking into account projected Lottery Net Proceeds of \$1.116 billion, the State expects that the overall contribution will be 103.6% of the actuarially recommended contribution.
- (12) The Governor’s Fiscal Year 2025 Budget Message recommends appropriations of \$6.036 billion for pension contributions. After taking into account projected Lottery Net Proceeds for Fiscal Year 2025 of \$1.126 billion, the State expects that the overall contribution for Fiscal Year 2025 will be 103.7% of the actuarially recommended contribution.

Membership, Benefits and Governance of the Pension Plans

Membership of Pension Plans

Almost all of the public employees of the State and its counties, municipalities and political subdivisions are members of the Pension Plans administered by the State. Listed in order of active membership based on the most recent actuarial valuation reports dated July 1, 2023, the Pension Plans and their active and retired membership are as follows:

Plan	Membership at June 30, 2023	
	Active	Retired
Public Employees’ Retirement System (“PERS”)	244,324	194,561
Teachers’ Pension and Annuity Fund (“TPAF”)	160,275	113,207
Police and Firemen’s Retirement System (“PFRS”)	42,363	53,199
State Police Retirement System (“SPRS”)	3,218	3,671
Judicial Retirement System (“JRS”)	408	762
Consolidated Police and Firemen’s Pension Fund (“CP&FPF”)		19
Prison Officers’ Pension Fund (“POPF”)		36
Total	451,588	365,455

From June 30, 2022 to June 30, 2023, the total number of active members of all of the State-administered plans increased by 7,012, or 1.55%, and the total number of retired members increased by 8,842, or 2.42%.

Local Government Pension Plans

The State is not the only employer sponsoring PERS and PFRS. Local governments within the State also participate as employers. In both PERS and PFRS, contributions from State and local governments are invested together and generate one investment rate of return. In calculating actuarial liabilities, both PERS and PFRS break out the liabilities between active and retired members as well as between State and local government members. As of June 30, 2023, the State was responsible for the employer contributions for 74,154 active and 62,989 retired PERS members and 6,471 active and 7,371 retired PFRS members.

Benefits

Almost all State employees participate in one of the Pension Plans, with eight to ten years of employment required before retirement benefits become vested. The level of retirement benefits varies among the different Pension Plans and is calculated based on a member’s years of service, compensation and age of retirement. State law provides that the retirement benefits of the Pension Plans are not subject to negotiations between the State and other public employers and the employee members of the Pension Plans. The State Legislature has in the past adopted laws that increased the retirement benefits payable by the Pension Plans and may do so again in the future.

Governance

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

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

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

Pension Plan Assets

As of June 30, 2023, the State’s portion of the market value of assets in the Pension Plans is \$45.2 billion, which amount does not include the value of the Lottery Contribution. See “—Lottery Enterprise Contribution Act” below. The Division of Investment of the New Jersey Department of the Treasury invests the cash and investments of the Pension Plans. State law and State Investment Council regulations regulate the types of investments that are permitted. The State Investment Council is responsible for formulating the policies that govern the methods, practices and procedures for investments, reinvestments, sale or exchange transactions to be followed by the Director of the Division of Investment. However, pursuant to *L. 2018, c. 55*, responsibility for formulating investment policies of the assets of the PFRS has been transferred from the State Investment Council to the PFRSNJ Board.

Lottery Enterprise Contribution Act

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

Neither LECA nor the MOLC contain a provision permitting the termination of the contribution prior to the end of the 30-year term of the contribution. However, a future Legislature could pass legislation to reverse the contribution prior to the expiration of its term. Any termination of the Lottery Contribution could implicate the exclusive benefit rule of the Internal Revenue Code, which requires the assets of the Pension Plans to exist for the

exclusive benefit of their members in order for the Pension Plans to qualify for the favorable tax treatment under the Internal Revenue Code. The term of the contribution of the Lottery Enterprise will expire at the start of Fiscal Year 2048. At that time, the Lottery Enterprise contributions will revert back to the State.

Lottery Enterprise – Valuation

To determine the value of the Lottery Enterprise contribution, Acacia Financial Group was hired as the independent valuation service provider. In calculating the fair value, Acacia applied Actuarial Standard of Practice (“ASOP-44”) of the Actuarial Standards Board. ASOP-44 provides that for assets like the Lottery Enterprise that have no comparable valuations and are difficult to value, the present value of reasonably expected future cash flows may operate as the market value. The independent valuation service provider calculated the fair present value using the financial projections provided by Northstar NJ, for Fiscal Years 2018 through 2029. Estimates for Fiscal Years 2030 through 2048 assumed a 1.0 percent annual growth rate.

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

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

Special Asset for Actuarial Calculation Purposes

During the term of the Lottery Contribution, the current methodology for amortizing the UAAL of the applicable Pension Plans and calculating the actuarially recommended contribution remains in place for all assets and liabilities of the applicable Pension Plans except for the Lottery Enterprise. In accordance with LECA, for actuarial purposes, the Lottery Enterprise is considered a “Special Asset”, the value of which is reflected in an annual adjustment (the “Special Asset Adjustment”) to the State’s contribution to the applicable Pension Plan, calculated pursuant to LECA. Under LECA, the Special Asset Adjustment was fixed for the first five Fiscal Years to minimize the impact of the Lottery Contribution on the State’s General Fund budget during that period.

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

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

Acacia Financial Group valued the Lottery Enterprise at \$12.980 billion as of December 31, 2021. As of July 1, 2023, the Lottery Enterprise was valued at \$12.381 billion. If the value of the Lottery Enterprise was excluded,

the funded ratio of the Pension Plans as of June 30, 2023 would have been 41.5% instead of 52.4%. See “–Actuarial Valuations and Actuarial Funded Status of Pension Plans—Historical Statutory Funding Status” below.

Actuarial Valuations and Actuarial Funded Status of Pension Plans

General

State law requires that all Pension Plans must conduct an actuarial valuation as of the end of each fiscal year. The actuarial valuations of the Pension Plans have historically served a critical role in determining appropriate State contributions to the Pension Plans by systematically calculating an actuarially recommended contribution (discussed below). During many of the years when the State did not make the full actuarially recommended contribution, it still contributed a portion of the actuarially recommended contribution. The State’s current pension funding policy provides that the combined contribution appropriated from the State budget and LECA net lottery proceeds fully fund the actuarially recommended contribution. Informational copies of these reports as well as other financial information are available on the Division of Pensions and Benefits’ website at: <https://www.nj.gov/treasury/pensions/financial-reports.shtml>. No information contained on the website of the Division of Pensions and Benefits is incorporated herein by reference.

Pension Plan actuarial valuations are completed approximately six to eight months after the end of a fiscal year. Consequently, actuarial valuations and recommended contributions for the various Pension Plans do not apply to the fiscal year immediately following the actuarial valuations. Rather, they apply to the second fiscal year following the valuation. For example, the actuarially recommended contributions and valuations as of July 1, 2022 are applicable to the Fiscal Year ended June 30, 2024.

Actuaries and Auditor

Cheiron, Inc. serves as consulting actuary for six of the Pension Plans. Segal is the consulting actuary for PFRS. The consulting actuaries prepare the actuarial valuations and experience investigations (which are described below) for the Pension Plans. KPMG LLP serves as the auditor of the financial statements of the Pension Plans, with PFRS contracting separately for their services.

Content and Timing of Actuarial Valuations

The purpose of an actuarial valuation is to calculate an actuarially recommended contribution by an independent actuary based on an assessment by such actuary, using multiple assumptions and methodologies, whether the assets of a Pension Plan, together with expected earnings and other amounts, will be sufficient to pay expected retirement benefits. Two key calculations the actuaries make in each actuarial valuation is a calculation of the actuarial accrued liability and the Actuarial Value of Assets (“AVA”). The actuarial accrued liability of a Pension Plan represents an estimate, on the basis of demographic and economic assumptions, of the present value of benefits the Pension Plan will pay to retirees over their lifetime. The AVA represents the market value of the assets of the Pension Plan as adjusted for several methods discussed below. The actuarial valuation compares the actuarial accrued liability with the actuarial value of assets, and any excess of that liability over the assets forms an Unfunded Actuarial Accrued Liability (“UAAL”) applicable to the Pension Plan. An actuarial valuation will express the percentage that a Pension Plan is funded through a “Funded Ratio” which represents the quotient obtained by dividing the actuarial value of assets of the pension plan by the actuarial accrued liability of the Pension Plan. A Funded Ratio of 100% represents an assessment by the actuary, based on the assumptions and methodologies of the actuarial valuation, that a Pension Plan has a sufficient amount of assets that, with future earnings on those assets and other amounts, will be sufficient to pay expected retirement benefits that have been earned to date.

Actuarially Recommended Contribution

Actuaries of the Pension Plans will also calculate an actuarially recommended contribution in each actuarial valuation. The actuarially recommended contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to the active members’ current year service, and (2) in cases where the Funded Ratio is less than 100%, a portion of the UAAL. The actuarially recommended

contribution is determined in accordance with State statutes and uses different assumptions and methodologies than used for purposes of meeting financial disclosure requirements. See “—GASB Statements No. 67 and 68” below.

Assumptions used in Actuarial Valuations

While actuarial valuations express the funding status of a Pension Plan in terms of the value on a particular date, in reality they are projections of future retirement benefits and estimates of the amount of assets that will be available to pay those retirement benefits. To make these projections and estimates, actuaries use assumptions, including, but not limited to, the expected rate of return on assets, inflation rates, future pay increases, age of retirement of members, assumed rates of disability, and retiree and beneficiary life expectancies. The Pension Plan boards establish most of these assumptions. However, the State Treasurer establishes the expected rate of return. If the experience of the Pension Plans is different from these assumptions, the UAAL of the Pension Plans may increase or decrease to the extent of any variances.

State law requires that all Pension Plans conduct an actuarial experience study at least once every three years to examine the demographic and economic assumptions used in actuarial valuations to ensure those assumptions reflect actual Pension Plan experience. The experience studies use long-term assumptions, not solely influenced by short-term fluctuations. Whenever an experience study results in a change to an assumption, it could impact the Pension Plan’s UAAL or the statutory contribution calculation in subsequent actuarial valuations. The most recent Experience Studies, which studied the period from 2018 to 2021, were completed in November of 2022. The resulting salary growth, mortality and demographic assumptions were reflected in the July 1, 2022 actuarial valuation reports. There have been no changes in assumptions since the July 1, 2022 valuation. Work on the next experience study that will study the period from July 1, 2021 through June 30, 2024, will commence in the summer of 2025.

The actual rate of return on the investment of Pension Plan assets impacts the value of Pension Plan assets which, in turn, impacts the amount of the UAAL. Actual investment returns for any given fiscal year can vary widely. Investment returns were 9.1%, (7.9)%, and 28.63%, for Fiscal Years 2023, 2022, and 2021, respectively. The Treasurer sets the assumed rate of return. That rate was lowered from 7.5% to 7.3% for the June 30, 2019 actuarial valuation. It was further lowered to 7% for the June 30, 2021, and subsequent, actuarial valuations.

Methodologies used in Actuarial Valuations

The actuarial valuations of the Pension Plans use several actuarial methods to calculate the actuarial value of assets and actuarial accrued liability of the Pension Plans. These methods are generally established by State legislation. These methods include the method of amortizing the UAAL, a method of smoothing differences between market value of assets and expected value of assets, and a method of determining when pension benefits accrue for purposes of calculating actuarial liabilities. The State Legislature may change these methods which, depending on the nature of the change, can have a substantial positive or negative impact on the UAAL of the Pension Plans.

Two different methods are used to measure pension assets: market value and the actuarial value of assets (“AVA”). The market value represents the value of assets if they were liquidated on the valuation date. However, State law requires an alternative measurement method (“AVA method”) to be used. Each year, the AVA method smooths investment gains and losses for that year to reduce volatility by recognizing only 20% of the difference between the market value of assets that year and the expected AVA that year (this recognition is done on a preliminary basis and before giving effect to various adjustments). The AVA method may produce an actuarial value of assets that falls outside of what is generally considered to be a reasonable range of the market value. As of June 30, 2023, excluding the estimated value of the Lottery Contribution, the State’s portion of the aggregate market value of all of the assets of the Pension Plans, as determined by the Pension Plans’ actuaries, was approximately \$45.2 billion, as compared to the State’s portion of the aggregate actuarial value of all assets of the Pension Plans was \$47.5 billion. A portion of the difference between these two asset amounts represents the impact of this smoothing method. This smoothing not only affects asset valuations, it also effects the UAAL, funded ratios and contributions, all numbers computed using the AVA.

The main purpose of the actuarial valuation is to develop a schedule for restoring the Pension Plans to a Funded Ratio of 100%. The amortization method requires the actuary to calculate that portion of the UAAL that the State needs to contribute each year in order to accomplish that goal. Actuaries use different methods to develop such

a schedule. Excluding the CP&FPF and the POPF, the Pension Plans use the level-dollar amortization method. Previously, the State used the level percent of pay UAAL calculation method. Under the level-dollar amortization method, the actuary assumes the State will pay the same dollar amount to amortize the UAAL in each year of the amortization period. Pursuant to statute, the UAAL was being amortized over an open-ended 30-year period through the July 1, 2018 actuarial valuation for PERS, TPAF, SPRS and JRS, and through the July 1, 2017 actuarial valuation for PFRS. Beginning with the July 1, 2019 actuarial valuation for PERS, TPAF, SPRS and JRS, and the July 1, 2018 actuarial valuation for PFRS, the UAAL began to be amortized over a closed 30-year period until the remaining period reaches 20 years, when the amortization period will revert to an open-ended 20-year period. An open amortization period means that the period over which the UAAL is amortized may reset to 20 years with each actuarial valuation if the UAAL increases, whereas, in a closed amortization period, the period is reduced with each actuarial valuation.

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Historical Statutory Funding Status

The following table sets forth the historical statutory funding status of the Pension Plans for the year ended as of July 1, 2010 through the year ended as of July 1, 2023.

HISTORICAL STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
Actuarial Valuations as of July 1, 2010 through July 1, 2023
(In Millions)

Valuation Year Ending June 30,	Actuarial Value of Assets ⁽²⁾	Actuarial Accrued Liability ⁽²⁾	Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾	Funded Ratio	Market Value of Assets ⁽³⁾
2010 ⁽⁴⁾	\$47,950.5	\$72,588.5	\$24,638.0	66.1%	\$37,765.8
2011	46,736.7	75,622.0	28,885.3	61.8	40,795.3
2012	45,293.4	77,991.1	32,697.7	58.1	38,271.3
2013	44,494.5	80,051.0	35,556.5	55.6	39,486.0
2014	42,486.4	82,563.3	40,076.9	51.5	40,594.3
2015	41,397.4	85,212.0	43,814.6	48.6	38,505.9
2016 ⁽⁵⁾	39,731.6	88,800.3	49,068.7	44.7	34,698.9
2016 Rev ⁽⁶⁾	52,304.8	88,800.3	36,495.5	58.9	47,272.1
2017	51,416.6	92,150.6	40,734.0	55.8	48,354.5
2018	51,018.0	93,807.5	42,789.5	54.4	48,762.3
2019 ⁽⁷⁾	51,090.4	100,789.0	49,698.6	50.7	48,743.9
2020	51,355.2	103,118.1	51,762.9	49.8	47,833.8
2021	55,105.5	108,679.7	53,574.2	50.7	56,987.0
2022	57,211.7	111,873.3	54,661.7	51.1	53,907.7
2023	59,834.8	114,265.6	54,430.8	52.4	57,591.3

Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2010 through July 1, 2023 for all the Pension Plans.

- (1) The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67.
- (2) For a description of these terms, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” above.
- (3) The market value of assets as shown in the actuarial valuation reports for the Pension Plan and included in the table differs from the value of the investment portfolio of the Pension Plans as reported by the Division of Investment. The market value of assets of each of the Pension Plans is as set forth in the actuarial valuation reports for the Pension Plans and represents the full market value of the assets held by the Pension Plan, including expected receivable contributions from the State, local employers and participants. It also includes the estimated value of the Lottery Contribution beginning with the July 1, 2016 valuation.
- (4) The June 30, 2010 data reflects the impact on the Pension Plans of pension reforms enacted pursuant to L. 2011, c. 78, which resulted in a decrease in the State’s aggregate UAAL from \$37.1 billion to \$24.6 billion and an increase in the State’s aggregate funded ratio from 56.4% to 66.1%.
- (5) Information was derived from the original actuarial valuation reports as of July 1, 2016 and excludes the value of the Lottery Contribution.
- (6) Information was modified to include \$12.573 billion in the Actuarial Value of Assets and Market Value of Assets representing the estimated value of the Lottery Contribution as of July 1, 2016. For the fiscal year ended as of June 30, 2016, this improved the overall funded ratio of the Pension Plans from 44.7% to 58.9% as compared to the original actuarial valuation reports as of July 1, 2016.
- (7) The reduction in the funded status between the June 30, 2018 and June 30, 2019 actuarial valuations is mainly attributable to the adoption of revised actuarial assumptions based on experience investigations conducted by the Pension Plans’ actuary in 2019, and a reduction in the assumed investment rate of return used in the actuarial valuations from 7.5% to 7.3%. The revised assumptions, which were adopted by the various Pension Boards in early 2020, caused actuarial accrued liabilities to increase by \$2.656 billion or 2.6% between the June 30, 2018 and June 30, 2019 actuarial valuations. The change in the assumed rate of return increased liabilities by \$2.098 billion or 2.1%.

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Prospective Statutory Funding Status

The following table sets forth the prospective statutory funding status of the Pension Plans for the year ending June 30, 2024 through the year ending June 30, 2052. The following information constitutes forward-looking information and does not represent a prediction of actual results. The following information represents a projection of the future funded status of the Pension Plans that is based on the assumptions and methodologies used by the actuaries to prepare the actuarial valuations for the Pension Plans. The following table assumes that the State continues to make its contributions to the Pension Plan in accordance with its current funding policy, and calculations and contributions related to the Lottery Enterprise remain as set forth in the LECA. Accordingly, the following information is based on numerous assumptions and methodologies and actual results will likely differ. Investors should read carefully all of the footnotes to the following table and the related cross-references to understand the assumptions and methodologies upon which the following information is based.

The following table is based on the actuarial valuations as of June 30, 2023.

**PROSPECTIVE STATUTORY FUNDING STATUS
AGGREGATE PENSION FUND ACTUARIAL LIABILITIES AND ASSETS⁽¹⁾
For the Valuation Year Ending June 30, 2024 through June 30, 2052
(In Millions)**

Valuation Year Ending June 30	Actuarial Value of Assets (AVA) ⁽²⁾⁽³⁾	Actuarial Accrued Liability (AAL) ⁽²⁾⁽³⁾	Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾	AVA Statutory Funded Ratio ⁽²⁾
2024	\$62,494.3	\$116,596.2	\$54,101.9	53.6 %
2025	65,330.2	118,967.0	53,636.9	54.9
2026	68,324.9	121,368.2	53,043.3	56.3
2027	71,460.3	123,788.9	52,328.6	57.7
2028	74,733.0	126,226.6	51,493.6	59.2
2029	78,140.7	128,681.4	50,540.7	60.7
2030	81,666.3	131,146.4	49,480.0	62.3
2031	85,279.3	133,605.4	48,326.1	63.8
2032	88,979.4	136,055.3	47,075.8	65.4
2033	92,768.4	138,494.6	45,726.3	67.0
2034	96,641.1	140,918.0	44,277.0	68.6
2035	100,601.8	143,321.4	42,719.6	70.2
2036	104,669.4	145,718.0	41,048.7	71.8
2037	108,861.3	148,120.9	39,259.5	73.5
2038	113,197.2	150,543.4	37,346.2	75.2
2039	117,702.7	153,003.5	35,300.8	76.9
2040	122,406.6	155,523.1	33,116.5	78.7
2041	127,349.7	158,133.7	30,784.0	80.5
2042	132,565.3	160,860.2	28,294.9	82.4
2043	138,072.4	163,712.0	25,639.6	84.3
2044	143,887.1	166,693.3	22,806.2	86.3
2045	150,018.7	169,802.3	19,783.6	88.3
2046	156,490.1	173,049.4	16,559.3	90.4
2047	164,105.4	176,435.8	12,330.4	93.0
2048	172,152.9	179,962.7	7,809.7	95.7
2049	179,763.0	183,634.4	3,871.4	97.9
2050	184,158.6	187,441.6	3,283.0	98.2
2051	188,315.0	191,395.2	3,080.1	98.4
2052	192,614.4	195,500.0	2,885.6	98.5

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

⁽¹⁾ The actuarial liabilities and assets shown in this chart are based on the actuarial methods and assumptions used to determine the statutory contributions and are different from the actuarial liabilities and assets based on GASB Statement No. 67. The estimates assume an estimated rate of return of 7% for Fiscal Year 2024 and all future Fiscal Years. Projections exclude estimates for the CP&FPF and the POPF.

⁽²⁾ For a description of these terms, see “—Actuarial Valuations and Actuarial Funded Status of Pension Plans” above.
(footnotes continue on next page)

⁽³⁾ Actuarial value of assets includes the value of the Lottery Contribution. The amounts shown in this chart are based on projected Fiscal Year 2024 Net Lottery Proceeds of \$1.114 billion. Future Fiscal Years are adjusted for the receipt of projected Lottery Net Proceeds. Under LECA, the Lottery Enterprise is re-valued every five years. The first revaluation was completed on December 31, 2021. See “—Lottery Enterprise Contribution Act—Lottery Enterprise—Valuation” above.

GASB Statements No. 67 and 68

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

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

To project future employer contributions, GASB 67 requires that assumed contributions will be based on a consistent contribution pattern supported by state statute or other formally adopted policy. In the most recent GASB 67 report, as of June 30, 2023, the asset depletion projection assumed the State will make future contributions based on 100% of the full statutory contribution amount. The GASB Statements require that the discount rate used to discount projected benefits payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specific conditions to be sufficient to pay pensions of current plan members, and the pension plan assets are expected to be invested using a strategy to achieve that return; and (b) a yield or rate index on tax-exempt 20-year, AA- or higher rated municipal bonds to the extent that conditions for use of the long-term expected rate of return are not met.

The GASB 67 reports for the State are based on information from the prior Fiscal Year’s actuarial valuations of the Pension Plans, except that the information is updated to reflect market value of assets as of the date of the GASB 67 report and the information is adjusted to reflect events that the actuarial valuation assumed to occur in the Fiscal Year. Thus, the GASB 67 reports as of June 30, 2023 use information from the actuarial valuations of the Pension Plans as of June 30, 2022 subject to these adjustments.

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The results, summarized for the GASB 67 Reports as of June 30, 2023 are shown in the following chart:

GASB STATEMENT NO. 67 DISCLOSURE
Net Pension Liability Plan Fiduciary Net Position⁽¹⁾
Based on Actuarial Valuations as of July 1, 2023
(100% of Actuarially Recommended Contribution)
(In Millions)

<u>Pension Plan</u>	<u>Plan Fiduciary Net Position</u>	<u>Total Pension Liability</u>	<u>Plan Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a % of TPL</u>
PERS ⁽²⁾	\$34,831.7	\$ 71,896.2	\$ 37,064.5	48.45%
TPAF	27,130.2	78,240.1	51,110.0	34.68
PFRS ⁽³⁾	32,567.2	50,075.8	17,508.6	65.04
CP&FPF	2.2	1.5	(.7)	143.92
SPRS	2,108.7	4,373.1	2,264.5	48.22
JRS	212.6	923.5	710.8	23.03
POPF	4.7	2.4	(2.2)	191.16
Total	<u>\$96,857.2</u>	<u>\$205,512.7</u>	<u>\$108,655.5</u>	<u>47.13%</u>

⁽¹⁾ Based on Market Value as of June 30, 2023. Does not take into consideration the contribution of the Lottery Enterprise.

⁽²⁾ Of the total Net Pension Liability of \$37,064.5 million for PERS, \$22,458.0 million is the estimated State portion and \$14,606.5 million is the estimated local portion.

⁽³⁾ Of the total Net Pension Liability of \$17,508.6 million for PFRS, \$4,423.9 million is the estimated State portion and \$13,084.7 million is the estimated local portion.

Informational copies of the July 1, 2023 valuation report, which are the most recent audited valuations, are posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>. No information posted on the Division's website is incorporated by reference in this Appendix I.

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

GASB Statement No. 68 Results

GASB Statement No. 68 ("GASB 68") requires each participating employer to recognize and record as a liability on their financial statements their proportionate share of the collective net pension liability determined under GASB 67. For the Fiscal Year ending June 30, 2024, each participating employer must recognize their share of the total net pension liability of \$108,655.5 million determined as of measurement date of June 30, 2023. The State's share of the collective net pension liability as of June 30, 2023 has been determined to be \$79,421.1 million. This amount will be recorded as a liability on the State's financial statements for the fiscal year ending June 30, 2024.

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The following chart summarizes the allocation of the net pension liability of \$108,655.5 million as of July 1, 2023, as determined under GASB 68:

GASB STATEMENT NO. 68 DISCLOSURE
Allocation of Fiscal Year 2024 Net Pension Liability (NPL) per GASB 68⁽¹⁾
(In Millions)

Pension Plan	State	State Non-Employer⁽²⁾	Total State	State Colleges & Universities	Locals	Plan Net Pension Liability
PERS	\$18,947.9	\$ 122.1	\$19,070.0	\$3,510.2	\$14,484.4	\$ 37,064.5
TPAF	77.3	51,032.7	51,110.0	-	-	51,110.0
PFRS	4,220.3	2,048.4	6,268.7	191.1	11,048.8	17,508.6
CP&FPF	(0.7)	-	(0.7)	-	-	(0.7)
SPRS	2,264.5	-	2,264.5	-	-	2,264.5
JRS	710.8	-	710.8	-	-	710.8
POPF	(2.2)	-	(2.2)	-	-	(2.2)
Total	<u>\$26,217.9</u>	<u>\$53,203.2</u>	<u>\$79,421.1</u>	<u>\$3,701.2</u>	<u>\$25,533.2</u>	<u>\$108,655.5</u>

⁽¹⁾ Unaudited.

⁽²⁾ The TPAF and a portion of local government component of PFRS represent special funding situations because the State is legally responsible for making contributions directly to these plans that is used to provide retirement benefits to non-State employees. Pursuant to GASB 68, these special funding situations require the State to recognize its proportionate share of the collective NPL for these plans.

Since there is no statutory requirement that the State fund the pension costs for the State colleges and universities, the State is not required under GASB 68 to include the State college and university portion of the net pension liability, which is estimated to be \$3,701.2 million as of June 30, 2023, as a liability on its financial statements. However, the State's longstanding practice has been to pay the required pension contributions on behalf of the various State higher education institutions and it is expected that this practice will continue in the future.

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

FUNDING POST-RETIREMENT MEDICAL BENEFITS

In addition to pension benefits, the State provides post-retirement medical benefits ("PRM") for certain State and other retired employees meeting the service credit eligibility requirements. This includes retired State employees of PERS, TPAF, PFRS, SPRS, JRS and ABP; local retired TPAF and other school board employees; and some local PFRS retirees. To become eligible for this State-paid benefit, a member of the Pension Plans must retire with 25 or more years of pension service credit or a disability pension. PRM benefits are provided through the State Health Benefits Program ("SHBP") and the School Employees' Health Benefits Program ("SEHBP"). The SHBP and the SEHBP are administered by the Division of Pensions and Benefits. The benefits provided include medical, prescription drug, and Medicare Part B and Part D reimbursement for covered retirees, spouses and dependents. In Fiscal Year 2023, the State paid PRM benefits for 162,671 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may pay in future years for these costs. The chart below shows a period of stability for PRM costs during Fiscal Years 2017, 2018 and 2019. The 2020 PRM cost decrease is an anomaly attributable to the pandemic-related decrease in treatments and healthcare utilization. In Fiscal Year 2021, PRM costs rose at a 13.5% rate compared to Fiscal Year 2020 as retired employees returned to utilizing their doctors and sought treatments that had been postponed due to the pandemic. The Fiscal Year 2022 expense for PRM benefits increased by 6.6%, or \$117.5 million, to \$1.907 billion. The State spent \$2,149.1 million for PRM costs in Fiscal Year 2023, which is a 12.7% increase over Fiscal Year 2022. The Fiscal Year

2024 Appropriations Act appropriated \$2,339.4 million for PRM, an 8.9% increase over Fiscal Year 2023 PRM expenditures.

AGGREGATE STATE CONTRIBUTIONS FOR OPEB
For the Fiscal Years Ending June 30, 2016 through June 30, 2025

<u>State Fiscal Year Ending June 30,</u>	<u>OPEB Expenditure (in Millions)</u>	<u>Dollar Change Over Prior Year (in Millions)</u>	<u>Percentage Change Over Prior Year</u>
2016	\$1,826.0	n/a	n/a
2017	1,865.7	39.7	2.2%
2018	1,908.0	42.3	2.3%
2019	1,907.9	(0.1)	0.0%
2020 ⁽¹⁾	1,577.8	(330.1)	(17.3)%
2021 ⁽²⁾	1,790.1	212.3	13.5%
2022	1,907.6	117.5	6.6%
2023	2,149.1	242.1	12.7%
2024 ⁽³⁾	2,339.4	190.3	8.9%
2025 ⁽⁴⁾	2,395.0	55.6	2.3%

- (1) The State experienced a decrease in OPEB costs as healthcare utilization and treatments decreased during the pandemic.
- (2) As the effects of the pandemic abated, health care utilization rebounded as retired employees utilized their doctors and received other medical treatments and procedures that had been postponed during the pandemic.
- (3) The Fiscal Year 2024 Appropriations Act included \$2,339.4 million in appropriations for projected PRM costs.
- (4) The Governor’s Fiscal Year 2025 Budget Message recommends \$2,395.0 million in appropriations for projected PRM costs.

Governmental Accounting Standards

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

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

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

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

GASB 75 Valuation Results

The State’s portion of the total OPEB liability decreased from \$88.8 billion to \$74.9 billion between the June 30, 2022 and June 30, 2023. The decrease in the State’s OPEB liabilities is primarily attributable to a change in the municipal bond rate that is used to discount liabilities. The rate increased from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

The results of the June 30, 2023 GASB actuarial valuations are summarized in the table below:

**GASB Statement No. 75 Accounting Disclosures
Based on Measurement Date of June 30, 2022
For the Fiscal Year Ending June 30, 2023
(In Millions)**

	<u>State Retired Fund</u>	<u>Education Retired Fund</u>	<u>Local Govt Retired Fund</u>	<u>Total</u>
OPEB Liability				
(a) Retirees Receiving Benefits	\$ 9,319.8	\$ 18,276.1	\$ 7,509.1	\$35,105.00
(b) Active Participants	11,567.8	32,370.4	8,581.9	52,520.10
(c) Total	20,887.6	50,646.5	16,091.0	87,625.10
Plan Fiduciary Net Position			(58.6)	(58.6)
Net OPEB Liability	\$20,887.6	\$ 50,646.5	\$16,149.6	\$ 87,683.7

Estimated Allocation of GASB 75 Liability

<u>OPEB Fund</u>	<u>State</u>	<u>State Non- Employer*</u>	<u>Total State</u>	<u>Locals</u>	<u>Net OPEB Liability</u>
State	\$ 15,325.4	\$ 5,562.2	\$ 20,887.6		\$ 20,887.6
Education		50,646.5	50,646.5		50,646.5
Local Govt		3,373.8	3,373.8	\$ 12,775.8	16,149.6
Total	\$ 15,325.4	\$ 59,582.5	\$ 74,907.9	\$ 12,775.8	\$ 87,683.7

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

The State OPEB liability is based on plan provisions, as provided by the State, along with certain demographic and economic assumptions recommended by the State's health benefits actuarial consultant and approved by the State, which conform to the requirements of GASB 74 and 75. The entry age normal Actuarial Method is used to calculate the OPEB liability of the State and local participating employers. Many of the actuarial assumptions used to project the OPEB liability are the same as those used to determine the accrued actuarial liabilities of the Pension Plans. The discount rate used to determine the retiree healthcare liabilities is 3.54%, and is based on a 20-year tax-exempt municipal bond index. When projecting the growth of expected claims over the lifetimes of the qualifying retirees, it is assumed that pre-age 65 PPO/HMO medical benefits would increase at a rate of 6.25% in Fiscal Year 2022 and gradually decrease to a 4.5% long-term trend after seven (7) years. For post-65 PPO/HMO medical benefits, the trend rate assumption reflects premiums through plan year 2024 and projected increases in Fiscal Year 2025 of 14.35% and 13.44% for PPO premiums of State and education retirees, respectively; and 15.47% and 15.19% for HMO premiums, respectively. The Post-65 PPO/HMO Medical trend rate will gradually decline until it reaches a rate of 4.5% in Fiscal Year 2032 and all future years, and it is assumed that prescription drug benefits would increase at a rate of 8.00% for current and future retirees in Fiscal Year 2022 and taper off to a 4.5% long-term trend rate after seven (7) years. Copies of audited valuation reports are posted on the Division of Pensions and Benefits' website at: <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>. No information on that website is incorporated by reference into this Appendix I.

Anticipated federal policy changes and external factors beyond the State's control may alter the assumptions of the underlying projected State OPEB liabilities. Specifically, the implementation of the Inflation Reduction Act and procedural changes within the Centers for Medicare & Medicaid Services ("CMS"). These federal policy revisions are expected to impact the Medicare Advantage Plan and Medicare Part D Employer Group Waiver Plan ("EGWP")

benefits offered by the SHBP and SEHBP for retirees over the age of 65. The unidentified impacts of these changes make it difficult to quantify the cost implications for the State in Fiscal Year 2025.

CMS announced its plans to make changes to methodologies that impacts payments to Medicare Advantage plans beginning with Plan Year 2024 through Plan Year 2026. These changes are expected to reduce future revenues available to plans. The SHBP/SEHBP premiums for Medicare Advantage that have been negotiated for Plan Year 2024 will not change based on the CMS announcement. There will be no impact on the post-retirement medical costs paid during Fiscal Year 2024.

Post-retirement medical benefits funded from annual State appropriations reflect payments from CMS for prescription drug benefits offered to Medicare-eligible retirees. The Inflation Reduction Act will impact Medicare Part D plans sponsored by employers, such as the EGWP offered by the SHBP and SEHBP. The Inflation Reduction Act changes the revenue streams available to Medicare Part D plans. The Inflation Reduction Act restructures the federal reinsurance payments to plans, resulting in an expected reduction to plan revenue. The Inflation Reduction Act also eliminates prescription drug manufacturers' coverage gap discount payments currently received by the SHBP and SEHBP beginning in Plan Year 2025. Those payments will be replaced with a new manufacturer discount program. These changes could be offset by modifications in Direct Subsidy payments that are expected to increase EGWP revenue beginning in Plan Year 2024 and further increase in Plan Year 2025. It is not yet known what the net cost impact these changes could have on the recommended appropriations for prescription drug costs for Fiscal Year 2025.

The impact on Fiscal Year 2025 costs for the Medicare Advantage and EGWP will be determined after CMS issues its 2025 Medicare Advantage and Part D Rate Announcement in April 2024. Additionally, Direct Subsidy payments to the EGWP are based on the National Average Bid of individual market Medicare Part D plans which is published by CMS in late July. This is a critical component to understanding the impact the Inflation Reduction Act will have on Fiscal Year 2025 costs. The State will monitor annual changes and future CMS announcements to assess the impact on post-retirement costs funded by appropriations from the State's annual Appropriations Act.

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.

AT&T Services, Inc. v. Director, Division of Taxation

On March 18, 2024, AT&T Services, Inc. ("AT&T") filed a complaint in the New Jersey Tax Court contesting a December 20, 2023 final determination by the Division of Taxation denying AT&T's CBT refund claim for research and development ("R&D") carryforward credits from tax years 2011 through 2017. AT&T amended its New Jersey CBT return for tax year 2018 claiming R&D carryforward credits for 2011 through 2018. AT&T alleges that it is entitled to the R&D credits because it already claimed the credits on federal tax returns filed with the Internal Revenue Service for the tax years in question. The Division denied the R&D carryforward credits for tax years 2011 through 2017 because the taxpayer is not permitted to amend a return to claim R&D carryforward credits for tax years that are closed due to the statute of limitations. The Division accepted the R&D carryforward credit for tax year 2018, which was timely claimed within the statute of limitations. The Division's answer to the complaint is currently due on May 17, 2024. The State is vigorously defending this matter.

NL Industries, Inc. v. State of New Jersey

The Raritan Bay Slag Superfund Site (the "Site") is approximately 47 acres of real property located in the Laurence Harbor section of Old Bridge Township and Sayreville. Portions of the Site are located on State riparian lands. In 2012, the United States Environmental Protection Agency ("EPA") informed NL Industries, Inc. ("NL") that EPA believed that slag was generated, in part or in whole, by NL's (then National Lead Industries) lead-smelting facility in Perth Amboy. EPA selected a remediation remedy and named NL as the potentially responsible party subject to enforcement. On March 19, 2014, NL filed an initial complaint for contribution against the State in the Superior Court, Law Division for the costs to remediate the Site. On August 16, 2017, NL filed an amended complaint alleging that in the 1980s the State dredged areas that were impacted by hazardous substances, transported the contaminated

sediments and discharged the hazardous substances on areas of the Site, and that the State had caused, or contributed to, the discharge by virtue of the State's failure, as owner of a portion of the Site, to remove the slag after the enactment of the Spill Compensation and Control Act ("Spill Act"), *N.J.S.A. 58:10-23.11 et seq.*, in 1977. In the amended complaint, NL sought declaratory relief as to the State's liability for cleanup and removal costs, including future costs or damages. The State filed its answer denying liability and asserting defenses under the New Jersey Tort Claims Act, *N.J.S.A. 59:1-1 et seq.* The State also filed a counterclaim asserting claims under the Spill Act seeking the State's past and future remediation costs, and natural resource damages. Mediation of this matter began in 2018 and, as a result, NL withdrew its complaint and the State withdrew its counterclaim, both without prejudice. The State continues to mediate this matter with all involved parties. The State is vigorously defending this matter.

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

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

In June 2016, the Debtors filed separate bankruptcy petitions under Chapter 11 of the Bankruptcy Code and a trustee was appointed (the "Trustee"). In July 2017 the matters were consolidated and converted to Chapter 7 bankruptcy. In December 2017, the Trustee's counsel advised DEP that they were preparing an adversary complaint in Bankruptcy Court against the DEP seeking damages for DEP's take-over. After brief settlement discussions, on June 14, 2018, the Trustee filed the adversary complaint for unspecified damages, alleging, *inter alia*, a taking of Debtors' property without just compensation. DEP filed counter-claims seeking costs incurred to date by DEP abating the H₂S emissions. The parties agreed to a discovery extension to July 31, 2024. Trial is currently scheduled for October 31, 2024. The State is vigorously defending this matter.

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

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

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

Plaintiff, based out of Kansas, sells meat products and services throughout the United States. Plaintiff does not engage in meat processing or packaging in New Jersey. Rather, its operations in New Jersey are limited to storage and distribution, as it arranges for delivery of its products to a 180-mile radius market covering portions of Pennsylvania, New Jersey, New York and Maryland. In calculating its New Jersey Litter Control Fee liabilities, Plaintiff took a \$465 million deduction in 2014 and \$509 million deduction in 2015, claiming its sales to wholesalers are not subject to the Litter Control Fee under *N.J.S.A. 13:1E-216(a)*, the wholesaler-to-wholesaler exception. The Division disallowed these deductions, finding that the Plaintiff was not entitled to the wholesaler-to-wholesaler exception because even though Plaintiff's sales were all to wholesalers, the Plaintiff is a manufacturer and, thus, not

entitled to a wholesaler-to-wholesaler exemption. The Division imposed an additional Litter Control Fee to comport with the disallowance of the deductions. Plaintiff filed a complaint with the Tax Court contesting the denial of the deduction and, to invalidate the additional Litter Control Fee assessment by challenging the facial constitutionality of the Litter Control Fee statute. The Division filed an answer on July 16, 2018, and on June 14, 2019, filed a motion to dismiss the facial constitutional challenge to the Litter Control Fee. On March 12, 2020, the court granted the Division's motion and dismissed that count of the complaint. The parties cross-moved for summary judgment on the remaining counts of the complaint. On December 15, 2021, the Tax Court issued a decision denying the Plaintiff's motion for summary judgment and granting the Division's motion for summary judgment, determining that the Plaintiff is a manufacturer for purposes of the Litter Control Fee and not entitled to the wholesaler-to-wholesaler exception. On January 27, 2022, Plaintiff filed an appeal of the Tax Court's March 2020 order and December 2021 decision. On August 22, 2022, the Appellate Division granted the New Jersey Business and Industry Association's motion to appear as amicus curiae in support of Plaintiff. On October 12, 2023, the Appellate Division affirmed the Tax Court's decisions and orders dismissing all the counts of Cargill's complaint. On October 19, 2023, Cargill filed a notice of petition for certification with the New Jersey Supreme Court. On February 12, 2024, the State filed its opposition to the petition for certification. The parties await a decision from the New Jersey Supreme Court on the petition for certification. The State is vigorously defending this matter.

Gomez v. DCPD et al.

On March 12, 2012, the Plaintiff child was allegedly assaulted by her biological father, suffering severe injuries. Plaintiff alleged that the New Jersey Department of Children Protection and Permanency ("DCPP") knew that the Plaintiff's parents had a history of drug and alcohol abuse, psychiatric problems and were unemployed. The biological mother had two other children removed from her care and was in a methadone program when the Plaintiff was born. The biological father also had an extensive criminal history of domestic violence. Plaintiff claims DCPD failed to comply with its own policy and procedure, failed to remove the Plaintiff from the home, negligent training, violation of the New Jersey Child Placement Bill of Rights, and Section 1983 claims. The complaint was filed in State court on February 12, 2015. On March 11, 2015, DCPD removed the case to the U.S. District Court for the District of New Jersey and filed a motion to dismiss the complaint. The State's motion to dismiss the complaint was denied without prejudice on May 8, 2015. The Plaintiff agreed to withdraw the federal claims and the matter was remanded to State court. The State Defendants filed a motion for summary judgment, which was granted on April 24, 2023. The Appellate Division granted Plaintiff's request to file a motion for leave to appeal by May 29, 2023. The State opposed that motion, and the Appellate Division denied that motion on July 13, 2023. Plaintiff settled with co-defendants, and subsequently filed a direct appeal to the Appellate Division of the grant of summary judgment to the State Defendants. The State filed its opposition brief on March 4, 2024. The State is vigorously defending this matter.

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

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

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

On May 23, 2018, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the U.S. District Court for the District of New Jersey against the New Jersey Department of Education, New Jersey Office of Administrative Law, Commissioner of Education, and Administrative Law Judge ("ALJ") Jeffrey R. Wilson

(collectively “State Defendants”), as well as the Monroe Township Board of Education, which has since been dismissed from the case. An amended complaint was filed adding additional plaintiffs and “DOEs 1-250 similarly situated ALJs” as defendants.

Plaintiffs purport to bring class action claims against State Defendants under the Individuals with Disabilities Education Act (“IDEA”) P.L. 101-476, “Federal Preemption” and 42 U.S.C. § 1983, and alleging two separate systemic violations of the IDEA. Plaintiffs also sought to bring a class action declaratory judgment claim against State Defendants and to appeal three separate interlocutory orders of the ALJ. Among other things, Plaintiffs seek the following relief: (1) a trust fund to provide educational services to all class members for the denial of a Free and Appropriate Public Education (“FAPE”) as such term is defined in IDEA; (2) a trust fund to reimburse class members for the denial of a FAPE; (3) punitive damages; and (4) attorneys’ fees and costs.

State Defendants filed a motion to dismiss and Plaintiffs opposed that motion. On June 17, 2020, the U.S. District Court ordered the parties to show cause as to why this matter should not be consolidated with the *C.P., et al. v. NJDOE, et al.*, 1:19-cv-12807 (NLH/MJS) (“*C.P.*”). (*C.P.* is a related matter with similar claims, but only seeks injunctive and declaratory relief). The court has not issued a formal order or decision on consolidation with the *C.P.* matter. On March 25, 2021, the Plaintiffs sought to consolidate this matter (“*J.A. I*”) with three other matters, *J.A. v. MTBOE, et al.*, 1-20-cv-09498 (NLH/MJS) (“*J.A. II*”), *Joanna A., et al. v. MTBOE, et al.*, 1:21-cv-06283 (NLH/MJS) (“*J.A. III*”), and *M.D., et al. v. Vineland City Bd. of Ed., et al.*, 1:19-cv-12154 (NLH/MJS) (“*M.D.*”). The districts and the State Defendants opposed consolidation. On March 22, 2022, the U.S. District Court denied consolidation of this matter. The State is vigorously defending this matter.

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

On July 28, 2020, Plaintiff J.A., individually and on behalf of her minor child J.A., filed a complaint in the U.S. District Court for the District of New Jersey against the New Jersey Department of Education (“NJDOE”), New Jersey Office of Administrative Law (“NJOAL”), the Interim Commissioner of Education, two named Administrative Law Judges (“ALJ”) and NJDOEs 1-250 Similarly Situated ALJs (collectively, “State Defendants”), as well as the Monroe Township Board of Education (“MTBOE”). On March 23, 2021, Plaintiff Johanna A., individually and on behalf of her minor child J.A., filed a complaint in the United States District Court for the District of New Jersey against the NJDOE, NJOAL, Interim Commissioner of Education, four named ALJs and NJDOEs 1-250 Similarly Situated ALJs (collectively, the “State Defendants”), as well as MTBOE. Both complaints seek to appeal the final decision and order of an ALJ in the underlying special education due process dispute. They also allege various systemic violations of the IDEA and 42 U.S.C. § 1983; a claim of discrimination under the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.; and a claim of retaliation, pursuant to Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq. Plaintiffs seek declaratory and injunctive relief, as well as monetary relief in the form of damages, punitive damages, compensatory education, and attorneys’ fees and costs. The State Defendants filed motions to dismiss in both matters.

On March 25, 2021, the Plaintiffs filed a motion to consolidate the three J.A. matters and the M.D. matter. The districts and the State Defendants filed oppositions. On March 22, 2022, the court granted consolidation of the J.A. II and the J.A. III matters and denied consolidation with J.A. I or M.D. On March 31, 2022, the court granted in part and denied in part the State Defendants motion to dismiss. Plaintiffs filed a motion for summary judgment on March 31, 2023, which was subsequently denied. Discovery is currently ongoing. The State is vigorously defending this matter.

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

On April 29, 2019, the Jersey City Board of Education (“JCBOE”) and E.H., a minor, by his guardian ad litem, Shanna C. Givens (“Plaintiffs”) filed a complaint against the State and various State officials (collectively, the “State Defendants”) alleging that the recent amendments to the School Funding Reform Act, N.J.S.A. 18A:7F-43 to - 63 (the “Amendments”), as applied to JCBOE, and the State Defendants failure to fully fund JCBOE’s long range facilities plan (“LRF”), violate the State’s constitutional requirement to “provide for the maintenance and support of a thorough and efficient system of free public schools...”. N.J. Const. art. VIII, § 4. The Amendments at issue slowly phase out certain additional State aid previously granted to SDA Districts. The phase out of this additional State aid is

to occur over a six-year period beginning in the 2019-2020 school year. Plaintiffs allege that the reduction in State aid to JCBOE will jeopardize JCBOE's ability to provide the level of funding necessary to meet the legal standard of a "thorough and efficient" education ("T&E").

The Plaintiffs seek, among other things, a preliminary and permanent injunction enjoining the State Defendants from reducing funding to JCBOE and an order requiring the State Defendants to fully fund JCBOE's LRFP. On July 23, 2019, Plaintiffs filed a first amended complaint, which continues to allege that the reduction in State aid to JCBOE as a result of the Amendments will jeopardize JCBOE's ability to provide T&E. The State Defendants filed a motion to dismiss the first amended complaint, which was denied by the trial court on January 17, 2020. Discovery is complete. Oral argument was held on March 2, 2023. On June 15, 2023, the trial court granted the State Defendants' motion for summary judgment and denied Plaintiffs' motion for summary judgment. The Plaintiffs filed a notice of appeal on July 28, 2023. The State filed its brief in opposition on March 21, 2024. The State is vigorously defending this matter.

Lorillard Tobacco Co. v. Director, Division of Taxation

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

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

The Division appealed to the Appellate Division, and Lorillard filed a cross-appeal, re-asserting its constitutional challenges. The Tax Court issued a final judgment on Lorillard's 2012 complaint based on its reasoning regarding the 2007 complaint. Both parties again appealed and the matters were consolidated by the Appellate Division. Oral argument was held on December 14, 2020. On September 21, 2021, the Appellate Division reversed the Tax Court's decision granting Lorillard summary judgment and remanded the matter back to the Tax Court for consideration of the constitutional issues. Lorillard filed its supplemental brief with the Tax Court addressing the constitutional issues on February 24, 2022. The Division filed its brief on May 6, 2022. Oral argument was held on September 13, 2022. On October 14, 2022, the Tax Court requested additional supplemental briefing. Simultaneous briefs were submitted November 28, 2022. On June 12, 2023, the Tax Court requested additional supplemental briefing from both parties. Lorillard filed its brief on August 15, 2023, and the Division filed its brief on August 17, 2023. On September 13, 2023, the Tax Court issued an opinion dismissing Lorillard's complaints. The Tax Court found that the Division's regulation at issue violated external consistency of the Dormant Commerce Clause, but the 2020 amendment to the regulation cured the defect and applied retroactively to the tax years at issue. On October 27, 2023,

Lorillard filed a notice of appeal with the Appellate Division. Lorillard filed its brief on March 14, 2024. The Division's brief is currently due on April 19, 2024. The State is vigorously defending this matter.

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

On July 14, 2021, Plaintiff filed a corrected complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against the Administrator of the New Jersey Unclaimed Property Administration (the "Administrator"). Plaintiff challenges the Administrator's implementation of the Unclaimed Property Act, asserting that the Administrator's actions under the Act violate the federal constitution's Due Process Clause and Takings Clause. Plaintiff seeks relief both individually and on behalf of a class of similarly situated individuals, namely all individuals owning abandoned property transferred to the State under the Unclaimed Property Act over the past ten years without notice to the owners. The State filed a motion to dismiss the complaint, which was granted in part and denied in part, with leave to conduct limited expedited discovery and file an amended complaint. Plaintiff's first amended complaint purported to add a new class plaintiff, Christine Kydd. On July 8, 2022, the State filed a motion to strike the first amended complaint as exceeding the court's limited grant of authority to amend. The court granted the State's motion removing Christine Kydd as a plaintiff, and struck certain allegations of the amended complaint. On May 12, 2023, the State filed a motion for summary judgment. On December 18, 2023, the court granted summary judgment in favor of the State on Plaintiff's Due Process Clause claim and dismissed Plaintiff's Takings Clause claim for lack of subject matter jurisdiction. Plaintiff was granted leave to amend the complaint, and on January 17, 2024, Plaintiff filed a second amended complaint. On February 23, 2024, the State filed a motion to strike the second amended complaint. The State is vigorously defending this matter.

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

On July 7, 2023, Sirius XM Radio Inc. ("Sirius") filed a complaint in the New Jersey Tax Court contesting a final determination by the Division of Taxation that denied Sirius's CBT refund claims for tax years 2015 and 2016. Sirius amended its CBT returns for tax years 2015 and 2016 claiming Research and Development ("R&D") credit for Sirius's activities in the field of electronic device technology during tax years 2003 through 2007. Sirius alleges that it is entitled to CBT credit as a result of R&D activities in New Jersey and that the credit can be carried forward for a period of 15 years pursuant to N.J.S.A. 54:10A-5.24b(a). The Division denied the CBT refund request because a taxpayer is not permitted to amend a return to claim credits for carryforward periods that are closed tax years due to the statute of limitations. The Division filed its answer to the complaint on November 2, 2023. The State is vigorously defending this matter.

Shannon MacDonald, M.D., et al. v. Otto F. Sabando, in his official capacity as President of the New Jersey State Board of Medical Examiners

On December 13, 2023, plaintiffs Shannon MacDonald, M.D., a physician residing in Massachusetts, Paul Gardner, M.D., a physician residing in Pennsylvania, J.A., a minor and resident of Essex County, New Jersey, by and through his guardian and next friend Michael Abell, Michael Abell, a resident of Essex County, New Jersey, and Hank Jennings, a resident of Bergen County, New Jersey, filed a complaint in the United States District Court for the District of New Jersey seeking declaratory and injunctive relief against the President of the New Jersey State Board of Medical Examiners. Plaintiffs challenge the constitutionality of a portion of the State's telemedicine and telehealth licensure statute, specifically N.J.S.A. 45:1-62(b). Plaintiffs allege that the statutory requirement that any health care provider who uses telemedicine or engages in telehealth while providing health care services to a patient be licensed as a health care provider in the State violates the Dormant Commerce Clause, Privileges and Immunities Clause, and First Amendment of the United States Constitution, and, as to plaintiff Michael Abell, violates the Due Process Clause of the United States Constitution and his asserted right to direct his child's medical care. The State is vigorously defending this matter.

Chapter 120 Claims for Injuries Resulting from Sexual Abuse

Under *L. 2019, c. 120* ("Chapter 120"), the New Jersey Tort Claims Act was amended to revised the statute of limitations for and remove the procedural temporal bar for bringing claims of injury due to sexual abuse by minor

victims and adult victims of sexual abuse against public entities, including the State and its departments and agencies. In addition, the Chapter 120 included a two-year grace period for any for any plaintiff to bring a claim for injury due to sexual abuse.

Since the enactment of Chapter 120, numerous cases have been filed by plaintiffs for alleged abused suffered from the 1960s through present day. Some of the cases allege that plaintiffs were abused by State employees (i.e., while plaintiffs were housed in State-run residential centers). Many of these lawsuits are against Department of Children and Families (“DCF”) and/or DCF’s Division of Child Protection and Permanency (“DCPP”), filed by plaintiffs alleging that, when they were minors, they were abused by non-employee third parties and that the State is liable for failing to prevent the abuse; failing to investigate or act on complaints of abuse; or placing children in homes where abuse occurred. Cases also have been filed by plaintiffs alleging that, as juveniles, they were abused by employees of the Juvenile Justice Commission when they were residents of the New Jersey State Training School during the 1980s and 2010s. The State is unable to estimate its exposure for these Chapter 120 claims. The State is vigorously defending these matters.

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

The Office of the Inspector General (“OIG”) of the U.S. Department of Health & Human Services (“HHS”) has conducted and continues to conduct various audits of Medicaid claims for different programs administered by the State’s Department of Human Services (“DHS”). The OIG audits, which have primarily focused on claim documentation and cost allocation methodologies, recommend that certain claims submitted by DHS be disallowed. OIG submits its recommendations on disallowances to the Centers for Medicare and Medicaid Services (“CMS”) which may, in whole or in part, accept or disagree with the OIG’s recommendations. If the OIG’s recommendations are not challenged by the State or are upheld by CMS, DHS will be required to refund the amount of any disallowances. Sixteen audits, which in the aggregate total over \$900 million, are currently in draft or final form but, due to possible revisions or appeals, the final amounts are uncertain. Approximately one-third of the amount above relates to an audit of the State’s School-based Medicaid claiming. However, DHS is disputing the OIG’s audit findings. Given that the State is currently disputing and appealing the OIG audit findings, it cannot estimate any final refund amounts or the timing of any refund payments that may be due to CMS. These current audits and any future audits of Medicaid claims submitted by DHS may result in claim disallowances which may be significant. The State is unable to estimate its exposure for these claim disallowances.

The federal Disaster Relief Appropriations Act of 2013 (the “Disaster Relief Act”) appropriated approximately \$50.38 billion (later reduced by sequestration to \$47.9 billion) to various federal agencies to assist states and local communities with the impacts of Superstorm Sandy, including funding provided directly to private homeowners and businesses. The Disaster Relief Act allocated funding to OIG to conduct audits and investigations related to the expenditure of disaster relief aid. Audits are ongoing or have already been undertaken by the OIG from the U.S. Department of Homeland Security, the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, and the HHS. The State anticipates that there will be continued audit activity throughout the duration of the federally-funded Sandy programs. As with any federal OIG audit or investigation, there is the potential for an OIG recommendation that the federal agency de-obligate funding in the event of non-compliance with federal statutes or regulations.

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

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

In addition, at any given time, there are various numbers of contract and other claims against the State and State agencies, including environmental claims asserted against the State, among other parties, arising from the alleged

disposal of hazardous waste. Claimants in such matters are seeking recovery of monetary damages or other relief which, if granted, would require the expenditure of funds. The State is unable to estimate its exposure for these claims.

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

Prior to July 1, 2013, there were various numbers of claims and cases pending against the University of Medicine and Dentistry of New Jersey ("UMDNJ") and its employees, seeking recovery of monetary damages that were primarily paid out of the UMDNJ Self Insurance Reserve Fund created pursuant to the New Jersey Tort Claims Act (*N.J.S.A. 59:1-1 et seq.*). As a result of the enactment of the New Jersey Medical and Health Sciences Education Restructuring Act, *L. 2012, c. 45* (the "Restructuring Act"), all of UMDNJ was transferred to Rutgers, The State University ("Rutgers"), with the exception of the School of Osteopathic Medicine which was transferred to Rowan University ("Rowan"), and University Hospital in Newark, New Jersey, which now exists as a separate instrumentality of the State. All claims and liabilities of UMDNJ associated with the transferred facilities have been transferred to Rutgers, Rowan and University Hospital, as applicable. Pursuant to the Restructuring Act, Rutgers and Rowan each entered into a memorandum of understanding with the State Treasurer pursuant to which the State shall pay from a self-insurance reserve fund established for each entity medical malpractice claims occurring prior to and post the effective date of the transfers, which was July 1, 2013. The Restructuring Act also provides for University Hospital's medical malpractice claims to be covered by a self-insurance reserve fund established by the State Treasurer. University Hospital entered into a memorandum of understanding with the State Treasurer for such claims. All claims, other than medical malpractice claims, incurred by UMDNJ with respect to the UMDNJ facilities transferred to Rutgers will be paid for by Rutgers out of its own funds. All claims, other than medical malpractice claims, incurred by Rowan will be paid from the Tort Claims Fund. The State is unable to estimate its exposure for these claims.

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

Affirmative Litigation

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

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APPENDIX I-A
SUMMARY OF CERTAIN STATE TAXES

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

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Summary of Certain State Taxes

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

Alcoholic Beverage Tax

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

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

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

Casino Taxes, Fees, and Surcharges

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

Current Rate: 8% (both taxes).

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

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

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

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

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

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

Cigarette Tax and Tobacco and Vapor Products Tax

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

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

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

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

Corporation Business Tax (CBT)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Innovation Evergreen Act, under the jurisdiction of the NJEDA, allows the NJEDA to approve investors to make special purpose qualified investments and to administer programs that create an innovation ecosystem that supports high growth businesses in the State. *L. 2020, c. 156*. The total value of tax credits annually awarded during each of the first six years of the nine-year period shall not exceed \$60 million, and the total value of tax credits awarded over the entirety of the nine-year period shall not exceed \$300,000,000. *L. 2023, c. 98*. The Food Desert Relief program provides CBT and IPT credits in order to incentivize businesses to establish and retain new supermarkets and grocery stores in food desert communities. *L. 2020, c. 156*, amended by *L. 2021, c. 160* and *L. 2022, c. 47*. The taxpayer may claim 25 percent of the total credit in the taxable year during which the taxpayer establishes and opens the supermarket or grocery store for business and may carryforward any unused credits for 10 years. Tax credits awarded under this program are capped at \$40 million annually for each of the first six years of the nine-year period. *L. 2020, c. 156*. The New Jersey Community-Anchored Development program provides CBT and IPT credits to anchor institutions, which include universities, medical systems, and other non-profits, to incentivize the expansion of targeted industries in the State and the continued development of certain areas of the State. The Cultural Arts Incentives Program Act amends and supplements *L. 2020, c.156* and establishes a tax credit program under the jurisdiction of the NJEDA which incentivizes the establishment of cultural arts projects in New Jersey. *L. 2023, c. 197*. An eligible cultural arts institution seeking a tax credit pursuant to this program must apply for the tax credit with the NJEDA, and tax credits awarded to a cultural arts institution under this program may be applied against CBT and IPT liabilities. *L. 2023, c. 197*. Recipients of the tax credits can apply for a tax credit transfer certificate, which can be sold or assigned in full or in part in the privilege period during which the cultural arts institution receives the tax credit transfer certificate. *L. 2023, c. 197*. Tax credits under this program are capped at \$200 million annually for the first six years of the nine-year program. *L. 2020, c. 156; L. 2023, c. 98*. Certain restrictions apply to the geographical distribution of these awards. *L. 2023, c. 98*.

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

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

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

A taxpayer may apply a credit of up to \$30,000 for a commercial property and \$3,000 for a residential property in a single privilege period toward an imposed CBT or GIT, for the purchase and use of unit concrete products that utilize carbon footprint-reducing technology. *L.* 2021, *c.* 278. The law establishes a credit value of \$2 per square foot of qualified unit concrete products when the taxpayer makes a minimum purchase of 100 square feet of qualified unit concrete products. *L.* 2021, *c.* 278.

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

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

Energy Tax Receipts

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

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

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

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

Gross Income Tax (GIT)

The New Jersey Gross Income Tax (“GIT”) is imposed on enumerated categories of gross income of New Jersey resident individuals, estates and trusts. New Jersey source income, except pension and annuity income or other retirement income, such as income from Internal Revenue Code § 401(k), 403, 414, and 457 Plans (*L.* 1989, *c.* 219), of non-resident individuals, estates and trusts, is also subject to GIT. Gambling winnings of non-residents are subject

to GIT as well. *L. 1993, c. 143.* Non-residents pay GIT based on a statutory calculation which requires non-residents to compute liability as though they are residents and then prorate liability by the proportion of New Jersey source income to total income. *L. 1993, c. 178.* However, the requirement that non-residents must compute their tax liability on a prorated basis may be suspended provided New York State eliminates a similar requirement for its non-resident personal income taxpayers. *L. 1993, c. 320.* *Current Rates:* Beginning in 1996 and thereafter, further rate reductions enacted pursuant to *L. 1995, c. 165* will result in cumulative decreases from the 1993 taxable year levels of 30%, 15% and 9% for certain taxable income levels.

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

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

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

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

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

The GIT includes many of the same taxable additions as the federal income tax, but allows only certain deductions such as for personal exemptions, medical expenses, alimony payments, property taxes on principal residences and qualified contributions of certain real property interests. Gross income does not include employer-provided commuter transportation benefits for employees who participate in ride-sharing programs beginning January 1, 1997, \$1,200 is deductible, with this amount annually adjusted based on relevant C.P.I.'s. *L. 1996, c. 121; L. 2002, c. 162.* Additionally, under the "New Jersey Limited Liability Company Act," for State tax purposes, members or assignees of members of the newly created limited liability companies are treated as partners in a partnership and single member limited liability companies are treated as sole proprietorships, unless treated otherwise for federal income tax purposes. *L. 1993, c. 210; L. 1998, c. 79.* Discharge of student loan indebtedness is excluded from gross income when it is from the Total and Permanent Disability discharge process of the United States Department of Education, for a taxpayer who is a totally and permanently disabled veteran. *L. 2022, c. 125.*

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

Gross income also does not include earnings on or distributions from an individual trust account or savings account established pursuant to the New Jersey Better Educational Savings Trust Program ("NJBEST") (*L. 1997, c. 237*) or the New Jersey Achieving a Better Life Experience ("ABLE") Program (*L. 2015, c. 185*); or contributions to or distributions from a medical savings account excluded from federal gross income under 26 U.S.C. 220 (*L. 1997, c. 414*). Distributions from Roth IRAs also receive favorable tax treatment. *L. 1998, c. 57.* For taxable years beginning on or after January 1, 2022, a NJBEST account, when it is initially opened by a taxpayer with gross income of \$75,000 or less, shall be eligible for a one-time grant of up to \$750 in a dollar-for-dollar match of the initial deposit to the

account. *L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction not to exceed \$10,000, from the taxpayer's gross income for the taxable year, in the amount of the taxpayer's contribution for the taxable year to an account established pursuant to the NJBEST Program. *L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$2,500, from the taxpayer's gross income for the taxable year, in the amount of principal and interest payments paid on a student loan under the New Jersey College Loans to Assist State Students Loan ("NJCLASS") Program. *L. 1999, c. 46; L. 2021, c. 128.* A taxpayer with gross income of \$200,000 or less shall be allowed a deduction, not to exceed \$10,000, from the taxpayer's gross income for the taxable year, in the amount the taxpayer paid to an in-State institution of higher education during the taxable year, for tuition costs related to the taxpayer's enrollment or attendance at the institution of higher education or related to the enrollment or attendance of a spouse or dependent of the taxpayer at the institution. *L. 2021, c. 128.*

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

The law also provides a State-administered property tax relief program to eligible homeowner and tenant residents pursuant to the Homestead Property Tax Credit Act (the "Act"). *L. 1990, c. 61.* The Act provides minimum statutory benefits and is subject to annual appropriation. *L. 2023, c. 84* clarifies base year income eligibility criteria for the Homestead property tax benefit. *L. 2023, c. 74*, authorizes property tax benefits to eligible residents for Fiscal Year 2024, under the Affordable New Jersey Communities for Homeowners and Renters ("ANCHOR") property tax rebate program. This program includes those who reside in housing that operates under a Payment In Lieu of Taxes ("PILOT") agreement with their municipality. Homeowner residents with gross income in excess of \$150,000 but not in excess of \$250,000 for tax year 2020 are eligible for a benefit in the amount of \$1,000 of property taxes paid; homeowner residents with income of \$150,000 or less are eligible for \$1,500. *L. 2023, c. 75* provides an additional \$250 to eligible homeowner residents age 65 years or older; Tenant residents with gross income in excess of \$150,000 for tax year 2020 are excluded from the program, and tenant residents with gross income not in excess of \$150,000 for tax year 2020 are eligible for a benefit of \$450. *L. 2023, c. 75* provides an additional \$250 to eligible tenant residents age 65 years or older.

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

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

L. 2023, c. 125 establishes that if an employee's state of residence determines the source of income of nonresidents by a "convenience of the employer test," and the employee works for a New Jersey employer from a location in the employee's state of residence for the employee's own convenience, then the New Jersey employer would be required to include those days as days worked in New Jersey and withhold income tax accordingly. *L. 2023, c. 125.* This legislation does not apply to Pennsylvania residents who work in New Jersey, since there is a Reciprocal Agreement in place with that state. Further, the convenience of employer sourcing rule also does not apply to Connecticut residents who work in New Jersey, based on New Jersey's understanding that the similar Connecticut

convenience rule does not apply to New Jersey residents who work in Connecticut. The Division intends to coordinate with the Connecticut Department of Revenue Services and issue further guidance for clarification.

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

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

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

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

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

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

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

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

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

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

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

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

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

L. 2009, c. 69 provides that New Jersey State Lottery winnings from prizes exceeding \$10,000 are taxable under the GIT and authorizes the New Jersey State Lottery to withhold a percentage of such winnings for GIT. *L. 2009, c. 69.*

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

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

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

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

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

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

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

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

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

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

Insurance Premiums Tax (IPT)

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

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

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

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

L. 2011, c. 25 imposes a new tax rate on captive insurance companies. The annual minimum aggregate tax calculated for both direct premiums and assumed reinsurance premiums to be paid is \$7,500 and the annual maximum aggregate tax is \$200,000. With respect to direct premiums, captive insurers must pay a tax of .38 of 1% on the first \$20 million; .285 of 1% on the next \$20 million; .19 of 1% on the next \$20 million; and .072 of 1% on each dollar thereafter, on the direct premiums collected or contracted for on policies or contracts of insurance written by the company during the year ending December 31. Captive insurers may deduct return premiums including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. No tax is due or payable on considerations received for annuity contracts. With respect to assumed reinsurance premiums, the tax is imposed at the rate of .214 of 1% on the first \$20 million of assumed reinsurance premiums; .143 of 1% on the next \$20 million; .048 of 1% on the next \$20 million and .024 of 1% on each dollar thereafter. The reinsurance premium tax does not apply to premiums for risks or portions of risks, which are subject to taxation on a direct basis. In addition, the reinsurance premium tax does not apply in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control, when (1) the transaction is part of a plan to discontinue the operations of the other insurer and (2) the intent of the parties to the transaction is to renew or maintain the business with the captive insurance company.

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

Motor Fuels Tax

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

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

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

Petroleum Products Gross Receipts Tax

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

Current Rate: 7% for petroleum products, \$.124 per gallon for fuel oil effective November 1, 2016. *L. 2016, c.57*. Aviation fuel remains subject to tax at \$0.04 per gallon. Effective October 1, 2023, the tax on gasoline and liquefied petroleum is \$.318 cents for gasoline and is \$.358 cents for diesel fuel.

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

Year 2016. NJ Const. Art. VIII, § 2, Para. 4(b). For each State fiscal year thereafter, an amount equivalent to all revenue derived from the collection of the Petroleum Products Gross Receipts Tax shall be dedicated to the Transportation Trust Fund Account. NJ Const. Art. VIII, § 2, Para. 4(b).

Realty Transfer Tax

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

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

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

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

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

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

Sales and Use Tax (SUT)

The SUT is imposed on the receipts from: (a) the retail sale, rental or use of tangible personal property not specifically exempted by statute; (b) the retail sale of services, except for resale, including producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property and certain advertising services, subject to certain exceptions; (c) sales of food and drink by restaurants and other similar establishments; and (d) the sale, except for resale, of telecommunications. Effective October 1, 2022, sign installation services and signs sold to the end user are subject to SUT. *L. 2022, c. 97*. This tax is also imposed on the rental of hotel and motel rooms, and certain admission charges including those for professional wrestling. Effective July 1, 1992, retail sales of alcoholic beverages are also subject to this tax. *L. 1990, c. 40*. Beginning on October 1, 2018, the rental of a transient accommodation is subject to this tax and to the State Occupancy Tax unless the keys to the transient accommodation are obtained off-site from a New Jersey real estate broker. *L. 2018, c. 49*. Rentals of hotels, motels, and transient accommodations located in one of the 14 municipalities that participate in the Meadowlands revenue sharing program are subject to an additional 3% Meadowlands regional hotel use assessment. *L. 2018, c. 49; L. 2018, c. 52*. On and after August 9, 2019, transient accommodation taxes and fees are only applicable when the renter obtains the rental unit through a transient space marketplace or when the unit is professionally managed. *L. 2019, c. 235*. In addition, travel agencies and online travel agencies are now considered to be transient space marketplaces and are required to collect the transient accommodation taxes and fees.

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

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

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

Qualified businesses engaged in retail sales in a designated Urban Enterprise Zone (“UEZ”) are exempt from sales tax equal to 50% of the tax rate in effect, except on sales of alcoholic beverages, cigarettes, motor vehicles, manufacturing products, energy and medical and recreational cannabis and cannabis products sold under the Jake Honig Compassionate Use Medical Cannabis Act. *L. 1983, c. 303; L. 1990, c. 40; L. 2023, c. 282*. Medical and recreational cannabis-related supplies sold in a UEZ qualify for the 50% sales tax exemption. *L. 2023, c. 282*. Tax revenues on retail sales of cannabis items shall be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization (“CREAMM”) Fund. *L. 2023, c. 282*. Retail sales of tangible personal property (except motor vehicles and energy) and sales of services (except telecommunications services and utility services) to a qualified business for the exclusive use or consumption by such business within the UEZ were fully exempt from sales tax. *L. 2007, c. 328*. Effective January 1, 2022, *L. 2021, c. 197* limits the SUT exemption of tangible personal property for qualified businesses to the first \$100,000 of annual purchases. However, retail sales by supermarkets or grocery stores located in a food desert community, or that are located in an Urban Enterprise Zone and have received an annual certificate of eligibility from the Department of Community Affairs have an unlimited sales tax exemption. *L. 2021, c. 197; L. 2022, c. 42*. Receipts from sales of materials, supplies, or services, to a qualified business, for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing real property of the qualified business within the UEZ, were also fully exempt from SUT. However, *L. 2021, c. 197* limits this exemption to the first \$100,000 of these purchases, effective January 1, 2022. The SUT exemption is not limited when the purchase is for the exclusive use of erecting new structures or buildings on, or substantially improving, altering or repairing, the real property of the qualified business within the UEZ. *L. 2021, c. 197*. Retail sales of recreational cannabis and cannabis products sold in an UEZ are subject to the full sales tax rate and non-cannabis related retail sales made by businesses located in designated UEZs qualify for the 50% sales tax exemption. *L. 2023, c. 282*.

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

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

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

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

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

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

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

Exemptions from the SUT include, but are not limited to: prescription medicines and drugs; enumerated medical equipment and supplies; clothing (except fur clothing) and footwear; household paper products; recycling equipment; certain sales of direct mail advertising materials for distribution to out-of-State recipients and related printing and production costs; certain sales of materials and supplies for contractors' use in constructing, improving or rehabilitating housing projects financed by the New Jersey Housing and Mortgage Financing Agency and other government subsidiaries; sales of telephones, telephone lines, cables, central office equipment or station apparatus or

other similar equipment, provided that the sale is made to a service provider subject to the jurisdiction of the Board of Public Utilities or the Federal Communications Commission; coin-paid charges for coin-operated telecommunications devices; and property used directly and primarily on farms. The SUT on receipts from certain retail sales in counties in which there is an entrance to an interstate bridge or tunnel connecting New Jersey with a state which does not impose a sales and use tax or imposes such a tax at a rate at least five percentage points lower than the New Jersey rate, is reduced by 50%. *L. 1993, c. 373.* Sales and leases of new and used boats and other vessels are exempt to the extent of 50% of the tax imposed under the SUT Act, with a cap of \$20,000 on the total tax. *L. 2015, c. 170.* In addition, out-of-state boats operated and registered lawfully can be used in New Jersey in a non-commercial manner for up to 30 days per year without incurring use tax. Sales of materials integral to sand casting processes and operations are exempt from SUT. *L. 2019, c. 98.* Receipts from the sale or use of energy and utility service to or by a recovered materials manufacturing facility or by a recycled materials manufacturing facility for use or consumption directly and primarily in the production of tangible personal property is exempt from SUT for a period of seven years. *L. 2019, c. 437, L. 2021, c. 213.* Receipts from the sales of unit concrete products that utilize carbon footprint-reducing technology are exempt from SUT. *L. 2021, c. 278.* An annual SUT holiday is established for certain retail sales of computers, school computer supplies, school supplies, school art supplies, school instructional materials and sport or recreational equipment near the start of each new school year. *L. 2022, c. 21.*

Social Equity Excise Fee

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

Transfer Inheritance and Estate Tax

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

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

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

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

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

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APPENDIX II — COPIES AND FORMS OF THE INDENTURE, THE LEASE AND THE
AGREEMENT

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NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

Department of Human Services Lease Revenue Bonds

(Greystone Park Psychiatric Hospital Project)

Series 2003

TRUST INDENTURE

Dated as of

December 1, 2003

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SCHEDULE I – Terms of 2003 Bonds
EXHIBIT A – Form of Bond
EXHIBIT B – Form of Requisition

TRUST INDENTURE, dated as of December 1, 2003, by and between the **NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY**, a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “Authority”), and **WACHOVIA BANK, NATIONAL ASSOCIATION**, as Trustee (the “Trustee”).

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “State”), exercising public and essential governmental functions, organized and existing under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29 (N.J.S.A. 26:2I-1 *et seq.*, as amended (the “Act”); and

WHEREAS, the New Jersey Department of Human Services (“DHS”) owns and operates a psychiatric hospital known as the “Greystone Park Psychiatric Hospital” located in Morris County, New Jersey, and wishes to renovate and make additions to the hospital; and

WHEREAS, the Authority is authorized under the Act to undertake the financing of the acquisition, design and construction of facilities for DHS through the issuance of bonds, the net service on which shall be paid by DHS, subject to appropriation by the New Jersey State Legislature; and

WHEREAS, DHS has requested the Authority to issue bonds to finance the costs of a project (the “Project”) consisting of (i) the renovation and construction of additional facilities at or related to Greystone Park Psychiatric Hospital in Morris County, New Jersey; and (ii) the payment of the Costs of such financing; and

WHEREAS, for the purpose of providing funds for the Project, the Authority has determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the “Bonds”) pursuant to the Act and this Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (collectively, the “Indenture”) between the Authority and the Trustee; and

WHEREAS, in order to effectuate the Project, DHS shall lease the Leased Property, as defined herein, to the Authority pursuant to a Lease, dated as of December 1, 2003 (the “Lease”); and

WHEREAS, the Authority shall lease the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the “Agreement”), pursuant to which DHS will pay to the Authority but only out of monies appropriated to DHS for such purpose by the New Jersey Legislature, in such amounts and at such times, as shall be necessary for the payment of the principal of and interest on the Bonds, the Administrative Expenses of the Authority (as defined herein) and all other payments required to be made under the Agreement; and

WHEREAS, in order to finance the initial costs of the Project, the Authority intends to issue under the Indenture an initial series of Bonds entitled, "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003" (the "2003 Bonds") in an aggregate principal amount not to exceed \$25,000,000; and

WHEREAS, DHS has requested the Authority to authorize the issuance of one or more future series of Bonds (the "Future Series of Bonds"), as Additional Bonds under the Indenture for the purpose of financing the completion of the Project; and

WHEREAS, for the purpose of managing potential interest rate exposure with respect to the Future Series of Bonds, DHS has requested that the Authority authorize the entry by the Authority into one or more Qualified Swap Agreements (as defined herein) and related reimbursement or guaranty agreements with one or more Qualified Swap Providers, and take other certain action in connection therewith, all as more particularly set forth herein;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

GRANTING CLAUSE

That the Authority, in order to secure (i) the payment of the Principal Amount and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Indenture, and (ii) the payment of the Parity Obligations and the Subordinated Obligations in accordance with their terms and the provisions of the Indenture, does hereby pledge and assign to the Trustee and its successors and assigns forever the property described in paragraphs (a) and (b) below (such property being herein referred to as the "Pledged Property"):

(a) All of the Pledged Revenues (as defined herein), and all right, title and interest of the Authority to receive the Pledged Revenues; and

(b) All moneys and securities (and all investment earnings thereon) from time to time held by the Trustee hereunder in the Revenue Fund, the Debt Service Fund, and the Subordinated Obligations Fund;

TO HAVE AND TO HOLD, all and singular the Pledged Property unto the Trustee and its successors in trust forever.

IN TRUST NEVERTHELESS, under and subject to the terms and conditions herein set forth, (a) for the benefit, protection and security of (i) the Owners of the Bonds, all of which shall be of equal rank, without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise provided in the Indenture; and (ii) the owners of all Parity Obligations and Subordinated Obligations, as and to the extent provided herein; and (b) for securing the observance and performance of the Authority's obligations and of all of the conditions, agreements and terms and provisions of the Indenture;

PROVIDED, HOWEVER, that (i) such pledge and assignment of the Pledged Property is subject, in all cases, only to the provisions of the Indenture permitting the application of the

Pledged Property for the purposes and on the terms and conditions set forth in the Indenture; and (ii) such pledge and assignment of the Pledged Property created hereby as security for the payment of the Subordinated Obligations in accordance with their terms and the provisions of the Indenture shall be subject to, and subordinate and junior in all respects to, the pledge and assignment of the Pledged Property as security for the payment of the Principal Amount and Redemption Price of, and interest on, the Bonds and for the payment of the Parity Obligations. The pledge and assignment of the Pledged Property created hereby as security for the payment of the Principal Amount and Redemption Price of, and interest on, the Bonds and for the payment of the Parity Obligations shall secure the payment of the Bonds and the Parity Obligations on a parity basis and nothing contained in the Indenture or any Bond or Parity Obligation shall be deemed to confer on the Owners of any Bonds or the holders or owners of any Parity Obligations any rights to the Pledged Property which are superior or inferior to those of the Owners of any other Bonds or the holders or owners of any other Parity Obligations;

AND IT IS HEREBY COVENANTED AND AGREED that the terms and conditions upon which the Bonds are to be executed, authenticated and issued, and the Pledged Property is to be pledged and assigned, are as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used but not defined herein shall have the respective meanings set forth below, unless the context otherwise requires:

Account or **Accounts** shall mean the accounts created within the Funds established in Section 5.2.

Accountant shall mean any certified public accountant or firm of certified public accountants selected from time to time by the Authority that is (who or which may be the accountant or firm of accountants who regularly audits the books and accounts of the Authority), Independent and licensed to practice in the State. Notwithstanding anything in the Indenture to the contrary, any certified public accountant or firm of certified public accountants that regularly audits the books and accounts of the Authority and meets the requirements of the preceding sentence may be selected by the Authority to be an Accountant for purposes of the Indenture.

Accountant's Certificate shall mean a certificate executed by an Accountant.

Act shall mean the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29 (N.J.S.A. 26:2I-1, *et seq.*), as amended from time to time.

Additional Bonds shall mean any Bonds, other than the 2003 Bonds, issued by the Authority pursuant to Section 2.4 (including any Refunding Bonds) and any Bonds hereinafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III.

Additional Rent shall mean the rent specified in Section 4.2(b) of the Agreement.

Administrative Expenses shall mean ordinary, customary and recurring costs, fees, liabilities and expenses incurred by the Authority in connection with the Project, including the Annual Administrative Fee, actual costs of the Real Estate Development Division of the New Jersey Economic Development Authority incurred in connection with the Project insurance premiums and deductibles payable by or on behalf of the Authority, travel expenses, accounting, reporting and auditing costs (to the extent normally incurred in accordance with generally accepted accounting principles), litigation and legal fees and costs, whether for law firm attorneys or the State Attorney General including expert witness fees, if any, and the cost of postage, reproduction expenses and telephones, provided, however, that all the above expenses have been incurred with respect to the Project. Administrative Expenses also shall include, at any time and without limitation, the fees and expenses of the Trustee, including any amounts due the Trustee pursuant to the indemnity provisions of the Indenture (to the extent such payment is required pursuant to Section 9.5 of the Indenture, any Paying Agent or tender agents, any Fiduciaries acting under the Indenture, any Credit Facility Issuer, any Liquidity Facility Issuer, any Qualified Swap Provider and any Hedge Provider, fees and expenses of any broker-dealer, auction agent, market agent or other agent, entity or professional engaged by or on behalf of the Authority in connection with any Bonds which bear interest at a variable rate, legal and accounting fees including the fees of any Rebate Consultant, any other expenses incurred in connection with the calculation and payment of arbitrage rebate as required by the Tax Compliance Certificate hereof, and the initial and annual fees of the Rating Agencies with respect to the Bonds, to the extent such fees and expenses are not paid from the proceeds of sale of the Bonds.

Annual Administrative Fee shall mean the annual fee for the general administrative services of the Authority, which shall be determined separately for each Series of Bonds, and shall be equal to the lesser of (i) the product of .001 times the original principal amount of each Series of Bonds, or (ii) \$75,000, which shall be subject to adjustment as hereinafter described. The Annual Administrative Fee shall be payable semi-annually in advance, so long as any Bonds are Outstanding, or such other payment structure as determined by the Authority. For billings dated on or after December 31, 2003, the Annual Administrative Fee, as calculated in either (i) or (ii) above, shall be adjusted annually by a cumulative inflation factor based on the change from December 31, 2002 in the Consumer Price Index (covering the northern New Jersey/New York metropolitan area) compiled by the U.S. Department of Labor, Bureau of Labor Statistics, or such other index as reasonably represents the inflation rate. The Annual Administrative Fee shall be subject to change at the discretion of the Authority.

Aggregate Debt Service for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Bonds issued and Outstanding under the Indenture.

Agreement shall have the meaning given such term in the recitals, and any and all modifications, alterations, amendments and supplements thereto made in accordance with the provisions thereof and of the Indenture.

Authority shall mean the New Jersey Health Care Facilities Financing Authority.

Authority Resolution shall mean the resolution of the Authority authorizing the issuance of the 2003 Bonds and the execution of the Indenture and any other resolution of the Authority authorizing the issuance of Bonds or the entry by the Authority into a Parity Obligation or Subordinated Obligation.

Authorized Officer means (i) with respect to the Authority, the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Treasurer, Executive Director or Deputy Executive Director of the Authority or such other Person who is authorized by the by-laws or any resolution of the Authority to act in such capacity, and (ii) with respect to the Trustee, any Person authorized by the by-laws or any resolution of the Trustee to act in such capacity.

Authorized DHS Representative shall mean the Commissioner and any person or persons authorized to act on behalf of DHS by written certificate signed by the Commissioner containing the specimen signature of such person.

Authorized State Representative shall mean the Treasurer of the State and any person or persons authorized to act on behalf of the Treasurer by a written certificate signed by the Treasurer containing the specimen signature of each such person.

Basic Rent shall mean the rental payments to be made by DHS pursuant to Section 4.2(a) of the Agreement.

Bond or Bonds shall mean the 2003 Bonds and any Additional Bonds issued under the Indenture.

Bond Counsel shall mean any attorney or firm of attorneys selected from time to time by the Authority having recognized standing and expertise in the field of law relating to municipal finance and whose legal opinions are generally accepted by purchasers of municipal obligations.

Bond Registrar shall mean the Trustee and any other bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Authority to perform the duties of Bond Registrar enumerated in Sections 3.3 and 7.3.

Bondholder or Owner of Bonds shall mean any person who shall be the registered owner of any Bond or Bonds.

Business Day shall mean any day other than a Saturday, Sunday, legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close or a day on which the Securities Depository for the Bonds is closed.

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

Commissioner shall mean the incumbent Commissioner of the Department of Human Services of the State.

Construction Fund shall mean the Construction Fund established in Section 5.2.

Cost or Costs means all costs incurred by or on behalf of the Authority or DHS which are reasonable and necessary for carrying out the Project, including all Costs of Issuance, for which Bonds may be issued by the Authority under the Act.

Costs of Issuance shall mean all items of cost and expense directly or indirectly payable by the Authority relating to, or incurred in connection with, the authorization, execution, issuance, sale and delivery of any Series of Bonds and the investment of the proceeds thereof, including but not limited to, publication and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee and any other Fiduciary, the initial Annual Administrative Fee, the initial fees, premiums and other charges payable to any Credit Facility Issuer, Liquidity Facility Issuer, Qualified Swap Provider or Hedge Provider pursuant to any Credit Facility, Liquidity Facility, Qualified Swap Agreement or Hedge Agreement entered into in connection with any Series of Bonds, initial fees and expenses of any broker-dealer, auction agent, market agent or other agent, entity or professional engaged by or on behalf of the Authority in connection with any series of Bonds, accounting fees and expenses, legal fees and expenses of Bond Counsel and any other attorneys representing the Authority, the Treasurer, any Fiduciary, or any such Credit Facility Issuer, Liquidity Facility Issuer, Qualified Swap Provider or Hedge Provider, fees and expenses of a verification agent, financial advisor or any other professional consultant, fees and expenses of the Rating Agencies and all other fees and expenses relating to, or incurred in connection with, the authorization, execution, issuance, sale and delivery of any Series of Bonds and the investment of the proceeds thereof.

Costs of Issuance Fund shall mean the Costs of Issuance Fund established in Section 5.2.

Credit Facility shall mean any letter of credit, revolving credit agreement, agreement establishing a line of credit, reimbursement agreement, standby purchase agreement, insurance policy or contract, surety bond, commitment to purchase, or other commitment, policy, contract, agreement or arrangement, approved by an Authorized Officer of the Authority and the Treasurer and designated as a "Credit Facility" herein or in a Supplemental Indenture authorizing a Series of Bonds, pursuant to which a Person, other than the Authority or DHS, is obligated to provide funds on behalf of the Authority, upon the terms and conditions contained therein, to pay any portion of the Principal Amount or Redemption Price of and interest on such Series of Bonds coming due on any Payment Date.

Credit Facility Issuer shall mean the issuer or provider of any Credit Facility.

Credit Facility Obligations shall mean all payment and reimbursement obligations of the Authority to a Credit Facility Issuer incurred by the Authority pursuant to any Credit Facility securing or entered into in connection with all or a portion of any Series of Bonds.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Bonds, an amount equal to the sum of (i) the interest payable during such period on such Bonds except to the extent such interest is to be paid from deposits made from Bond proceeds into the Debt Service Fund, and (ii) the Principal Amount payable during such period.

Debt Service Fund shall mean the Debt Service Fund established in Section 5.2.

Defaulted Interest shall have the meaning ascribed to such term in Section 3.7(b).

Depository shall mean the New Jersey Cash Management Fund and any bank, national banking association, savings or savings and loan institution, or trust company, including the Trustee, selected by the Authority and authorized to act as a depository for moneys and securities held under the provisions of the Indenture.

Event of Default shall have the meaning given to such term in Section 8.1.

Event of Non-Appropriation shall mean the failure by the Legislature to appropriate funds to DHS for any Fiscal Year in an amount sufficient to pay when due the Rent under the Agreement coming due in such Fiscal Year.

Federal Securities shall mean (i) any direct and general obligations of, or any obligations guaranteed by, the United States of America, including, but not limited to, interest obligations of the Resolution Funding Corporation or any successor thereto, (ii) any obligations of any state or political subdivision of a state ("Refunded Municipal Obligations") which are fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holders or owners of the Refunded Municipal Obligations, and (iii) certificates of ownership of the principal of or interest on direct and general obligations of, or obligations guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System.

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

Fiscal Year shall mean, as of any date, the twelve (12) month period then comprising the fiscal year of the State. As of the date of the Indenture, the Fiscal Year of the State is comprised of the twelve (12) month period beginning on July 1 of each calendar year and ending on June 30 of the succeeding calendar year.

Fitch shall mean Fitch, Inc., and its successors and assigns.

Fund or Funds shall mean the Funds established in Section 5.2.

Hedge Agreement shall mean any agreement or agreements, other than a Qualified Swap Agreement, entered into from time to time between the Authority and any Hedge Provider which is an interest rate exchange agreement, currency exchange agreement, interest rate floor or cap agreement, float agreement, forward agreement, option, put or call or other similar agreement or arrangement intended to hedge payment, currency, interest rate, spread or similar exposure on or relating to any Series of Bonds.

Hedge Agreement Obligations shall mean all amounts payable by the Authority under any Hedge Agreement.

Hedge Provider shall mean any Person that enters into a Hedge Agreement with the Authority.

Indenture shall mean this Trust Indenture, as amended or supplemented from time to time, in accordance with the terms hereof.

Independent shall mean any Person: (a) who is not a member of the Authority; (b) who is not an officer or employee of the Authority; or (c) which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Authority, or an officer or employee of the Authority; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority shall not make such Person an employee within the meaning of this definition.

Insurer shall mean any nationally recognized company engaged in the business of insuring bonds which may from time to time insure the payment of the principal of and interest on all or a portion of the Bonds.

Interest Payment Date shall mean any date on which interest accruing on any Bond is due and payable by the Authority in accordance with terms of the Indenture and, with respect to the 2003 Bonds, shall mean March 15 and September 15, commencing September 15, 2004.

Investment Agreement shall mean any agreement: (A) with (i) a commercial bank or trust company or a national banking association in each case having a capital stock and surplus of more than \$75,000,000, or (ii) an insurance company with the highest rating provided by A.M. Best Company, or (iii) a corporation; provided that the credit of such commercial bank or trust company or national banking association, insurance company or corporation, as the case may be, is rated (or, in the case of a corporation, whose obligations thereunder are guaranteed by a corporation whose credit is rated) not lower than the rating category of any two Rating Agencies then rating the Bonds required to maintain the rating then in effect on the Bonds, or to obtain a rating on any Bonds, (B) which provides for the investment of moneys held in the Funds and Accounts, and (C) which requires that the moneys so invested must be collateralized by Investment Securities having a principal amount at least equal to one hundred two percent (102%) of the moneys so invested, as any such agreement may be amended and supplemented from time to time.

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

(i) Federal Securities;

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

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

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

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

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

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

(b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee (the "Custodian"), and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the

Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$75,000,000, or (iii) a bank approved in writing for such purpose by each Credit Facility Issuer, if any, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee.

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

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

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

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

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

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

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

(x) Obligations of any state, commonwealth or possession of the United States of America or any political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase

such obligations are rated in either of the two highest rating categories, without regard to rating subcategories, by any two Rating Agencies then rating the Bonds;

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

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

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

(xiv) Investment Agreements; and

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

Leased Property shall mean the real property and improvements described in Exhibit A of the Agreement.

Liquidity Facility shall mean any letter of credit, revolving credit agreement, agreement establishing a line of credit, reimbursement agreement, standby purchase agreement, insurance policy or contract, surety bond, commitment to purchase, or other commitment, policy, contract, agreement or arrangement, approved by an Authorized Officer of the Authority and the Treasurer and designated as a "Liquidity Facility" herein or in any Supplemental Indenture authorizing a Series of Bonds, pursuant to which a Person, other than the Authority or DHS, is obligated to purchase, or provide funds on behalf of the Authority to purchase or redeem, upon the terms and conditions contained therein, any Bonds of such Series which are tendered for purchase or redemption in accordance with the terms of the Indenture or the Supplemental Indenture authorizing such Bonds. A Liquidity Facility may be part of, or separate from, any Credit Facility securing or entered into in connection with all or a portion of the Series of Bonds of which the Bonds to which such Liquidity Facility relates are a part.

Liquidity Facility Issuer shall mean the issuer or provider of a Liquidity Facility.

Liquidity Facility Obligations shall mean all payment and reimbursement obligations of the Authority to a Liquidity Facility Issuer incurred by the Authority pursuant to any Liquidity Facility entered into in connection with all or a portion of any Series of Bonds.

Moody's shall mean Moody's Investors Service, and its successors and assigns.

Net Proceeds shall have the meaning set forth in the Agreement.

Net Proceeds Account shall mean the Net Proceeds Account established within the Construction Fund in Section 5.2.

Opinion of Bond Counsel shall mean a written legal opinion signed by Bond Counsel.

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

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

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the Principal Amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Indenture and set aside for such payment or redemption, provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article IV or the Authority shall have irrevocably instructed the Trustee to call such Bonds for redemption as provided in Article XI;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 4.6; and

(iv) Bonds deemed to have been paid as provided in subsection (b) of Section 11.1;

Owner shall mean any Person who shall be the registered owner of any Bond or Bonds. A Credit Facility Issuer or Liquidity Facility Issuer which owns Bonds by purchase or is subrogated to the rights of the Owners of the Bonds shall be an Owner for all purposes of the Indenture.

Parity Obligations shall mean any Credit Facility Obligations, Liquidity Facility Obligations and Qualified Swap Obligations which are provided for in the Indenture or in any Supplemental Indenture as being payable from, and secured by, the Pledged Property on a parity with the Bonds.

Paying Agent shall mean the Trustee, if the Trustee is then acting as Paying Agent with respect to the Bonds, and any other bank or trust company organized under the laws of any state of the United States or any national banking association designated as paying agent for any

Series of Bonds, and its successor or successors hereafter appointed in the manner provided in the Indenture.

Payment Date shall mean any date on which (i) the payment of the Principal Amount or Redemption Price of or interest on the Bonds shall be due and payable, or (ii) any amounts required to be paid by the Authority under the terms of the Parity Obligations or the Subordinated Obligations shall be due and payable.

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

Pledged Property shall have the meaning given such term in the GRANTING CLAUSE.

Pledged Revenues shall mean (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement; (ii) Qualified Swap Revenues; and (iii) any other amounts appropriated by the State Legislature and payable to the Authority or the Trustee by DHS and pledged by the Authority as security for the payment of the Bonds, the Parity Obligations and the Subordinated Obligations or received from any other source by DHS, the Authority or the Trustee and pledged by the Authority as security for the payment of the Bonds, the Parity Obligations and the Subordinated Obligations in accordance with the terms of the Indenture.

Principal Amount shall mean, as of any date of computation with respect to any Bond, the stated principal amount of such Bond due at maturity.

Project Facilities shall have the meaning given to that term in the Background section of the Agreement.

Qualified Swap Agreement shall mean, to the extent from time to time permitted by applicable law, any financial arrangement (i) that is entered into by the Authority with any Person that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Authority shall pay to such Person an amount equal to the interest accruing at a fixed rate set forth in such financial arrangement on a notional amount equal to the aggregate Principal Amount of the Outstanding Bonds of a Series, and that such Person shall pay to the Authority an amount equal to the interest accruing on an amount initially equal to the same aggregate Principal Amount as the Outstanding Bonds of such Series, at a variable rate of interest computed according to a formula set forth in such arrangement (which variable rate of interest need not be the same as the actual rate of interest borne by the Bonds of such Series) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Authority as a Qualified Swap Agreement with respect to the Outstanding Bonds of such Series.

Qualified Swap Obligations shall mean all amounts, including, but not limited to, any Qualified Swap Termination Payments, required to be paid by the Authority under the terms of any Qualified Swap Agreement.

Qualified Swap Provider shall mean any Person that enters into a Qualified Swap Agreement with the Authority whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under the Qualified Swap Agreement are guaranteed by a Person whose senior long-term debt obligations, other senior unsecured long-term obligations or claims-paying ability, are assigned a rating (at the time the Qualified Swap Agreement is entered into) no lower than the “A” category established by each Rating Agency then rating the Bonds.

Qualified Swap Revenues shall mean all amounts received by the Authority pursuant to any Qualified Swap Agreement, including, but not limited to, any Qualified Swap Termination Payments received by the Authority.

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

Rating Agency shall mean, to the extent applicable, S&P and any successor thereto, if it has assigned a rating to any Bonds, Moody’s and any successor thereto, if it has assigned a rating to any Bonds, Fitch and any successor thereto, if it has assigned a rating to any Bonds or any other nationally recognized bond rating agency and any successor thereto if it has assigned a rating to any Bonds. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the Authority to the Trustee.

Rebate Consultant shall mean a firm of investment bankers, financial consultants, attorneys or certified public accountants that is experienced in calculating amounts due to the United States of America under Section 148(f) of the Code, including without limitation the New Jersey Economic Development Authority.

Rebate Fund shall mean the Rebate Fund established in Section 5.2.

Redemption Price shall mean, with respect to any Bond, the Principal Amount thereof plus the applicable premium, if any, payable upon redemption.

Refunding Bonds shall have the meaning given such term in Section 2.5, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

Regular Record Date shall mean, in respect of a particular Series of Bonds, the first (1st) day (whether or not a Business Day) in the month of each Interest Payment Date for such Series

of Bonds, or such other day as may be determined in the Supplemental Indenture authorizing such Series of Bonds.

Rent shall mean the sum of Basic Rent and Additional Rent set forth in of the Agreement.

Requisition shall mean that form of Requisition attached hereto as Exhibit B.

Revenue Fund shall mean the Revenue Fund established in Section 5.2.

S&P shall mean Standard & Poor’s Rating Group and its successors and assigns.

Securities Depository shall mean (i) The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns, and (ii) any other Person which may hereafter act as a securities depository for any Series of Bonds.

Series shall mean all of the Bonds authenticated and delivered on original issuance and pursuant to the Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III of the Indenture or Section 4.6 of the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Payments, or other provisions.

Sinking Fund Payment shall mean with respect to any Bonds, any amount so designated herein or in any Supplemental Indenture authorizing such Bonds.

Special Record Date shall have the meaning given such term in Section 3.7.

State shall mean the State of New Jersey.

State Attorney General shall mean the Attorney General of the State or authorized representative of the State Attorney General.

Subordinated Obligations shall mean any Credit Facility Obligations, Liquidity Facility Obligations, Qualified Swap Obligations and Hedge Agreement Obligations which are designated herein or in any Supplemental Indenture relating to a Series of Bonds as being payable from, and secured by, a pledge and assignment of the Pledged Property which is subject to, and subordinate and junior in all respects to, the pledge and assignment of the Pledged Property created by the Indenture as security for the Bonds and the Parity Obligations.

Subordinated Obligations Fund shall mean the Subordinated Obligations Fund established in Section 5.2.

Supplemental Indenture shall mean that indenture supplemental to or amendatory of the Indenture, executed and delivered by the Authority in accordance with Article X.

Tax Compliance Certificate shall have the meaning given such term in Section 5.7(c).

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

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

2003 Closing Statement shall have the meaning given such term in Section 2.3(c).

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.1 **Authorization of Bonds.**

In accordance with the Act and pursuant to the provisions of the Authority Resolution and the Indenture, the Authority may issue Bonds, from time to time, as hereinafter provided, to be designated as "Department of Human Service Lease Revenue Bonds" (Greystone Park Psychiatric Hospital Project) in one or more Series. The Bonds shall be special limited obligations of the Authority payable solely from the Pledged Property. In addition to the name "Lease Revenue Bonds" ("Greystone Park Psychiatric Hospital Project"), each Series of Bonds shall include such further appropriate particular designation added to or incorporated into such title for the Bonds of any particular Series as the Authority may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Section 2.2 **Authentication and Delivery of Bonds.**

(a) The Bonds shall be executed by an Authorized Officer of the Authority and delivered to the Trustee for authentication as hereinafter provided and shall be authenticated and delivered by the Trustee to the Authority or upon its order, but only upon the receipt by the Trustee of:

- (i) A copy of the Indenture certified by an Authorized Officer of the Authority;
- (ii) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power to issue the Bonds and execute and deliver the Indenture, and the Indenture has been duly executed and delivered by the Authority, is in full force and effect and is valid and binding upon the Authority in accordance with its terms, and no other authorization for the Indenture is required; (ii) the Indenture creates the valid pledge which it purports to create in the Pledged Property, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture; (iii) the Agreement is in full force and effect and is valid and binding upon the Authority and DHS and enforceable against the Authority and DHS in accordance with its terms, subject to appropriation of all

amounts set forth therein by the Legislature, and the Bonds of such Series are entitled to the benefits of the Agreement; (iv) the Lease is in full force and effect and is valid and binding upon the Authority and DHS and enforceable against the Authority and DHS in accordance with its terms; and (v) the Bonds are valid and binding obligations of the Authority, and entitled to the benefits of the Indenture and of the Act, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Indenture; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws, judicial decisions and principles of equity affecting creditors' rights generally and judicial discretion and the valid exercise of the sovereign police powers of the State of New Jersey and of the constitutional power of the United States of America and may state that no opinion is being rendered as to the availability of any particular remedy;

(iii) Executed copies of the Lease and the Agreement, each certified to by an Authorized Officer of the Authority and an Authorized DHS Representative as being in full force and effect;

(iv) A certified copy of the Authority Resolution authorizing the Series of Bonds to be issued;

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

(vi) Such further documents and evidences of the deposit of funds with the Trustee as are required by the provisions of Section 2.4, Section 2.5 and any Supplemental Indenture relating to such Bonds.

Section 2.3 **2003 Bonds.**

(a) The Bonds shall be issued in the aggregate principal amount of \$19,125,000, shall be designated "New Jersey Health Care Facilities Financing Authority Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003", and shall be dated the date of delivery, mature on the dates and in the principal amounts, bear interest from their dated date payable on each Interest Payment Date, at the rates, and shall be subject to optional and mandatory redemption and purchase, all as set forth in Schedule I hereto.

(b) **Application of Proceeds of 2003 Bonds.** The proceeds of the 2003 Bonds shall be applied as set forth in a closing statement signed by an Authorized Officer of the Authority simultaneously with their delivery (the "2003 Closing Statement"), as follows:

(i) the amount set forth in the 2003 Closing Statement representing the Costs of Issuance of the 2003 Bonds shall be deposited in the Costs of Issuance Fund and applied to Costs of Issuance of the 2003 Bonds upon written order of an Authorized Officer of the Authority, as provided in Section 5.8 of the Indenture.

(ii) the balance of the proceeds of the 2003 Bonds as shown on the 2003 Closing Statement shall be deposited in the Construction Fund to be applied to the payment of Costs of the Project, as provided in Section 5.3 of the Indenture.

Section 2.4 **Additional Bonds.** (a) The Authority may issue one or more Series of Additional Bonds hereunder for the purpose of (i) paying any Costs of the Project, (ii) refunding all or any portion of Outstanding Bonds, (iii) repairing, reconstructing or replacing the Project Facilities or any part thereof in the event of any damage, destruction or condemnation of the Project Facilities or any part thereof, or (iv) paying any Costs of Issuance related to such Additional Bonds. The Trustee shall, at the written request of an Authorized Officer of the Authority authenticate Additional Bonds, but only upon receipt by the Trustee of the following:

(i) a copy of a Supplemental Indenture certified by an Authorized Officer of the Authority which shall, among other provisions, specify: (a) the authorized Principal Amount and designation of such Additional Bonds; (b) the purposes for which such Additional Bonds are being issued; (c) the date, and the maturity date or dates, of the Additional Bonds; (d) the interest rate or rates or the method of calculation of the interest rate or rates of the Bonds and the Interest Payment Dates therefor; (e) the denominations, and designation of the Bonds; (f) the Redemption Price, if any, and the redemption for the Additional Bonds; (g) the amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Bonds or other sources in the Funds established hereunder and in any Supplemental Indenture and provisions for the application thereof; (h) the form of the Additional Bonds, and the form of the Trustee's certificate of authentication (if applicable); (i) if applicable, provisions regarding the tender and payment of such Additional Bonds; (j) provisions, if any, for furnishing a Credit Facility with respect to such Additional Bonds; and (k) such other provisions as the Authority may deem necessary or desirable in connection with the issuance of such Additional Bonds.

(ii) a written request from DHS to the Authority pursuant to Section 3.4 of the Agreement to issue such Series of Additional Bonds signed by an Authorized DHS Representative;

(iii) an executed copy of any amendment to the Agreement or the Lease required in connection with such Additional Bonds certified to by an Authorized Officer of the Authority and an Authorized DHS Representative as being in full force and effect or an Opinion of Bond Counsel to the effect that an amendment to the Agreement or the Lease, is not necessary; and

(iv) certificates of an Authorized Officer of the Authority and an Authorized DHS Representative stating that neither the Authority nor DHS, respectively, is in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement; and

(v) a written instrument executed by the Treasurer consenting to the issuance of such Additional Bonds.

Section 2.5 **Refunding Bonds.**

(a) Additional Bonds may be issued by the Authority to refund all or any portion of Outstanding Bonds of one or more Series ("Refunding Bonds") as provided in the Supplemental Indenture authorizing such Refunding Bonds.

(b) Refunding Bonds shall be authenticated and delivered by the Trustee only upon receipt by the Trustee of the following (in addition to the documents required by Section 2.2):

(i) If applicable, instructions reasonably satisfactory to the Trustee to give due notice of redemption of all the Bonds to be redeemed on a redemption date or dates specified in such instructions subject to the provisions of Section 11.1 hereof;

(ii) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to mail notice provided for in Section 11.1 to the Owners of the Bonds being refunded;

(iii) A written instrument executed by the Treasurer consenting to the issuance of such Series of Refunding Bonds;

(iv) Either (i) moneys (including moneys withdrawn and deposited pursuant to Section 5.5(c)) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (ii) Federal Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of Section 11.1(b), which Federal Securities and moneys shall be held in trust and used only as provided in Section 11.1(b);

(v) If required, in connection with such Refunding Bonds, an executed copy of an amendment to the Agreement or the Lease, certified to by an Authorized Officer of the Authority and an Authorized DHS Representative as being in full force and effect or an Opinion of Bond Counsel to the effect that an amendment to the Agreement or the Lease, is not necessary; and

(vi) Such further documents and moneys as are required by the provisions of the Supplemental Indenture authorizing such Refunding Bonds.

ARTICLE III

GENERAL PROVISIONS OF BONDS

Section 3.1 **Form of Bonds.**

(a) The Bonds will be issued in the form of fully registered Bonds without coupons and shall be in substantially the form set forth in Exhibit A to the Indenture with such

appropriate modifications, insertions and omissions as may be set forth in the applicable Supplemental Indenture.

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

(c) The Bonds may contain or have endorsed thereon such legend, specifications and descriptive words not inconsistent with the provisions of the Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission or brokerage board, or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

Section 3.2 **Execution and Authentication of Bonds.**

(a) The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of any Authorized Officer of the Authority and its seal (or a facsimile thereof) impressed thereon and attested by the manual or facsimile signature of its Secretary or an Assistant Secretary, or in such other manner as may be required or permitted by law. In case any one or more of the Authorized Officers of the Authority who shall have signed any of the Bonds shall cease to be an Authorized Officer of the Authority before the Bonds so signed and sealed shall have been authenticated and delivered by the Trustee, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the Persons who signed or sealed such Bonds continued to hold such offices. Any Bond may be signed and sealed on behalf of the Authority by a Person or Persons who at the time of the execution of such Bonds shall be an Authorized Officer of the Authority, although at the date borne by the Bonds such person or persons may not have been an Authorized Officer of the Authority. Neither the members of the Authority, nor any person executing Bonds issued pursuant to the Act and the Indenture, shall be liable personally on the Bonds by reason of the issuance thereof.

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

Section 3.3 **Exchange, Transfer and Registry.**

(a) The Bonds shall be transferable only upon the books of the Authority which shall be kept for such purposes at the principal corporate trust office of the Bond Registrar, by the registered Owner thereof in person or by such registered Owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered Owner or such registered Owner's duly authorized attorney. Upon the transfer of any Bond, an Authorized Officer of the Authority shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bond.

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

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

Section 3.4 **Exchange and Transfer of Bonds.** All Bonds surrendered in any such exchanges or transfers shall be delivered to and cancelled by the Trustee. For every such exchange or transfer of Bonds, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Bond Registrar shall be required (a) to exchange or transfer any Bonds for a period beginning on the Regular Record Date next preceding an Interest Payment Date for such Bonds and ending on such Interest Payment Date, or for a period of fifteen days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption, or (b) to transfer or exchange any Bonds called for redemption.

Section 3.5 **Mutilated, Destroyed, Stolen or Lost Bonds.** If any Bond becomes mutilated or is lost, stolen or destroyed, an Authorized Officer of the Authority may execute and the Trustee shall authenticate and deliver a new Bond, of like maturity date, principal amount and interest rate as the Bond so mutilated, lost, stolen or destroyed, provided that (a) in the case of such mutilated Bond, such Bond is first surrendered to the Authority or the Bond Registrar, (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such

loss, theft or destruction satisfactory to the Authority together with indemnity satisfactory to the Authority and the Trustee, (c) all other reasonable requirements of the Authority are complied with, and (d) all expenses in connection with such transaction are paid by the Owner. Any Bond surrendered for transfer shall be cancelled. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute additional original contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under the Indenture, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

Section 3.6 Temporary Bonds. An Authorized Officer of the Authority may execute, in the same manner as is provided in Section 3.3, and upon the request of an Authorized Officer of the Authority, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Trustee shall authenticate and, without charge to the Owner thereof, deliver in exchange therefore, definitive Bonds of the same aggregate principal amount and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Indenture. All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

Section 3.7 Payment of Bonds and Interest Thereon.

The Principal Amount and Redemption Price of and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The Principal Amount and Redemption Price of the Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee designated by the Trustee for such payment. Interest on the Bonds shall be paid on each Interest Payment Date by check or draft drawn on the Paying Agent and mailed by the Trustee to the Owners in whose name the Bonds are registered on the registry books at the close of business on the Regular Record Date at the address of the Owners appearing on the registry books.

Section 3.8 Cancellation and Destruction of Bonds. All Bonds paid or redeemed, together with all Bonds purchased by the Trustee pursuant to Article IV, shall thereupon be promptly cancelled. Bonds so cancelled may be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its Authorized Officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Trustee.

Section 3.9 Book-Entry-Only System.

(a) The Bonds, except as may otherwise be provided in a Supplemental Indenture, shall initially be registered in the name of Cede & Co., as nominee of the Securities Depository. So long as Cede & Co. shall be the registered Owner of the 2003 Bonds, payment of semiannual interest on the Bonds shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Dates for the Bonds at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

(b) So long as the Bonds are registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any Securities Depository participant, indirect Securities Depository participant, or any beneficial owner of the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, Cede & Co. or any Securities Depository participant or indirect Securities Depository participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than Securities Depository or Cede & Co., of any notice with respect to the Bonds, or (iii) the payment to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than the Securities Depository or Cede & Co., of any amount with respect to the principal of, premium, if any, or interest on the Bonds. The Authority and the Trustee may treat the Securities Depository as the absolute registered Owner of the Bonds for the purpose of (i) payment of the Principal Amount and Redemption Price of and interest on the Bonds, (ii) giving notices with respect to the Bonds, (iii) registering transfers with respect to the Bonds, and (iv) for all other purposes. The Trustee shall pay the Principal Amount, Redemption Price, if any, of and interest on the Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to such Principal Amount, Redemption Price, if any, and interest to the extent of the sum or sums so paid. No person other than the Securities Depository shall receive a Bond evidencing the obligation of the Authority to make payments of Principal Amount, Redemption Price, if any, and interest thereon pursuant to the Indenture. Upon delivery by the Securities Depository to the Trustee of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in the Indenture shall refer to such new nominee of the Securities Depository.

(c) (i) The Securities Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of such notice to the Trustee.

(ii) An Authorized Officer of the Authority, (A) in his or her sole discretion and without the consent of any other person, may terminate the services of any Securities Depository with respect to the Bonds, and (B) shall terminate the services of any Securities Depository with respect to the Bonds upon receipt by the Authority and the Trustee of written notice from such Securities Depository to the effect that such Securities Depository has received

written notice from the Securities Depository participants or indirect Securities Depository participants having interests, as shown in the records of Securities Depository, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds to the effect, that (1) such Securities Depository is unable to discharge its responsibilities with respect to the Bonds; or (2) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, is not in the best interest of the beneficial owners of the Bonds.

(iii) Upon the termination of the services of the Securities Depository with respect to all or any portion of the Bonds pursuant to subsections 3.9(c)(ii)(A) or 3.9(c)(ii)(B)(1) hereof, or upon the discontinuance or termination of the services of the Securities Depository with respect to all or any portion of the Bonds pursuant to subsections 3.9(c)(i) or 3.9(c)(ii) hereof, after which no substitute securities depository willing to undertake the functions of Securities Depository hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, but may be registered in whatever name or names Bondholders transferring or exchanging such Bonds shall designate, in accordance with the provisions of the Indenture. Upon the determination by any party authorized herein that the Bonds (or any portion thereof) shall no longer be limited to book-entry-only form, an Authorized Officer of the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such Bonds from such book-entry-only form to a fully registered form.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Securities Depository, all payments with respect to the Principal Amount, Redemption Price, if any, of and interest on, and all notices with respect to, such Bond shall be made and given, respectively, to the Securities Depository as provided in the Letter of Representations of the Authority and the Trustee, addressed to the Securities Depository.

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

(f) The Authority hereby authorizes the Treasurer, by and on behalf of the Authority, and in consultation with an Authorized Officer of the Authority, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to continue the book-entry system or to replace the Securities Depository with another qualified Securities Depository as successor to the Securities Depository.

ARTICLE IV REDEMPTION OF BONDS

Section 4.1 **Redemption and Redemption Price.** Bonds subject to redemption prior to maturity shall be redeemable, upon notice, at such times, at such Redemption Price or Prices and upon such terms in addition to the terms contained in this Article IV or as may be specified in the Supplemental Indenture authorizing such Bonds.

Section 4.2 **Optional Redemption.** In the case of any redemption of Bonds at the option of the Authority, an Authorized Officer of the Authority shall give written notice to the Trustee of its election so to redeem such Bonds, of the redemption date, and of the Principal Amounts of the Bonds of each maturity to be redeemed (which maturities and Principal Amounts thereof to be redeemed shall be determined by an Authorized Officer of the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Indenture). Such notice shall be given at least 40 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 4.5 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agent an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee or such Paying Agent, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed. An Authorized Officer of the Authority shall promptly notify the Trustee in writing of all such payments by it to such Paying Agent.

Section 4.3 **Mandatory Redemption.** Whenever by the terms of the Indenture or any Supplemental Indenture, the Trustee is required to redeem Bonds, the Trustee shall (i) select the Bonds or portions of Bonds to be redeemed, (ii) give the notice of redemption and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agent in accordance with the terms of this Article IV.

Section 4.4 **Selection of Bonds to be Redeemed.** Unless otherwise provided in the Indenture, if less than all of the Bonds of like maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Trustee; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the amount of \$5,000 or a multiple thereof.

Section 4.5 **Notice of Redemption.**

(a) When the Trustee shall receive notice from an Authorized Officer of the Authority of the Authority's election to redeem Bonds pursuant to Section 4.2, and when redemption of Bonds is required pursuant to Section 4.3, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of like maturity are to be redeemed, the letters, numbers, CUSIP numbers, if applicable, or other

distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the Principal Amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, postage prepaid, not more than sixty (60) or less than twenty-five (25) days prior to the redemption date (or such other period as may be specified in the Supplemental Indenture authorizing the Bonds to be redeemed), to the registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail, or any defect in the notice to the registered Owner of any Bonds which are to be redeemed shall not affect the validity of the proceedings for the redemption of the Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives the notice. Any notice of redemption required to be given pursuant to this Section 4.5 shall state that no representation is made as to the correctness or accuracy of the CUSIP numbers, if any, listed in such notice or stated on the Bonds.

(b) If, at the time of the mailing of any notice of redemption of Bonds required by this Section 4.5, the Authority shall not have deposited with the Trustee or the Paying Agent, as applicable, moneys sufficient to redeem all of the Bonds called for redemption, such notice of redemption shall state that it is conditional and that the redemption of the Bonds is subject to the deposit by an Authorized Officer of the Authority with the Trustee or the Paying Agent, as applicable, of sufficient moneys to effectuate the redemption by no later than the opening of business on the proposed redemption date, and that, unless such sufficient moneys are so deposited, the notice of redemption shall be of no force or effect and the Bonds will not be redeemed on the proposed redemption date.

(c) The notice of redemption requirements set forth in this Section 4.5 may be modified by an Authorized Officer of the Authority for any Bond in order to conform to the requirements of any Securities Depository or to provide for other or additional forms of notice of redemption or time periods for the giving of the notice of redemption of the Series of Bonds of which such Bond is a part, as determined by the Authority. Any such modifications shall be made in the Supplemental Indenture authorizing the Series of Bonds of which such Bond is a part.

Section 4.6 **Payment of Redeemed Bonds.** Notice having been given in the manner provided in Section 4.5, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond, an Authorized Officer of the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the Principal Amount of the Bonds so surrendered, Bonds of like maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like

maturity 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 Bonds or portions thereof of such maturity so called for redemption shall cease to accrue and become payable. If such moneys shall not be available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE V

PLEGDED PROPERTY; FUNDS AND ACCOUNTS AND APPLICATION THEREOF

Section 5.1 **Pledge of Pledged Property.**

(a) The Bonds, the Parity Obligations and the Subordinated Obligations are special, limited obligations of the Authority payable solely from, and secured solely by, the Pledged Property as provided in the Indenture.

(b) In furtherance of and not in limitation of the GRANTING CLAUSE, the Pledged Property is hereby pledged and assigned to the Trustee as security for the payment of the Principal Amount and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Indenture and for the payment of the Parity Obligations and the Subordinated Obligations in accordance with their terms and the provisions of the Indenture; *provided, however*, that (i) such pledge and assignment of the Pledged Property is subject, in all cases, only to the provisions of the Indenture permitting the application of the Pledged Property for the purposes and on the terms and conditions set forth in the Indenture, and (ii) such pledge and assignment of the Pledged Property created hereby as security for the payment of the Subordinated Obligations in accordance with their terms and the provisions of the Indenture shall be subject to, and subordinate and junior in all respects to, the pledge and assignment of the Pledged Property created hereby as security for the payment of the Principal Amount and Redemption Price of, and interest on, the Bonds and for the payment of the Parity Obligations. The pledge and assignment of the Pledged Property created hereby as security for the payment of the Principal Amount and Redemption Price of, and interest on, the Bonds and for the payment of the Parity Obligations shall secure the payment of the Bonds and the Parity Obligations on a parity basis and nothing contained in the Indenture or any Bond or Parity Obligation shall be deemed to confer on the Owners of any Bonds or the holders or owners of any Parity Obligations any rights to the Pledged Property which are superior or inferior to those of the Owners of any other Bonds or the holders or owners of any other Parity Obligations.

(c) The Pledged Property shall immediately be subject to the lien of the pledge created by the GRANTING CLAUSE and Section 5.1(b) without any physical delivery thereof or further act, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

(d) The amounts to be received by the Authority from the Agreement, as received by the Trustee as assignee of the Authority, shall immediately be subject to the lien of the pledge thereof made hereunder to the Trustee for the benefit of the Owners of Bonds (except amounts received and deposited to the Construction Fund, the Costs of Issuance Fund and the Rebate Fund), without any physical delivery thereof, any filing, or further act, and the lien of such pledge shall be valid and binding as against all persons having claims of any kind in contract or otherwise against the Authority irrespective of whether such persons have notice thereof.

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

IT IS PROVIDED IN THE AGREEMENT THAT, NOTWITHSTANDING ANYTHING THEREIN TO THE CONTRARY, THE OBLIGATIONS OF DHS UNDER THE AGREEMENT AND THE INCURRENCE OF ANY LIABILITIES OF DHS UNDER THE AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE PAYMENT OF BASIC RENT UNDER SECTION 4.2(a) OF THE AGREEMENT AND THE PAYMENT OF ALL OTHER AMOUNTS REQUIRED TO BE PAID BY DHS UNDER THE AGREEMENT, SHALL BE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE STATE LEGISLATURE FOR SUCH PURPOSE. UPON THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION UNDER THE AGREEMENT, THE TRUSTEE, ON BEHALF OF THE OWNERS OF THE BONDS, HAS NO REMEDIES. THE TRUSTEE MAY NOT SEEK TO TERMINATE THE AGREEMENT OR TO ACCELERATE THE BONDS AND HAS NO RIGHTS TO THE PROJECT. DHS HAS NO OBLIGATION TO PAY ANY RENT WITH RESPECT TO WHICH AN EVENT OF NON-APPROPRIATION HAS OCCURRED. THE AGREEMENT SHALL NOT TERMINATE AND DHS SHALL REMAIN OBLIGATED TO PAY SUCH RENT, WITH INTEREST ON THE BASIC RENT AT THE RATE THEN IN EFFECT WITH RESPECT TO THE BONDS, AND ALL FUTURE RENT, TO THE EXTENT THAT APPROPRIATIONS TO THE PROJECT HAVE BEEN MADE.

Section 5.2 **Establishment of Funds.** (a) The following funds are hereby established and shall be held by the Trustee:

- (i) Construction Fund, and within such Fund, a Net Proceeds Account;
- (ii) Revenue Fund;
- (iii) Debt Service Fund;
- (iv) Subordinated Obligations Fund;
- (v) Rebate Fund; and
- (vi) Costs of Issuance Fund.

(b) In addition to the Funds established by subsection (a) of this Section 5.2, the Authority may establish additional Funds or Accounts in any Supplemental Indenture, which additional Funds or Accounts shall be held by the Trustee as provided in such Supplemental Resolution.

Section 5.3 **Construction Fund.**

(a) There shall be deposited in the Construction Fund from the proceeds of the Bonds the amount set forth on the 2003 Closing Statement and any moneys received for or in connection with the Project Facilities by an Authorized Officer of the Authority from any source, unless required to be otherwise applied as provided by the Indenture. All amounts held in the Construction Fund (including all investment earnings thereon) shall be applied to pay the Costs of the Project in the manner provided in this Section 5.3.

(b) There shall be paid into the Net Proceeds Account in the Construction Fund the Net Proceeds which, notwithstanding anything contained herein to the contrary, shall be applied as set forth in Section 5.6 of the Agreement, which provides, in pertinent part, that DHS may (i) apply the Net Proceeds to the prompt repair, restoration, modification or improvement of the Project facilities, or (ii) apply the Net Proceeds to the payment of the cost of any other lawful purpose of DHS or the Authority for which bonds may be issued pursuant to the Act, provided that DHS or the Authority shall deliver to the Trustee an Opinion of Bond Counsel stating that such proposed use of the Net Proceeds shall not cause interest on the Bonds to be includable in the gross income of any holder thereof for Federal income tax purposes and shall not cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, or (iii) exercise its option to purchase the Leased Property and the Project Facilities and apply the Net Proceeds thereto.

(c) The Trustee is hereby authorized and directed to make disbursements from the Construction Fund, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in, and otherwise in accordance with, a Requisition delivered by or on behalf of DHS with a copy to the Authority. The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, and the Trustee shall, upon

request of DHS or an Authorized Officer of the Authority, furnish statements in the form customarily prepared by the Trustee.

(d) The completion of the acquisition, construction, renovation and installation of the Project Facilities shall be evidenced by a certificate of an Authorized DHS Representative, which shall be filed with the Trustee, stating (i) that the acquisition, construction, renovation and installation of the Project Facilities has been completed substantially in accordance with the plans and specifications applicable thereto and that it is ready for occupancy or use, (ii) the date of such substantial completion, and (iii) the amount, if any, as set forth in such certificate required for the payment of any remaining part of the Cost of such Project Facilities to be financed from the proceeds of the Bonds. Upon the filing of such certificate, the balance in the Construction Fund established therefor may be applied, as provided in the Agreement, to pay for the cost of any other lawful purpose of DHS or of the Authority for which bonds may be issued pursuant to the Act, provided that DHS or an Authorized Officer of the Authority shall deliver to the Trustee an Opinion of Bond Counsel stating that such proposed use of the remaining proceeds of the Bonds shall not cause interest on the Bonds to be includable in the gross income of any holder thereof for Federal income tax purposes and shall not cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, or may be transferred by the Trustee to the Debt Service Fund, pursuant to written directions from Authority to the Trustee, and applied in accordance with the applicable provisions of Article V of the Indenture.

Section 5.4 **Revenue Fund.** (a) All Pledged Revenues shall be promptly deposited by an Authorized Officer of the Authority or the Trustee upon receipt thereof into the Revenue Fund. In addition, if an Authorized Officer of the Authority shall receive any moneys other than Pledged Revenues which are required by the Indenture to be deposited into the Revenue Fund, such Authorized Officer of the Authority shall promptly after receipt thereof transfer such moneys to the Trustee for deposit into the Revenue Fund.

(b) On or prior to each Payment Date, the Trustee shall, to the extent that moneys are available therefor in the Revenue Fund, cause moneys on deposit in the Revenue Fund to be withdrawn from the Revenue Fund and credited, transferred, and deposited to the following Funds and Accounts in the following order of priority the amounts set forth below; provided, however, that no moneys shall be credited, transferred and deposited into any Fund or Account listed below until the entire amount of money required to be credited, transferred and deposited to any Fund or Account listed earlier in the following order of priority shall have been so credited, transferred and deposited to such Fund or Account:

First: Into the Debt Service Fund, the amount, if any, required so that the total amount of money on deposit in the Debt Service Fund equals the amount required to be paid therefrom on such Payment Date in accordance with Section 5.5; and

Second: Into the Subordinated Obligations Fund, the amount, if any, required so that the total amount of money on deposit in the Subordinated Obligations Fund equals the amount required to be paid therefrom on such Payment Date in accordance with Section 5.6.

(c) Revenues from any prepayment of Basic Rent pursuant to the Agreement shall be transferred by the Trustee from the Revenue Fund to the Debt Service Fund, pursuant to written directions from an Authorized Officer of the Authority to the Trustee, and applied in accordance with the applicable provisions of Article V of the Indenture.

(d) Notwithstanding any other provisions of this section to the contrary, at the written direction of an Authorized Officer of the Authority the Trustee shall transfer amounts on deposit in the Revenue Fund to the Rebate Fund.

Section 5.5 **Debt Service Fund.**

(a) The Trustee shall deposit to the Debt Service Fund the amounts required to be deposited therein pursuant to Section 5.4, plus the amount of the proceeds of the sale of any Series of Bonds as set forth herein or in the Supplemental Indenture which represents accrued or capitalized interest on such Series of Bonds.

(b) The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents or to the holder or Owner of any Parity Obligation, as applicable (i) on or before each Interest Payment Date, the amount of interest payable on the Bonds on such Interest Payment Date, (ii) on or before each Payment Date, when the principal Amount of any of the Bonds shall come due, the amount required to pay, the Principal Amount of such Bonds which is coming due on such Payment Date, (iii) on or before each Payment Date for the redemption of any Bonds, the amount required to pay the Redemption Price of such Bonds, and accrued interest due and payable on the Bonds to be redeemed on such date, (iv) on or before each Payment Date for a Parity Obligation, the amount which will be due and owing and required to be paid by the Authority on such Payment Date under the terms of any Parity Obligation, and (v) as soon as reasonably practicable, the Principal Amount or Redemption Price of, or interest on, any Bonds, or any amounts due and owing under the terms of any Parity Obligation, which have already come due for payment and remain unpaid by reason of the occurrence of an Event of Non-Appropriation, together with, to the extent permitted by law, interest thereon at the rate then in effect on the applicable Bonds or at the rate provided by the terms of the applicable Parity Obligation. The Trustee shall also pay out of the Debt Service Fund the accrued interest included in the purchase price of any Bonds purchased by the Authority for retirement.

(c) Amounts may be deposited by an Authorized Officer of the Authority, in its sole discretion, in the Debt Service Fund to be applied by the Trustee, upon written direction from an Authorized Officer of the Authority, on the date specified by an Authorized Officer of the Authority, which date shall be at least twenty-five days (or such shorter period as shall be acceptable to the Trustee or as authorized in the applicable Supplemental Indenture) prior to the maturity date or the due date of any Sinking Fund Payment of any Bonds of any Series and maturity, to (i) the purchase of Bonds of such Series and maturity, or (ii) the redemption at the applicable Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to this subsection (c) shall be made at prices not exceeding the applicable Redemption Price of such Bonds plus accrued interest, and such purchases shall be made by the Trustee as directed in writing from time to time by an Authorized Officer of the Authority. The principal amount of any Bond purchased by the Trustee in accordance with this subsection (c) shall be credited against the next succeeding maturity date or Sinking Fund Payment due date for

such purchased Bond, unless an Authorized Officer of the Authority shall otherwise instruct the Trustee in writing.

(d) In the event of the refunding of any Bonds, the Trustee shall, if an Authorized Officer of the Authority so directs in writing, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to the payment of the Principal Amount or Redemption Price of or interest on the Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the Principal Amount or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to Section 11.1(b).

(e) Notwithstanding any other provision of this Section to the contrary, at the written direction of an Authorized Officer of the Authority, the Trustee shall transfer amounts on deposit in the Debt Service Fund to the Rebate Fund.

Section 5.6 Subordinated Obligations Fund.

(a) Subject to the provisions of subsection (b) of this Section 5.6, on or before each Payment Date for a Subordinated Obligation, the Trustee shall withdraw from the Subordinated Obligations Fund the amount which will be due and owing and required to be paid by the Authority on such Payment Date under the terms of any Subordinated Obligation and shall cause such amount to be paid to the holder or Owner of such Subordinated Obligation.

(b) Notwithstanding anything herein to the contrary, if on any Payment Date for any Series of Bonds or any Parity Obligation, the amount on deposit in the Debt Service Fund shall be less than the amounts needed to pay the Principal Amount or Redemption Price of, or interest on, any Bonds or any amounts due and owing under the terms of any Parity Obligation coming due on such Payment Date, the Trustee shall withdraw and transfer from the Subordinated Obligations Fund and deposit into the Debt Service Fund the amount necessary (or all moneys in the Subordinated Obligations Fund, if necessary) to make up such deficiency.

(c) Notwithstanding any other provision of this Section to the contrary, at the written direction of an Authorized Officer of the Authority, the Trustee shall transfer monies on deposit in the Subordinated obligations Fund to the Rebate Fund.

Section 5.7 Rebate Fund.

(a) The Rebate Fund established pursuant to Section 5.2 shall constitute a special trust fund to be held by the Trustee, which Fund shall be used for the purpose of paying to the United States of America the amount required to be rebated with respect to the Bonds pursuant to Section 148(f) of the Code, which Rebate Fund shall be held by the Trustee separate and apart from all other Funds and Accounts established under the Indenture and from all other moneys of the Trustee. The Rebate Fund shall be maintained until the later of (i) the date sixty (60) days after the retirement of the Bonds issued under the Indenture, or (ii) the date the Trustee is informed by an Authorized Officer of the Authority that 100% of the aggregate amount required

to be rebated to the United States of America has been paid. All amounts in the Rebate Fund, including income earned from investment of amounts in the Rebate Fund, shall be held by the Trustee free and clear of the lien of the Indenture.

(b) The Trustee shall maintain records of the investment of all Funds and Accounts under the Indenture. Such records shall specify the account, subaccount or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment, (i) the purchase price of the investment, including accrued interest, (ii) identifying information including the par amount, coupon rate and payment dates, (iii) the amount received at maturity or sale price, including accrued interest, (iv) the amounts and dates of any payments made with respect to the investment, and (v) the date of acquisition and disposition or maturity.

(c) The Authority agrees to prepare and file (or engage a Rebate Consultant to prepare and file) with the Trustee a report setting forth the amount required to be rebated to the United States determined in accordance with, and at the times required by the tax compliance certificate delivered by DHS in connection with the issuance of the Bonds (the "Tax Compliance Certificate"). The Authority shall deposit amounts in the Rebate Fund sufficient to satisfy such requirements in accordance with the Tax Compliance Certificate, but only to the extent of moneys pledged hereunder for that purpose.

(d) Notwithstanding anything to the contrary contained in the Indenture, an Authorized Officer of the Authority shall direct the Trustee to withdraw from the Rebate Fund or any other Fund or Account under the Indenture and pay over to the United States of America the amount required to be rebated with respect to the Bonds pursuant to Section 148(f) of the Code at the times and in the amounts specified in the Tax Compliance Certificate. Each payment to the United States of America shall be sent to the location described in the Tax Compliance Certificate and shall be accompanied by any information required by the Tax Compliance Certificate.

(e) The Trustee shall retain records of the determinations of the amounts required to be deposited in the Rebate Fund, the proceeds of any investment of moneys in the Rebate Fund, and of the amounts paid to the United States of America with respect to the Bonds, until the date six (6) years after such Bonds have been retired.

(f) The provisions of this Section 5.7 are intended to comply with Section 148 of the Code and if, as a result of a change in such Section of the Code or the Treasury Regulations thereunder, a change in this Section 5.7 shall be necessary, then an Authorized Officer of the Authority shall be empowered to amend this Section 5.7, without the consent of the Bondholders or the Trustee, to the extent permitted, necessary or desirable to comply with the provisions of Section 148 of the Code; provided, however, that an Authorized Officer of the Authority or Trustee shall require, prior to the effectiveness of any such amendment, an Opinion of Bond Counsel to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Bonds, or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on any Bonds.

(g) The Trustee shall have no responsibility for the computation of amounts required to be rebated to the United States of America or the verification of amounts required to be rebated to the United States of America calculated by or on behalf of the Authority.

(h) The Trustee shall have no further obligation for the preparation of the rebate calculation or the filing or payment thereof.

(i) In connection with its responsibilities set forth in this Section 5.7, an Authorized Officer of the Authority may engage a Rebate Consultant to assist the Authority in connection with the calculation of any amounts due to the Internal Revenue Service hereunder. Any costs incurred by the Authority with respect to the performance of its obligations under this Section 5.7 shall constitute an Administrative Expense.

Section 5.8 **Costs of Issuance Fund.** There shall be deposited into the Costs of Issuance Fund that portion of the proceeds of each Series of Bonds and any other moneys that are to be applied to pay the Costs of Issuance of such Series of Bonds as shall be set forth herein and each Supplemental Resolution authorizing such Series of Bonds. Amounts on deposit in the Costs of Issuance Fund shall be disbursed by the Trustee to pay Costs of Issuance upon a written requisition or instruction signed by an Authorized Officer of the Authority.

ARTICLE VI

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENTS OF FUNDS

Section 6.1 Depositaries.

All moneys required to be held by the Trustee under the provisions of the Indenture shall be deposited with the Trustee, and the Trustee may deposit such moneys with one or more Depositaries in trust for the Trustee upon written direction of an Authorized State Representative. All moneys deposited under the provisions of the Indenture with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes thereof.

Section 6.2 Deposits.

(a) All moneys held by any Depositary under the Indenture may be placed on demand or time deposit, if and as directed by an Authorized State Representative, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. The Authority and the Trustee shall not be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of any Fiduciary as a Depositary, which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by an Authorized State Representative

and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(b) All moneys held under the Indenture by the Trustee, any other Fiduciary or any Depositary shall be insured by the Federal Deposit Insurance Corporation and to the extent not so insured, shall be continuously and fully secured for the benefit of the Authority and the Owners of the Bonds, either (i) by lodging with the Trustee as collateral security, Federal Securities having a market value not less than the amount of such moneys, or (ii) in such other manner as may then be required by applicable federal or State laws and regulations to provide security for the deposit of public funds or to grant a preference to the depositor thereof; provided, however, that it shall not be necessary for the Fiduciaries or Depositaries to give security under this subsection (a) of Section 6.2 if and to the extent such deposits and/or Fiduciaries or Depositaries meet the applicable requirements set forth in subparagraphs (iv) or (v) of the definition of Investment Securities, or such moneys are on deposit with the New Jersey Cash Management Fund or are entitled to the benefits of the New Jersey Governmental Unit Deposit Protection Act.

(c) All moneys deposited with the Trustee and each Depositary shall be credited to the particular Fund to which such moneys belong.

Section 6.3 Investment of Certain Funds.

(a) Moneys held in the Revenue Fund and Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Federal Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Moneys held in any other Fund or Account may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund or Account. The Trustee shall make all such investments of moneys held by it in accordance with telephonic or facsimile instructions received from an Authorized State Representative, promptly confirmed in writing, a copy of which shall be delivered to the Authority. The Authorized State Representative will instruct the Trustee, in making any investment in any Investment Securities with moneys in any Fund established under the Indenture, to combine such moneys with moneys in any other Fund, but solely for purposes of making such investment in such Investment Securities.

(b) Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments) earned on any moneys or investments in the Construction Fund shall remain in such Fund. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments) earned on any moneys or investments in any Funds other than the Construction Fund shall be paid into the Revenue Fund, provided that on or prior to the completion of the Project Facilities, such interest shall, upon direction of an Authorized State Representative, be transferred to the Construction Fund.

(c) Nothing in the Indenture shall prevent any Investment Securities acquired as investments of funds held under the Indenture from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Section 6.4 **Sale of Investments.**

(a) Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of the Indenture shall be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to the computation of net interest earned on the moneys and investments of such Fund or Account.

(b) Except as otherwise provided in the Indenture, the Trustee shall sell at the best price obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever either shall be requested in writing by an Authorized State Representative so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

ARTICLE VII

PARTICULAR COVENANTS OF THE AUTHORITY

The Authority covenants and agrees with the Trustee and the Bondholders as follows:

Section 7.1 **Payment of Bonds, Parity Obligations and Subordinated Obligations.** The Authority shall duly and punctually pay or cause to be paid, but solely from the Pledged Property, (a) the Principal Amount or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof; and (b) according to the terms thereof, all payments on each Parity Obligation and Subordinated Obligation as and when the same shall become due and payable.

Section 7.2 **Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall not be entitled, in case of any default under the Indenture, to the benefit of the Indenture or to any payment out of the Pledged Property pledged under the Indenture, until the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 7.3 **Offices for Servicing Bonds.** The Authority shall at all times maintain one or more agencies within or without the State, where Bonds may be presented for payment, transfer or exchange, and where notices, demands and other documents may be served upon an Authorized Officer of the Authority in respect of the Bonds or of the Indenture. The Authority hereby appoints the Trustee as Bond Registrar to maintain an agency for the registration, transfer or exchange of Bonds, and for the service upon an Authorized Officer of the Authority of such notices, demands and other documents and the Trustee shall continuously maintain or make arrangements to provide such services. The Authority hereby appoints the Paying Agent as its agent for the payment or redemption of Bonds.

Section 7.4 **Further Assurance.** At any and all times the Authority shall, to the extent it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the Pledged Property hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Section 7.5 **Power to Issue Bonds and Pledge and Assign Pledged Property and other Funds.** The Authority is duly authorized under all applicable laws to create and issue the Bonds and to execute and deliver the Indenture and to pledge and assign the Pledged Property in the manner and to the extent provided in the Indenture. Except to the extent otherwise provided in the Indenture, the Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Indenture, and all corporate or other action on the part of the Authority and each Authorized Officer of the Authority to that end has been and will be duly and validly taken. The Bonds and the provisions of the Indenture are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Bondholders against all claims and demands of all Persons whatsoever.

Section 7.6 **Creation of Liens.** Except as otherwise provided herein, the Authority shall not issue any bonds, notes or other evidences of indebtedness of similar nature, other than the Bonds, which are payable out of or secured by a pledge or assignment of the Pledged Property and shall not create or cause to be created any lien or charge on the Pledged Property; provided, however, that nothing contained herein shall prevent the Authority from issuing, if and to the extent permitted by law (i) evidences of indebtedness payable out of or secured by a pledge and assignment of the Pledged Property on and after such date as the pledge of the Pledged Property provided herein shall be discharged and satisfied as provided in Section 11.1, (ii) Parity Obligations or (iii) Subordinated Obligations.

Section 7.7 **Deposit of Basic Rent with Trustee; Enforcement and Amendment of Agreement.** The Authority and the Trustee, as assignee of the Authority, shall collect and forthwith cause to be deposited with the Trustee any and all Basic Rent payable to the Authority pursuant to the Agreement which constitutes part of the Pledged Property, and shall direct DHS

to pay all amounts of Basic Rent directly to the Trustee. The Authority shall enforce, for the benefit of the Trustee, the Bondholders, and each Credit Facility Issuer, Liquidity Facility Issuer, Qualified Swap provider and Hedge Provider, the provisions of Article IV of the Agreement (other than Section 4.2(b)). In addition, the Trustee shall have the concurrent right to enforce directly the provisions relating to the payment of Basic Rent under Section 4.2(a) of the Agreement and the provisions relating to rebate and tax covenants set forth in Section 6.9 of the Agreement. Other than in connection with the issuance of Refunding Bonds pursuant to the Indenture, the Authority will not consent or agree to or permit any amendment, change or modification to the Agreement which would reduce Basic Rent payable to the Authority or extend the times when such Basic Rent payments are to be made thereunder.

Section 7.8 Accounts and Reports.

(a) The Authority shall keep or shall cause the Trustee to keep proper books of record and account in which complete and correct entries shall be made of its transactions relating to the Project which shall at all reasonable times, upon prior reasonable notice, be subject to the inspection of the Authority or the Trustee, as the case may be.

(b) The Trustee shall advise an Authorized Officer of the Authority promptly, by facsimile within three (3) Business Days after the end of each month, of its transactions during such month, relating to each Fund, Account or subaccount held by it under the Indenture.

(c) The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture shall be available for the inspection of Owners of the Bonds at the principal corporate trust office of the Trustee.

Section 7.9 Covenant Not to Affect the Tax-Exempt Status of the Bonds. The Authority covenants and agrees that it will not take any action or fail to take any action which would cause interest on any Series of Bonds, the interest on which is excludable from gross income for federal income tax purposes under Section 103 of the Code, to lose such exclusion from gross income or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

Section 7.10 Compliance with the Authority Resolution, the Indenture, the Lease, the Agreement, and the Act. The Authority shall at all times do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act, the Authority Resolution, the Indenture, the Lease and the Agreement, including, but not limited to, the exercise of its remedies thereunder. Upon the date of authentication and delivery of any of the Bonds, all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed, and the issuance of such Bonds, together with all other provisions of the Indenture, shall comply in all respects with the applicable laws of the State.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

Section 8.1 Events of Default.

(a) Each of the following events shall constitute an Event of Default under the Indenture:

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

(ii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than 25% in Principal Amount of the Bonds Outstanding, provided that if the default can not reasonably be cured within 60 days, no Event of Default shall be deemed to have occurred hereunder so long as the Authority commences such cure within the aforesaid 60-day period and diligently prosecutes the same to completion.

(b) If an Event of Default shall have occurred and be continuing, then, and in each such case, the trustee or Holder of any Bonds may (i) sue to collect sums due under such Bonds or to enforce and protect the rights of the Holders of such Bonds and (ii) compel, to the extent permitted by law, by mandamus or otherwise, the performance by the Authority of any covenant made in the Indenture or the Bonds.

(c) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay, from the sources provided in the Indenture, on the respective Interest Payment Dates, redemption dates or dates of maturity and places therein expressed, the principal or Redemption Price of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of its Bonds.

(d) NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 8.1 TO THE CONTRARY, A FAILURE BY THE AUTHORITY TO PAY, WHEN DUE, THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON ANY BOND, OR ANY AMOUNT REQUIRED TO BE PAID BY THE AUTHORITY UNDER THE TERMS OF ANY PARITY OBLIGATION OR ANY SUBORDINATED OBLIGATION IN ACCORDANCE WITH THE INDENTURE, THE BONDS OR THE TERMS OF ANY PARITY OBLIGATION OR ANY SUBORDINATED OBLIGATION, OR A FAILURE BY THE AUTHORITY TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED HEREUNDER OR UNDER THE BONDS, THE PARITY OBLIGATIONS OR THE SUBORDINATED OBLIGATIONS RESULTING FROM THE OCCURRENCE OF AN EVENT OF NON-

APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THIS SECTION 8.1.

Section 8.2 **Accounting and Examination of Records after Event of Default.**

(a) The Authority covenants that if an Event of Default shall have occurred and shall not have been remedied, the books of record and account of the Authority and all other records relating to the Project, which are kept by the Authority pursuant to Section 7.8, shall at all reasonable times, upon prior reasonable notice, be subject to the inspection and use by the Trustee and by its agents and attorneys.

(b) The Authority covenants that if an Event of Default shall occur and shall not have been remedied, the Authority, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Section 8.3 **Application of Funds and Moneys after Event of Default.**

(a) During the continuance of an Event of Default, the Trustee, except as otherwise provided in Section 8.5, shall apply the Pledged Property received by the Trustee pursuant to any right given or action taken under the provisions of this Article as follows and in the following order:

(i) To the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, including, without limitation, the reasonable fees and expenses of counsel to the Fiduciaries;

(ii) To the payment of the Principal Amount or Redemption Price of and interest on the Bonds then due and all amounts due and payable under the terms of the Parity Obligations and the Subordinated Obligations, as follows:

First: To the payment to the Owners thereof entitled thereto, and the holders and owners of all Parity Obligations entitled thereto, of all installments of interest then due on the Bonds and the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on any Bonds previously called for redemption and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each Bond and Parity Obligation, without preference or priority of any Bond or Parity Obligation over any other Bond or Parity Obligation; and

Second: To the payment to the Owners thereof entitled thereto, and to the holders and owners of all Parity Obligations entitled thereto, to the extent permitted by law, of interest on the amounts described in Paragraph First of this subparagraph (ii) of subsection (a) of Section 8.3 at the rate in effect on the applicable Bonds and Parity

Obligations, from the last date to which interest on the Bonds and the Parity Obligations has been paid; and

Third: To the payment to (i) the Owners thereof entitled thereto of the unpaid Principal Amount or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for mandatory sinking fund redemption, in the order of their due dates, and (ii) the holders and owners of the Parity Obligations of all amounts due and payable under the terms of the Parity Obligations in the order of their due dates; provided, however, that if the amount available shall not be sufficient to pay in full the Principal Amount or Redemption Price of the Bonds due on any date or all amounts due and payable under the terms of the Parity Obligations on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond and Parity Obligation, without preference or priority of any Bond or Parity Obligation over any other Bond or Parity Obligation; and

Fourth: To the payment to the holders and owners of the Subordinated Obligations of all amounts due and payable under the terms of the Subordinated Obligations in the order of their due dates and, if the amounts available are insufficient to pay in full all amounts due and payable under the terms of the Subordinated Obligations, then to the payment thereof ratably, without preference or priority of any Subordinated Obligation over any other Subordinated Obligation.

(iii) Any amounts remaining after payment of all amounts due and payable under subsection (a) above shall be paid to the Authority for the payment of any Administrative Expenses, with any balance being paid to the DHS.

(b) If and whenever all amounts due and payable in respect of the Bonds, the Parity Obligations and the Subordinated Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Section 8.4 **Proceedings Brought by Trustee.**

(a) If an Event of Default shall occur and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners 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 Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the

enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

(b) All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

(c) The Owners 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.

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

(e) Regardless of the occurrence of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in Principal Amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

Section 8.5 Restriction on Bondholders' Actions.

(a) No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article, and the Owners 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 Indenture or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses, including legal 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, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to

affect, disturb or prejudice the pledge created by the Indenture or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the outstanding Bonds, subject only to the provisions of Section 7.2.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay from the Pledged Property at the respective dates or maturity and places therein expressed the Principal Amount of (and premium, if any) and interest on the Bonds to the respective Owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Owners to enforce such payment of his Bond, but only from the Pledged Property under the Indenture.

Section 8.6 **Remedies Not Exclusive.** No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of adoption of the Indenture.

Section 8.7 Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of any Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

(b) The Owners of not less than 40% in Principal Amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 8.8 **Notice of Default.** The Trustee shall promptly mail to the Owners of Bonds written notice of the occurrence of any Event of Default.

Section 8.9 Application of Pledged Property After Event of Non-Appropriation.

From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing an Event of Default under the Indenture, all Pledged Property received by the Trustee shall be applied as follows:

(a) To the payment of the reasonable and proper charges, expenses, costs and liabilities of the Trustee, including, but not limited to, the reasonable expenses of counsel employed by the Trustee;

(b) To the payment of the Principal Amount or Redemption Price of and interest on the Bonds then due and all amounts due and payable under the terms of the Parity Obligations and the Subordinated Obligations, as follows:

First: To the payment to the Owners thereof entitled thereto, and to the holders and owners of all Parity Obligations entitled thereto, of all installments of interest then due on the Bonds and the Parity Obligations in the order of the maturity of such installments, together with accrued and unpaid interest on any Bonds previously called for redemption and, if the amount available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amounts due in respect of each Bond and Parity Obligation, without preference or priority of any Bond or Parity Obligation over any other Bond or Parity Obligation; and

Second: To the payment to the Owners thereof entitled thereto, and to the holders and owners of all Parity Obligations entitled thereto, to the extent permitted by law, of interest on the amounts described in paragraph First of subsection (b) of this Section at the rate in effect on the applicable Bonds and Parity Obligations, from the last date to which interest on the Bonds and the Parity Obligations has been paid; and

Third: To the payment to (i) the Owners thereof entitled of the unpaid Principal Amount or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for mandatory sinking fund redemption, in the order of their due dates, and (ii) the holders and owners of the Parity Obligations of all amounts due and payable under the terms of the Parity Obligations in the order of their due dates; provided, however, that if the amount available shall not be sufficient to pay in full all Principal Amount or Redemption Price of the Bonds due on any date or all amounts due and payable under the terms of the Parity Obligations on any date, then to the payment thereof ratably, according to the amounts due in respect of each Bond and Parity Obligation, without preference or priority of any Bond or Parity Obligation over any other Bond or Parity Obligation; and

Fourth: To the payment to the holders and owners of the Subordinated Obligations of all amounts due and payable under the terms of the Subordinated Obligations in the order of their due dates and, if the amounts available are insufficient to pay in full all amounts due and payable under the terms of the Subordinated Obligations, then to the payment thereof ratably, without preference or priority of any Subordinated Obligation over any other Subordinated Obligation.

(c) Any amounts remaining after payment of all amounts due and payable under subsections (a) and (b) above shall be paid to the Authority for the payment of any Administrative Expenses, with any balance being paid to DHS.

(d) If and whenever all amounts due and payable to the Owners of the Bonds, the holders and owners of the Parity Obligations, the holders and owners of the Subordinated

Obligations and the Trustee have been paid or provision deemed to be adequate by the Trustee for such payment shall be made, the Authority and the Trustee shall be restored, respectively, to their positions and rights under the Indenture. No such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent Event of Non-Appropriation under the Indenture or impair any right consequent thereon.

Section 8.10 Trustee's Discretion.

Whenever moneys, securities and funds are to be applied pursuant to the provisions of Section 8.3 or Section 8.9, such moneys, securities and funds shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys, securities and funds available for application and the likelihood of additional moneys, securities and funds becoming available for such application in the future. Whenever the Trustee shall apply such moneys, securities and funds, it shall fix the date on which such application is to be made and, if such application occurs on such date, all interest on the Outstanding Bonds to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys, securities and funds and of the fixing of any such date of application of such moneys, securities and funds, and shall not be required to make payment of any Bond until such Bond shall be presented to the Trustee for appropriate notation of payment or for cancellation if it is fully paid.

Section 8.11 Enforcement of Credit Facilities and Liquidity Facilities.

Irrespective of whether an Event of Default shall have occurred or be continuing, the Trustee shall take any and all action necessary or appropriate to enforce for the benefit of the Owners of the Bonds, all rights of the Authority under any Credit Facility or Liquidity Facility. In the event of the transfer, assignment or other conveyance of any Credit Facility or Liquidity Facility in accordance with its terms by the Credit Facility Issuer or the Liquidity Facility Issuer thereof or the substitution of a new Credit Facility Issuer or Liquidity Facility Issuer for any then existing Credit Facility Issuer or Liquidity Facility Issuer, the Trustee shall promptly notify the Authority and the Rating Agencies of the name and address of the new Credit Facility Issuer or Liquidity Facility Issuer and any modifications, amendments or supplements to the terms of the existing Credit Facility or Liquidity Facility.

ARTICLE IX

CONCERNING THE FIDUCIARIES

Section 9.1 Trustee; Acceptance of Duties. The Trustee, by executing and delivering the Indenture, accepts the trusts created hereby and accepts and agrees to perform the duties and obligations imposed upon it by the Indenture, but only, however, upon the terms and conditions set forth herein and in any Supplemental Indenture.

Section 9.2 **Paying Agents; Appointment and Acceptance of Duties.**

(a) The Authority shall appoint one or more Paying Agents for the Bonds of each Series, and may at any time or from time to time appoint one or more other Paying Agents. All Paying Agents appointed shall have the qualifications set forth in Section 9.13 for a successor Paying Agent. The Trustee may be appointed a Paying Agent.

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

(c) Unless otherwise provided in a Supplemental Indenture authorizing a Series of Bonds, the corporate trust offices of the Paying Agents are designated as the respective offices or agencies of the Authority for the payment of the interest on and Principal Amount or Redemption Price of the Bonds.

Section 9.3 **Responsibilities of Fiduciaries.**

(a) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Indenture or of any Bonds issued thereunder or as to the security afforded by the Indenture, and no Fiduciary shall incur any liability in respect thereof. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture to the Authority or any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of subsection (b) of this Section 9.3, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

(b) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default has occurred (which has not been cured), the Trustee shall exercise such of the rights and powers vested in it by Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Any provision of the Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 9.3 and Section 9.4.

Section 9.4 **Evidence on Which Fiduciaries May Act.**

(a) Each Fiduciary, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any

provision of the Indenture, shall examine such instrument to determine whether it conforms to the requirements of the Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Authority or an Authorized DHS Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Indenture upon the faith thereof; but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

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

Section 9.5 **Compensation of Fiduciaries.**

(a) The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including without limitation those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture, in accordance with the agreements made from time to time between the Authority and the Fiduciary.

(b) The Authority hereby agrees to the extent permitted by law to reimburse and hold harmless each Fiduciary from and against any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under the Indenture; provided, however, that the Authority shall not be required to reimburse and hold harmless any Fiduciary for any claims, damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under the Indenture or undertaking any transaction contemplated by the Indenture; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, *et seq.*, and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, *et seq.*

(c) Each Fiduciary, by accepting its appointment as such under the Indenture, agrees that such Fiduciary (i) shall give the Authority prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall

permit the Authority, at the Authority's sole discretion, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

(d) Each Fiduciary, by accepting its appointment as such under the Indenture, agrees that the New Jersey Contracted Liability Act, N.J.S.A. 59:13-1, *et seq.* (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section 9.5.

(e) The indemnification provided in this Section 9.5 does not apply to or extend to any indemnification which may be given by any Fiduciary to any other person.

Section 9.6 **Certain Permitted Acts.** Any Fiduciary, individually or otherwise, may become the Owner of any Bonds, with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of the Bonds or to effect or aid in any reorganization arising out of the enforcement of the Bonds or the Indenture, whether or not any such committee shall represent the Owners of a majority in Principal Amount of the Bonds then Outstanding.

Section 9.7 **Resignation of Trustee and Other Fiduciaries.** The Trustee may at any time resign and be discharged of the duties and obligations imposed upon it by the Indenture by giving not less than 90 days' written notice to the Authority, and contemporaneously mailing notice thereof to the Owners of each Bond then Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or the Owners of the Bonds as provided in Section 9.9, in which event such resignation shall take effect immediately on the appointment of such successor. Notwithstanding the foregoing, however, no resignation of the Trustee shall take effect until a successor Trustee has been appointed and has accepted the duties of the Trustee under the Indenture.

Any other Fiduciary may at any time resign and be discharged of the duties and obligations imposed upon it by the Indenture, by giving not less than sixty (60) days written notice thereof to the Authority and the Trustee. Upon the effectiveness of any such resignation, such Fiduciary shall turn over to the Trustee all moneys, securities held by it or thereafter coming into its possession, and all records and books of account maintained by it in its service as a Fiduciary hereunder.

Section 9.8 **Removal of Trustee and Other Fiduciaries.**

(a) The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in Principal Amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. In addition, so long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time with or without cause by a resolution of the Authority filed with the Trustee.

(b) Any Fiduciary other than the Trustee may be removed at any time by an instrument in writing filed with such Fiduciary and the Trustee and signed by an Authorized Officer of the Authority.

Section 9.9 **Appointment of Successor Trustee.**

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor Trustee may be appointed by the Authority by a duly executed written instrument signed by an Authorized Officer of the Authority, but if the Authority does not appoint a successor Trustee within sixty (60) days, then by the Owners of a majority in Principal Amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee. After such appointment of a successor Trustee, an Authorized Officer of the Authority shall mail notice of any such appointment by it or the Bondholders to the registered Owners of the Bonds then outstanding.

(b) If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 120 days after the Trustee shall have given to the Authority written notice as provided in Section 9.7 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under Section 9.7) or the Owner of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

(c) Any Trustee appointed under the provisions of this Section 9.9 in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association and shall have capital stock, surplus and undivided earnings aggregating at least \$50,000,000 if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

Section 9.10 **Transfer of Rights and Property to Successor Trustee.** Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of an Authorized Officer of the Authority or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in

and to any property, rights, interests and estates held by it under the Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deed, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by an Authorized Officer of the Authority. Any such successor Trustee shall promptly notify the Paying Agent of its appointment as Trustee.

Section 9.11 **Merger or Consolidation of Fiduciaries.** Any entity into which any Fiduciary may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such entity shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by the Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

Section 9.12 **Adoption of Authentication.** In case any of the Bonds shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated; and in case any such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in such Bonds or in the Indenture provided that the certificate of the Trustee shall have.

Section 9.13 **Qualification or Removal of Paying Agent.**

(a) Each Paying Agent shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, having paid-in capital and surplus aggregating at least \$50,000,000, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture or any Supplemental Indenture.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

Section 9.14 **Appointment and Qualifications of Bond Registrar.**

(a) The Trustee shall serve as the initial Bond Registrar under the Indenture. Any successor or additional Bond Registrar shall be appointed by the Authority in a written instrument signed by an Authorized Officer of the Authority and filed with the Trustee.

(b) Each Bond Registrar shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, and having paid-in capital and surplus aggregating at least \$50,000,000, willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture or any Supplemental Indenture.

ARTICLE X

AMENDMENTS AND SUPPLEMENTS

Section 10.1 **Amendments and Supplements Without Consent of Trustee or Owners of Bonds.**

(a) The Authority may, without the consent of the Owners of the Bonds or the Trustee, at any time or from time to time, adopt a Supplemental Indenture modifying, amending and supplementing the Indenture for one or more of the following purposes:

(i) to close the Indenture against, or impose limitations or restrictions on the issuance of Bonds or other obligations, or of other notes, bonds, obligations or evidences of indebtedness of the Authority;

(ii) to impose covenants or agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(iii) to surrender any right, power or privilege reserved to or conferred upon the Authority hereunder;

(iv) to confirm any pledge of or lien upon the Pledged Property and to pledge any additional revenues, moneys, securities, funds or other property as part of the Pledged Property under the Indenture;

(v) to modify any of the provisions of the Indenture in any other respect whatsoever, provided that (A) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (B) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of all Bonds issued in exchange therefor or in place thereof;

(vi) to set forth any provision or matter in connection with the issuance of Additional Bonds pursuant to Sections 2.4 or 2.5; and

(vii) to make any provision or establish or confirm any pledge or priority with respect to any Qualified Swap Agreement or Hedge Agreement, or any Parity Obligation

or Subordinated Obligation authorized or permitted by the Authority Resolution or the Indenture.

(b) Each Supplemental Indenture described in subsection (a) of this Section 10.1 shall be fully effective upon filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and accompanied by an Opinion of Bond Counsel that such Supplemental Indenture is authorized or permitted by the Indenture.

Section 10.2 Amendments and Supplements With Consent of the Trustee.

(a) The Authority may, without the consent of the Owners of the Bonds, but with the consent of the Trustee given as provided in this Section 10.2, at any time or from time to time adopt a Supplemental Indenture modifying, amending and supplementing the Indenture for one or more of the following purposes:

(i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;

(ii) to cure any ambiguity, supply any omission, or cure or correct any defect in the Indenture and/or provision hereof which is inconsistent with the Authority Resolution;

(iii) to insert any provisions clarifying matters or questions arising hereunder as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; and

(iv) to effect any other change in the Indenture that does not materially adversely affect the Owners of the Bonds.

(b) Each Supplemental Indenture described in subsection (a) of this Section 10.2 shall be fully effective upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and accompanied by an Opinion of Bond Counsel that such Supplemental Indenture is authorized or permitted by the Indenture, and (ii) the filing with the Authority of an instrument in writing of the Trustee consenting thereto.

(c) Any written instrument of the Trustee consenting to a Supplemental Indenture required to be filed with the Authority pursuant to subsection (b) of this Section 10.2 shall be executed by a corporate trust officer of the Trustee and filed with its records relating to the Indenture; and the Trustee shall be fully protected in so consenting in relying on the Opinion of Bond Counsel described in subsection (b) of this Section 10.2. The Trustee shall not be required to consent to any such Supplemental Indenture that adversely affects its rights, duties, immunities or standard of care hereunder.

Section 10.3 Amendments and Supplements With Consent of Bondholders.

(a) The Authority may, with the consent of the Owners of the Bonds given as provided in this Section 10.3, at any time or from time to time, adopt a Supplemental Indenture modifying, amending and supplementing the Indenture for any purpose which is not otherwise specifically authorized or permitted by Section 10.1 and Section 10.2.

(b) The adoption of each Supplemental Indenture described in subsection (a) of this Section 10.3 shall be consented to by (i) the Owners of at least forty percent (40%) in aggregate Principal Amount of the Bonds Outstanding at the time such consent is given, or (ii) if less than all of any Series of Bonds then Outstanding are affected by the proposed modification, amendment or supplement contained in such Supplemental Indenture, the Owners of at least forty percent (40%) in aggregate Principal Amount of the Bonds of each Series so affected and Outstanding at the time such consent is given. Notwithstanding anything in the Indenture to the contrary, if the proposed modification, amendment or supplement will, by its terms, not take effect so long as any Bonds of a particular Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this subsection (b). If so provided in a Supplemental Indenture authorizing a Series of Bonds or in connection with any Credit Facility securing or entered into in connection with such Series of Bonds, such Credit Facility Issuer, and not the Owners of the Bonds of such Series, shall have the exclusive right to give any consent required by this subsection (b) as and to with the same effect as if such Credit Facility Issuer was the Owner of all Bonds of such Series. For the purposes of this subsection (b), a particular Series and maturity of Bonds shall be deemed to be affected by a modification, amendment or supplement of the Indenture if the same materially adversely affects or diminishes the rights of the Owners of Bonds of such Series and maturity of Bonds. The Trustee may, in its sole discretion, determine whether or not the rights of the Owners of Bonds of any particular Series or maturity would be materially adversely affected or diminished by any such modification, amendment or supplement, and its determination shall be binding and conclusive on the Authority and all Owners of the Bonds. In making any such determination, the Trustee may rely conclusively on, and shall be fully protected in relying upon, an Opinion of Bond Counsel with respect thereto.

(c) Notwithstanding anything in subsection (b) of this Section 10.3, no modification, amendment or supplement to the Indenture shall (i) permit a change in the terms of redemption or the times of maturity of the Principal Amount 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 Owner of each such Bond, (ii) reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required by subsection (b) of this Section 10.3 to effect any such modification, amendment or supplement, or (iii) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(d) After the adoption of any Supplemental Indenture described in subsection (a) of this Section 10.3, a copy thereof, certified by an Authorized Officer of the Authority, shall be delivered by the Authority to and held by the Trustee for the inspection of the Owners of the

Bonds. A copy of such Supplemental Indenture (or summary thereof) together with a request to the Owners of the Bonds for their consent thereto in form satisfactory to the Trustee, shall be mailed by an Authorized Officer of the Authority to Owners, but failure to mail such copy and request shall not affect the validity of such Supplemental Indenture when consented to as provided in this Section 10.3. Any consent to such Supplemental Indenture given by an Owner of the Bonds shall be effective only if accompanied by proof of the ownership, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates executed by an authorized corporate trust officer of the Trustee to the effect that the Trustee has examined such proof and that such proof is sufficient under the provisions of this Section 10.3 shall be conclusive that consent have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee. Any such consent of an Owner shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner has notice thereof or whether or not any notation thereof is made upon any Bond. Any such consent may be revoked by any Owner of such Bonds by filing with the Trustee, prior to the time when the Trustee's written statement referred to in subsection (e) of this Section 10.3 is filed, a written revocation, with proof that such Bonds are owned by the signer of such revocation. The fact that a consent has not been revoked may be conclusively established by a certificate of the Trustee to the effect that no revocation thereof is on file with it. Any consent, or revocation thereof, may be delivered or filed prior to any mailing (or publication) required by this Section 10.3 and shall not be deemed ineffective by reason of such prior delivery or filing.

(e) Within thirty (30) days of any date on which the consents of the Owners of the Bonds on file with the Trustee and not theretofore revoked shall be sufficient to meet the requirements of subsection (b) of this Section 10.3, the Trustee shall make and file with the Authority and the Trustee a written statement that the consents of the Owners of the required Principal Amount of Outstanding Bonds have been filed with it. Such written statement shall be conclusive evidence that such consents have been so filed. Any time thereafter notice, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required Principal Amount of Outstanding Bonds and will be effective as provided in this Section 10.3, may be given by mailing to the Owners of the Bonds (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding) at least once within sixty (60) days after such statement of the Trustee has been so filed. The Trustee shall file with the Authority proof of the mailing of such notice. The papers required or permitted by this Section 10.3 to be filed by or with the Trustee shall be conclusive proof of the matters therein stated.

(f) Any Supplemental Indenture described in subsection (a) of this Section 10.3 shall not be effective unless and until, and shall take effect in accordance with its terms when, there shall have been filed with the Trustee (i) the written consents of the Owners of the required Principal Amount of Outstanding Bonds set forth in subsection (b) of this Section 10.3, and (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture has been duly adopted by the Authority in accordance with the provisions of the Indenture and has received the approvals, if any, required by the Act, is authorized or permitted by the Indenture and the Authority Resolution and, when effective, will be valid and binding upon the Authority, the Trustee and the Owners of the Bonds.

Section 10.4 Amendments to the Lease and Agreement.

(a) The Trustee may, without the consent of or notice to the Owners of the Bonds or any Credit Facility Issuer, consent to any amendment, change or modification of the provisions of the Lease and the Agreement for one or more of the following purposes;

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

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

(3) to make such other revisions as do not adversely affect the interests of the Owners of the Bonds, determined without regard to any Credit Facility, the Insurer or any Credit Facility Issuer.

(b) Except for the amendments, changes or modifications as provided in Section 10.4(a), the Trustee shall not consent to any other amendment, change or modification of the Lease and the Agreement without (i) the consent of the Owners of the Bonds to be obtained in accordance with and subject to the provisions of Article X, and (ii) fifteen (15) days' prior written notice to each Rating Agency, if any, of such amendment, change or modification.

Section 10.5 Modifications by Unanimous Action.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds thereunder may be modified, amended or supplemented in any respect by a Supplemental Indenture effecting such modification, amendment or supplement and the consents of the owners of all the Bonds then Outstanding, each such consent to be accompanied by proof of the ownership as of the date of such consent of the Bonds with respect to which such consent is given. Any Supplemental Indenture described in this Section 10.5 shall take effect upon the filing (a) with the Trustee of (i) a copy thereof, certified by an Authorized Officer of the Authority, (ii) the consents of the Owners of the Bonds and accompanying proofs referred to in the preceding sentence, and (iii) an Opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture and is valid and binding upon the Authority and enforceable in accordance with its terms; provided that such Opinion of Bond Counsel may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws or legal principles affecting creditors' rights generally and general principles of equity and judicial discretion and the valid exercise of the sovereign police powers of the State and of the constitutional power of the United States of America and may state that no opinion is being rendered as to the availability of any particular remedy, and (b) with the Authority and the Trustee of a written instrument stating that the consents of the Owners of all Outstanding Bonds have been filed with it. No mailing or publication of any Supplemental Indenture described in

this Section 10.5 (or reference thereto or summary thereof) or of any request or notice shall be required. Notwithstanding anything in this Section 10.5 or elsewhere in the Indenture to the contrary, no Supplemental Indenture described in this Section 10.5 shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Section 10.6 **Exclusion of Bonds.** Bonds owned or held by or for the account of the Authority or DHS shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article X, and the Authority and DHS shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority and DHS shall furnish the Trustee a certificate of an Authorized Officer of the Authority or an Authorized DHS Representative, as the case may be, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 10.7 **Notation on Bonds.** Bonds authenticated and delivered after the effective date of any action taken as in this Article X provided may, and, if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such date and presentation of his, her or its Bond for the purpose of the corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the owner of any Bond then Outstanding shall be exchanged, without cost to such Owner, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

ARTICLE XI

MISCELLANEOUS

Section 11.1 **Defeasance.**

(a) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the Principal Amount or Redemption Price, if applicable, and interest due or to become due thereon, and all amounts due and owing or to become due and owing to the holders and owners of all Parity Obligations and Subordinated Obligations, at the times and in the manner stipulated in the Bonds, the Parity Obligations, the Subordinated Obligations and the Indenture, then the pledge of the Pledged Property and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the Authority to the Owners of the Bonds and the holders and owners of the Parity Obligations and the Subordinated Obligations shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting statement for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of an Authorized Officer of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries

shall pay over or deliver to the Authority the Pledged Property, including all moneys or securities held by them pursuant to the Indenture which are not required for (i) the payment of Principal Amount, Redemption Price and interest on Bonds not theretofore surrendered for such payment or redemption or (ii) any amounts due and owing or to become due and owing to the holders or owners of the Parity Obligations and the Subordinated Obligations. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of the Outstanding Bonds of a particular Series, or of a particular maturity or particular Bonds within a maturity within a Series, the Principal Amount or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, the Bonds of such Series shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds 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 Owners of the Outstanding Bonds of a particular maturity or particular Bonds within a maturity, the Principal Amount or Redemption Price and interest due or to become due thereon, at the times and on the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Bond 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 Trustee (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 11.1. Subject to the provisions of subsections (c) through (f) of this Section 11.1, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 11.1 if in case any of such Bonds, (i) an Authorized Officer of the Authority shall have given to the Trustee irrevocable instructions to mail, as provided in Article IV, a notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of an Authorized Officer of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on such date; (ii) there shall have been deposited with the Trustee either moneys (including moneys withdrawn and deposited pursuant to subsection (d) of Section 5.5) in an amount which shall be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States), the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the Principal Amount, Redemption Price and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be; (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, an Authorized Officer of the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the Owners of such Bonds that the deposit required by clause (i) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section 11.1 and stating the maturity or redemption date upon which moneys are expected, subject to the provisions of subsection (f) of this Section 11.1, to be

available for the payment of the Principal Amount or Redemption Price, if applicable, of and accrued and unpaid interest on said Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided in this subsection (b) of Section 11.1 prior to the mailing of the notice of redemption referred to in clause (i) hereof); (iv) there shall have been delivered to the Trustee a copy of an Accountant's Certificate to the effect that the principal of and the interest on the Federal Securities delivered to the Trustee in accordance with clause (ii) above, when due, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, are sufficient, to pay when due the Principal Amount or Redemption Price, if applicable, of and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be; and (v) there shall have been delivered to the Trustee an Opinion of Bond Counsel to the effect that said Bonds are deemed to be paid within the meaning and with the effect expressed in the Indenture and that all covenants, agreements and other obligations of the Authority to the Owners of such Bonds have ceased, terminated and become void and have been discharged and satisfied. Any notice of redemption mailed pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 11.1 to the payment when due of the Principal Amount or Redemption Price of and interest on such Bonds, all in the manner provided in the Indenture. The Trustee shall, if so directed by an Authorized Officer of the Authority (A) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 11.1 which are not to be redeemed prior to their maturity date, or (B) prior to the mailing of the notice of redemption referred to in clause (i) above with respect to any Bonds deemed to have been paid in accordance with this Section 11.1 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect to such Bonds and redeem or sell Federal Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Federal Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient, as evidenced by an Accountant's Certificate to such effect delivered to the Trustee, to pay when due the Principal Amount or Redemption Price and interest due or to become due on all Bonds in respect of which such moneys and Federal Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (A) prior to the maturity date of Bonds deemed to have been paid in accordance with Section 11.1 which are not to be redeemed prior to their maturity date, or (B) prior to the mailing of the notice of redemption referred to in clause (i) with respect to any Bonds deemed to have been paid in accordance with this Section 11.1 which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from an Authorized Officer of the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 11.1. The directions given by an Authorized Officer of the Authority to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation

of the Trustee to pay Bonds deemed paid in accordance with this Section 11.1 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 11.1 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 11.1 the total amount of moneys and Federal Securities remaining on deposit with the Trustee under this Section 11.1 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy clause (ii) of subsection (b) of this Section 11.1, the Trustee shall, if requested by an Authorized Officer of the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under the Indenture. Except as otherwise provided in subsection (b) of this Section 11.1 and in subsections (c) through (f) of this Section 11.1, neither Federal Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Principal Amount or Redemption Price and interest on such Bonds; provided that any cash from such principal or interest payments on such Federal Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing such Bonds or otherwise existing under the Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient, as evidenced by an Accountant's Certificate to such effect delivered to the Trustee, to pay when due the Principal Amount or Redemption Price and interest to become due on such Bonds on or prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under the Indenture.

(c) For the purposes of this Section, Federal Securities shall mean and include only (x) Federal securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof, (y) Federal securities 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 at the option of the holder thereof, or (z) upon compliance with the provisions of subsection (e) of this Section 11.1, Federal Securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

(d) Federal Securities described in clause (z) of subsection (c) of this Section 11.1 may be included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of clause (ii) of subsection (b) of this Section 11.1 only if the determination as to whether the moneys and Federal Securities to be deposited with the Trustee in order to satisfy the requirements of such clause (ii) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee in accordance with subsection (b) of this Section 11.1, the Principal Amount and Redemption Price and interest on the Bonds which will be deemed to have been paid as provided in subsection (b)

of this Section 11.1 is made both (i) on the assumption that the Federal Securities described in clause (z) of subsection (c) of this Section 11.1 were not redeemed at the option of the issuer prior to the maturity date thereof, and (ii) on the assumptions that such Federal Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Federal Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

(e) In the event that after compliance with the provisions of subsection (d) of Section 11.1, the Federal Securities described in clause (z) of subsection (c) of Section 11.1 are included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of clause (ii) of subsection (b) of Section 11.1 and any such Federal Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of an Authorized Officer of the Authority, provided that the aggregate of the moneys and Federal Securities to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by an Authorized Officer of the Authority in accordance with subsection (g) of Section 11.1, shall at all times be sufficient, as evidenced by an Accountant's Certificate to such effect filed with the Trustee, to satisfy the requirements of clause (ii) of subsection (b) of Section 11.1, shall reinvest the proceeds of such redemption in Federal Securities.

(f) In the event that after compliance with the provisions of subsection (d) of Section 11.1, the Federal Securities described in clause (z) of subsection (c) of Section 11.1 are included in the Federal Securities deposited with the Trustee in order to satisfy the requirements of clause (ii) of subsection (b) of Section 11.1, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of Redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 11.1 upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of any Federal Securities described in clause (z) of subsection (c) of this Section 11.1 have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Federal Securities on deposit with the Trustee including any Federal Securities deposited with the Trustee in connection with any reinvestment of redemption proceeds in accordance with subsection (e) of Section 11.1 pursuant to clause (ii) of subsection (b) of Section 11.1 would be sufficient to pay when due the Principal Amount and Redemption Price, if applicable, and interest on all Bonds deemed to have been paid in accordance with subsection (b) of Section 11.1 which have not as yet been paid.

(g) Whenever any reinvestment of Federal Securities is permitted under this Section 11.1, the Trustee shall be under no obligation to initiate such reinvestment absent directions from an Authorized Officer of the Authority, and shall be entitled to reimbursement by the Authority of any costs incurred in connection with such reinvestment. As a condition to any reinvestment

under this Section 11.1, the Trustee shall receive an Opinion of Bond Counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds deemed paid under the provisions of this Section 11.1.

Section 11.2 Evidence of Signatures of Bondholders and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which the Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instruments, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Indenture (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

(b) The fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgements of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The amount of Bonds transferable by delivery (i.e., registered to bearer) held by any person executing any instrument as a Bondholder, the date of his or her ownership of such Bonds, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, showing at the date therein mentioned that such Person exhibited to such member or officer or had on deposit with such depository the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository with respect to Bonds owned by it, if acceptable to the Trustee. In addition to the foregoing provisions, the Trustee may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

(d) The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

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

Section 11.3 **Moneys Held for Particular Bonds.** The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price, if applicable, due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto.

Section 11.4 **Preservation and Inspection of Documents.** All reports, certificates, statements and other documents received by any Fiduciary under the provisions of the Indenture shall be retained in its possession and shall be available at all reasonable times to the inspection of the Authority, any other Fiduciary or any Owner of the Bonds, and their agents and their representatives, any of whom may make copies thereof; provided, however, that such Fiduciary may charge a reasonable fee to cover reproduction, handling and postage in connection with providing any copies thereof, and provided further, however, that any such reports, certificates, statements or other documents may, at the election of such Fiduciary, be destroyed or otherwise disposed of at any time after the expiration of six (6) years from the date when the pledge of the Pledged Property created by the Indenture shall have been discharged and satisfied as provided in Section 11.1.

Section 11.5 **Parties Interested Herein.** Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Authority, the Fiduciaries and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition, stipulation or promise thereof; and all the covenants, stipulations, and agreements in the Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, and the Owners of the Bonds, the holders and owners of the Parity Obligations and Subordinated Obligations, and their respective successors and assigns.

Section 11.6 **No Recourse on the Bonds.** No recourse shall be had for the payment of the principal or interest on the Bonds or for any claim based thereon or on the Indenture against any member or officer of the Authority or any person executing the Bonds.

Section 11.7 **Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in the Indenture on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of the Indenture.

Section 11.8 **Escheat Provision.**

Notwithstanding anything in the Indenture to the contrary, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed after the date when such Bonds have become due and payable, whether at their stated maturity date or by call for earlier redemption, shall be applied by the Fiduciary when and as provided in

the Uniform Unclaimed Property Act, N.J.S.A. 46:30B-1 et seq., and the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners of the Bonds shall have such rights as are provided in the Uniform Unclaimed Property Act.

Section 11.9 **No Personal Recourse.**

No covenant or agreement contained in the Indenture or any Bond shall be deemed to be the covenant or agreement of any member, officer, agent or employee of the Authority in his or her individual capacity. No recourse shall be had for the payment of the Principal Amount or Redemption Price of or interest on the Bonds, or for any claim based thereon or on the Indenture or against any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as material consideration for the adoption by the Authority of the Indenture and the issuance of the Bonds.

Section 11.10 **Successors and Assigns.**

All the covenants, promises and agreements in the Indenture contained by or on behalf of the Authority, or by or on behalf of the Fiduciaries, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 11.11 **Notices.**

(a) Any notice to, or other instrument to be filed with, or demand upon the Trustee shall be deemed to have been given or served, presented or made by the Authority, the treasurer or others for all purposes by being hand-delivered or sent by registered or certified United States mail or overnight courier service addressed to the principal corporate trust office of the Trustee in New Jersey, or such other address as shall then serve as its principal corporate trust office. Any notice to, or other instrument to be filed with, or demand upon the Authority shall be deemed to have been sufficiently given or served, presented or made by the Trustee or others for all purposes by being hand-delivered or sent by registered or certified United States mail or overnight courier service addressed to the Authority at Station Plaza, Building No. 4, 22 South Clinton Avenue (overnight mail), PO Box 366 (first class mail), Trenton, New Jersey 08625-0366, or at such other address as may be filed in writing by an Authorized Officer of the Authority with the Trustee. Any notice to, or other instrument to be filed with, or demand upon the Treasurer shall be deemed to have been sufficiently given or served, presented or made by the Trustee, the Authority or others for all purposes by being hand-delivered or sent by registered or certified United States mail or overnight courier service addressed to the Treasurer, in care of the Office of Public Finance, at 50 West State Street, 5th Floor, PO Box 002, Trenton, New Jersey 08625-0002, or at such other address as may be filed in writing by the Treasurer with the Trustee.

(b) The Trustee shall file with each Rating Agency promptly after receipt thereof, each notice received from the Treasurer pursuant to the Agreement with respect to any failure to

request or make an appropriation of funds contemplated thereby and any Event of Non-Appropriation.

Section 11.12 **Payments on Holidays and Weekends.**

Whenever the due date for payment of the Principal Amount or Redemption Price of or interest on the Bonds or the date fixed for redemption of any Bond shall not be a Business Day, then payment of such Principal Amount, Redemption Price or interest need not be made on such date, but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the due date for payment of the Principal Amount, Redemption Price or interest and no interest shall accrue thereon for any period beginning on such day and ending on such next succeeding Business Day.

Section 11.13 **Descriptive Headings.**

The descriptive headings of the Articles and Sections of the Indenture are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of the Indenture.

Section 11.14 **Governing Law.**

The Indenture and the Bonds, the Parity Obligations and the Subordinated Obligations shall be governed by the laws of the State of New Jersey.

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused the Indenture to be signed in its name by its Deputy Executive Director, and attested by its Secretary or Assistant Secretary, and WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its Corporate Trust Officer and attested, all as of the day and year first written above.

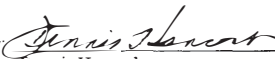
NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

Attest:



(Assistant) Secretary

By:



Dennis Hancock
Deputy Executive Director

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

Attest:

(Assistant) Secretary

By: _____
Name: _____
Title: Corporate Trust Officer

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused the Indenture to be signed in its name by its Deputy Executive Director, and attested by its Secretary or Assistant Secretary, and WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its Corporate Trust Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

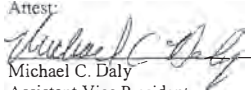
Attest:


(Assistant) Secretary

By: _____
Dennis Hancock
Deputy Executive Director

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

Attest:


Michael C. Daly
Assistant Vice President

By: 
Name: Linda J. Schneider
Title: Assistant Vice President

SCHEDULE I

TERMS OF 2003 BONDS

New Jersey Health Care Facilities Financing Authority
\$19,125,000
Department of Human Services
Lease Revenue Bonds
(Greystone Park Psychiatric Hospital Project) Series 2003

September 15, (Year)	Principal Amount	Interest Rate
2006	\$ 675,000	2.000%
2007	685,000	2.200
2008	705,000	2.600
2009	725,000	2.800
2010	745,000	3.125
2011	770,000	3.400
2012	795,000	3.625
2013	825,000	3.750
2014	860,000	3.800
2015	895,000	4.000
2016	930,000	4.100
2017	970,000	4.125
2018	1,010,000	4.250
2019	1,055,000	4.375
2020	1,105,000	4.400
2021	1,155,000	4.500

\$ 5,220,000 5.000% Term Bonds Due September 15, 2025

Redemption Provisions

Optional Redemption. The Series 2003 Bonds maturing on or before September 15, 2013 are not subject to redemption prior to their respective stated maturity dates. The Series 2003 Bonds maturing on or after September 15, 2014 are subject to redemption prior to their respective stated maturity dates, at par, at the option of the Authority, on any date on or after September 15, 2013, upon the terms set forth in the Indenture, either in whole or in part within a maturity from maturities selected by the Authority, and by lot within a maturity, upon the payment of one hundred percent (100%) of the Principal Amount thereof and accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2003 Bonds maturing on September 15, 2025 will be subject to mandatory sinking fund redemption prior to maturity at a Redemption Price of 100% of the Principal Amount thereof, plus interest accrued to the redemption date, on September 15 of the following years in the respective Principal Amounts set forth opposite such dates (the "Sinking Fund Installments").

<u>Year</u>	<u>Sinking Fund Installment</u>
2022	\$1,210,000
2023	1,270,000
2024	1,335,000
2025*	1,405,000

* Maturity

The Principal Amount of the Series 2003 Bonds otherwise required to be redeemed may be reduced by the Principal Amount of such Series 2003 Bonds theretofore purchased by the Trustee at the direction of the Authority out of moneys deposited for such purpose in the Debt Service Fund.

In the case of a mandatory sinking fund redemption or an optional redemption of less than all of the Series 2003 Bonds of any maturity, the particular Series 2003 Bonds or the portions of the Series 2003 Bonds of such maturity to be redeemed shall be selected at random by the Trustee. Provided DTC or its nominee, Cede & Co., is the registered owner of the Series 2003 Bonds, if less than all of the Series 2003 Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the Series 2003 Bonds within such maturity are to be redeemed.

**EXHIBIT A
FORM OF BOND**

THE STATE OF NEW JERSEY (THE "STATE") IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (THE "AUTHORITY"), PAYABLE SOLELY OUT OF THE PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF, EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE NEW JERSEY HEALTH CARE FACILITIES FINANCING LAW, P.L. 1972, C. 29, AS AMENDED AND SUPPLEMENTED (THE "ACT"), SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES
LEASE REVENUE BONDS, SERIES 2003
(Greystone Park Psychiatric Hospital Project)

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

Registered Owner: CEDE & CO.

Principal Sum:

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a political subdivision and an instrumentality of the State of New Jersey (the "State") created and existing under the laws of the State, acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the Pledged Property pledged thereto under the

Indenture (as defined below) therefor, upon presentation and surrender of this Bond at the principal corporate trust office of Wachovia Bank, National Association, (such bank and any successors thereto being called the "Trustee"), the Principal Sum stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such Pledged Property on _____ and _____ in each year, commencing _____, until the Authority's obligation with respect to the payment of such Principal Sum shall be discharged to the Registered Owner hereof, interest at the Interest Rate from the Dated Date hereof on such Principal Sum by check or draft of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the first (1st) day of the month of such Interest Payment Date on the books of the Authority maintained by the Bond Registrar or, if the Registered Owner hereof shall be the Registered Owner of bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer if the Registered owner has requested payment in such manner at such wire address as shall have been furnished by the Registered Owner on or prior to the next preceding the interest payment date.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003, in the aggregate principal amount of \$ _____ issued pursuant to the New Jersey Health Care Facilities Financing Authority Law constituting Chapter 29 of the New Jersey Laws of 1972 (herein called the "Act"), and under and pursuant to a Trust Indenture, dated as of December 1, 2003, by and between the Authority and Wachovia Bank National Association, as Trustee (herein called the "Indenture"). The Bonds are issued for the purpose of financing a portion of the costs of a project (the "Project") consisting of (i) the renovation of and construction of additional facilities at the Greystone Park Psychiatric Hospital in Morris County, New Jersey; and (ii) the payment of the costs and expenses of issuing the Bonds, which will be leased to the Authority by the New Jersey Department of Human Services ("DHS"), pursuant to a Lease dated December 1, 2003 (the "Lease"), and leased by the Authority to DHS pursuant to an Agreement and Sublease, dated as of December 1, 2003, between the Authority and the State (the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Indenture.

The Series 2003 Bonds are special, limited obligations of the Authority payable solely from, and secured solely by, the Pledged Property as provided in the Indenture. Pledged Property under the Indenture includes: (i) all of the Pledged Revenues as hereinafter defined; and all right, title and interest of the Authority to received the Pledged Revenues; and (ii) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee under the Indenture in the Revenue Fund, the Debt Service Fund, and the Subordinated Obligations Fund. Pledged Revenues under the Indenture include (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement; (ii) Qualified Swap Revenues; and (iii) any other amounts appropriated by the State Legislature to DHS and payable to the Authority or the Trustee and pledged by the Authority as security for the payment of the Bonds, the Parity Obligations and the Subordinated Obligations or received from any other source by the Authority, DHS or the Trustee and pledged by the Authority as security for the payment of the Bonds, the Parity Obligations and the Subordinated Obligations. ALL AMOUNTS PAID TO DHS FROM THE STATE GENERAL FUND FOR THE PAYMENT OF BASIC RENT TO

THE AUTHORITY UNDER THE AGREEMENT ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "LEGISLATURE"). THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. Reference is hereby made to the Indenture for a description of the rights, limitation of rights, obligations, duties and immunities of the Authority, the Trustee, the Paying Agents and the Owners of the Series 2003 Bonds, and, by the acceptance of this Bond, the Owner hereof assents to all provisions of the Indenture. Certified copies of the Indenture hereof are on file in the corporate trust office of the Trustee and in the office of the Authority.

As provided in the Indenture, additional Series of Bonds of the Authority may be issued and Parity Obligations may be incurred by the Authority from time to time pursuant to Supplemental Indentures, on a parity with and secured and payable equally and ratably with all other Series of Bonds, including the Series 2003 Bonds, and all other Parity Obligations issued and incurred under the Indenture and such Supplemental Indenture. Any additional Series of Bonds and any Parity Obligations may be in one or more Series, in various Principal Amounts, may mature at different times, may bear interest at different rates and may otherwise vary from the terms of the Series 2003 Bonds as provided in the Indenture. The aggregate Principal Amount of Bonds and Parity Obligations which may be issued and incurred under the Indenture is not limited except as may be provided in the Indenture or the Act.

The provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Authority, to the extent and in the manner permitted by the terms of the Indenture. 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 redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written assent thereto.

Reference is hereby made to the Indenture for a more complete description of the sources of payment and security for the Bonds, including the Pledged Property, the nature, extent and manner of enforcement of remedies on the Owners of the Bonds, the terms and conditions under which the Indenture may be amended or modified, the rights and limitations on the rights of the Owners of the Bonds and the Trustee, and the terms and conditions under which the Bonds are issued and on which additional Bonds and Parity Obligations may be issued and incurred on a parity with the Bonds.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the above mentioned office of the Trustee by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds and in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as

provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

[HERE INSERT APPLICABLE REDEMPTION PROVISIONS]

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE PLEDGED PROPERTY AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY AGENCY OR INSTRUMENTALITY THEREOF, EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

The Authority, pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the Series 2003 Bonds. No representation is made as to the accuracy of such numbers as printed on the Series 2003 Bonds, and reliance may be placed only on the identification numbers prefixed "R-" and printed thereon.

No recourse shall be had for the payment of the principal or Redemption Price of or interest on this Bond, or for any claims based thereon or on the Indenture against any member, officer, official or employee, past, present or future, of the Authority, or any other person executing this Bond, all such liability, if any, of such members, officers, officials or employees being expressly waived and released by every Owner of this Bond by the acceptance hereof and as material consideration for the adoption by the Authority of the Indenture and the issuance of this Bond.

It is hereby certified and recited that all conditions, acts and things required by the law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issue of bonds of which this is one is within every debt and other limit prescribed by the laws of the State of New Jersey.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its Chairman, and its corporate seal (or a facsimile thereof) to be hereunder affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Secretary or Assistant Secretary, as of the Dated Date.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____

Attest:

(Assistant) Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION ON ALL BONDS]

TRUSTEE'S CERTIFICATE

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

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

By: _____
Corporate Trust Officer

FORM OF ASSIGNMENT

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

[Please type or print name, address (including postal zip code) and Social Security or other tax identification number of the transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ his/her attorney to transfer the within Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

[FORM OF OPINION OF BOND COUNSEL]

[Closing Date]

New Jersey Health Care Facilities
Financing Authority
P.O. Box 366
Trenton, NJ 08625-0366

**RE: New Jersey Health Care Facilities Financing Authority
Department of Human Services Lease Revenue Bonds
(Greystone Park Psychiatric Hospital Project) Series 2003**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the New Jersey Health Care Facilities Financing Authority (the "Authority") of its \$ _____ Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003 (the "Series 2003 Bonds"). The Series 2003 Bonds are being issued pursuant to the New Jersey Health Care Facilities Financing Authority Law, constituting Chapter 29 of the New Jersey Laws of 1972 (N.J.S.A. 26:21-1, *et seq.*), as amended and supplemented (the "Act"), an Authorizing Resolution adopted by the Authority on November 13, 2003 (the "Authorizing Resolution"), and a Trust Indenture, dated as of December 1, 2003 (the "Indenture"), by and between the Authority and Wachovia Bank, National Association, as trustee.

The Series 2003 Bonds are dated and shall bear interest from their date of delivery. The Series 2003 Bonds will mature on the dates and in the principal amounts, and will bear interest at the rates per annum, set forth in the Indenture. The Series 2003 Bonds are subject to redemption prior to maturity as set forth in the Indenture.

The Series 2003 Bonds are issuable only in fully registered form without coupons and, when issued, will be registered initially in the name of and held by Cede & Co., as nominee for The Depository Trust Company, an automated depository for securities and clearinghouse for securities transactions. Purchases of the Series 2003 Bonds will be in book-entry-only form without certificates in authorized denominations.

The Series 2003 Bonds are being issued for the purpose of financing the Costs of a project (the "Project") consisting of: (i) the renovation and construction of additional facilities at or related to Greystone Park Psychiatric Hospital in Morris County, New Jersey; and (ii) the payment of the Costs of such financing.

The Authority and DHS have entered into a Lease (the "Lease") and an Agreement and Sublease (the "Agreement") for the Leased Property, each dated as of December 1, 2003,

pursuant to which DHS has leased the Leased Property to the Authority, and the Authority has subleased the Leased Property to DHS.

Pursuant to the Agreement, DHS is required to pay as Basic Rent on or before each Payment Date a sum which, together with monies on deposit in the Funds and Accounts established under the Indenture and available for such purpose, and taking into account interest earnings on such Basic Rent payments until the same is disbursed, if any, will be sufficient to pay the Debt Service on the Series 2003 Bonds, and all payments in respect of Parity Obligations and Subordinated Obligations due on such Payment Date. DHS is also obligated to pay to the Authority, as Additional Rent, Administrative Expenses and certain other amounts characterized as Additional Rent under the Agreement. (The Basic Rent and Additional Rent are referred to herein collectively as "Rent"). The obligation of DHS to pay Rent under the Agreement in any Fiscal Year is subject to and dependent upon appropriations being made by the New Jersey Legislature in such Fiscal Year in an amount sufficient to pay such Rent ("State Appropriations"). The New Jersey Legislature has no legal obligation to make any such State Appropriations.

The Series 2003 Bonds are secured under the Indenture by the Pledged Property consisting of: (i) all of the Pledged Revenues (including all amounts payable to the Authority by DHS as Basic Rent under the Agreement, and any other amounts appropriated by the State Legislature and payable to the Authority or the Trustee by DHS and pledged by the Authority as security for the payment of the Series 2003 Bonds, or received from any other source by DHS, the Authority or the Trustee and pledged by the Authority as security for the payment of the Bonds in accordance with the terms of the Indenture), and all right, title and interest of the Authority to receive the Pledged Revenues; and (ii) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee in the Revenue Fund, the Debt Service Fund, and the Subordinated Obligations Fund.

In connection with the opinions set forth below, we have examined certified copies of the Authorizing Resolution, the Indenture, the Lease and the Agreement. We also have examined such other documents, records of the Authority and other instruments, including original counterparts or certified copies of the other documents listed in the closing memorandum relating to the Series 2003 Bonds, and such matters of law and other proofs, as we deemed necessary to enable us to express the opinions set forth below. We have further relied upon such instruments, certificates and documents as to any facts material to our opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as copies. Capitalized terms used but not defined herein have the meaning given such terms in the Indenture.

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, constituting a political subdivision and instrumentality of the State of New Jersey pursuant to the Act, and has the right and power to adopt the Authorizing Resolution, to

execute and deliver the Indenture, the Lease and the Agreement and to perform its obligations thereunder, and to issue and sell the Series 2003 Bonds. The Authorizing Resolution has been duly and lawfully adopted by the Authority, and the Indenture has been duly executed and delivered by the Authority. The Authorizing Resolution and the Indenture are in full force and effect and are valid and binding upon the Authority, the Indenture is enforceable against the Authority in accordance with its terms, and no other authorization for the Authorizing Resolution or Indenture is required.

2. The Indenture creates the valid pledge which it purports to create in the Pledged Property held or set aside under the Indenture as security for the Series 2003 Bonds.

3. The Lease and the Agreement have been duly authorized, executed and delivered by the Authority and DHS, are in full force and effect and are valid and binding upon the Authority and DHS and enforceable against the Authority and DHS in accordance with their terms.

4. The Series 2003 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Act, the Authorizing Resolution and the Indenture, and are valid and binding special and limited obligations of the Authority payable solely from the Pledged Property as set forth in the Indenture, are entitled to the benefits of the Act and the Indenture, and are enforceable in accordance with their terms.

5. Under existing law, interest on the Series 2003 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on certain corporations. Such opinion assumes continuing compliance by the Authority and DHS with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2003 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes.

Applicable federal tax law provides that interest on obligations such as the Series 2003 Bonds is not includable in gross income for federal income tax purposes only if certain requirements are met. In their respective Certificates as to Arbitrage and Compliance with the Internal Revenue Code of 1986, as amended (the "Tax Certificates"), delivered in connection with the issuance of the Series 2003 Bonds, the Authority and DHS each represent that the Authority and DHS expect and intend to be able to comply with, and will, to the extent permitted by law, comply with, the provisions and procedures set forth in the Tax Certificates and do and perform all acts and things necessary or desirable in order to assure that, under existing law, interest on the Series 2003 Bonds be and remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements of the Code may cause interest on the Series 2003 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2003 Bonds.

No opinion is expressed as to the extent the accrual or receipt of interest on the Series 2003 Bonds may otherwise affect the federal income tax liability of or other consequences to the recipients thereof, which will depend on each recipient's particular tax status and other items of income or deduction.

6. Interest on and any gain realized on the sale of any Series 2003 Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

We have examined a specimen of a Series 2003 Bond and have determined that its form is as prescribed in the Indenture.

Our opinions set forth above are subject, as to the enforceability of the Series 2003 Bonds, the Indenture, the Lease, and the Agreement, to applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

Obermayer, Rebmann, Maxwell & Hippel, LLP

EXHIBIT B
REQUISITION FORM

CONSTRUCTION FUND REQUISITION NO. _____

Date: _____

[Trustee]

[Address]

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.3(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as Trustee, dated as of December 1, 2003 (the "Indenture"), the sum of \$_____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

<u>Name and Address of Payee:</u>	<u>Purpose of Obligation:</u>
-----------------------------------	-------------------------------

I hereby certify that:

- (a) such obligation has been incurred by the Authority or its agents in connection with the acquisition, renovation, construction and equipping of the Project.
- (b) each item is a proper charge against the Construction Fund, and
- (c) such obligation has not been the basis for a prior requisition which has been paid.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Authorized Officer

Or

NEW JERSEY ECONOMIC DEVELOPMENT
AUTHORITY
on behalf of the New Jersey Health Care Facilities
Financing Authority

By: _____
Authorized Officer

NEW JERSEY DEPARTMENT OF
HUMAN SERVICES:

BY: _____ Date: _____
Name:
Title:
For the Commissioner

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

Department of Human Services Lease Revenue Bonds

(Greystone Park Psychiatric Hospital Project)

Series 2005

FIRST SUPPLEMENTAL TRUST INDENTURE

Dated as of September 1, 2005

597306

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SCHEDULE I – Terms of 2005 Bonds

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FIRST SUPPLEMENTAL TRUST INDENTURE, dated as of September 1, 2005, by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “Authority”), and WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee (the “Trustee”).

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “State”), exercising public and essential governmental functions, organized and existing under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29 (N.J.S.A. 26:2I-1 *et seq.*), as amended (the “Act”); and

WHEREAS, the New Jersey Department of Human Services (“DHS”) owns and operates a psychiatric hospital known as the “Greystone Park Psychiatric Hospital” located in Morris County, New Jersey; and

WHEREAS, the Authority is authorized under the Act to undertake the financing of the acquisition, design and construction of facilities for DHS through the issuance of bonds, the debt service on which shall be paid by DHS, subject to appropriation by the New Jersey State Legislature; and

WHEREAS, DHS has undertaken a project (the “Project”) consisting of (i) the renovation and construction of additional facilities at or related to Greystone Park Psychiatric Hospital in Morris County, New Jersey (the “Project Facilities”); and (ii) the financing of such renovation and construction; and

WHEREAS, for the purpose of providing funds for the Project, the Authority has determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the “Bonds”) pursuant to the Act and a Trust Indenture, dated as of December 1, 2003 (the “Original Indenture”), between the Authority and Wachovia Bank, National Association, as trustee (the “Trustee”); and

WHEREAS, in order to finance the initial costs of the Project, the Authority issued under the Original Indenture, an initial series of Bonds entitled “Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003” (the “2003 Bonds”) in an aggregate principal amount of \$19,125,000; and

WHEREAS, in order to effectuate the Project, DHS has leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the “Lease”); and

WHEREAS, the Authority leased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the “Agreement”), pursuant to which DHS pays to the Authority, but only out of monies appropriated to DHS for such purpose by the New Jersey Legislature, in such amounts and at such times as shall be necessary for the payment

of the principal of and interest on the Bonds, the Administrative Expenses of the Authority (as defined in the Original Indenture) and all other payments required to be made under the Agreement; and

WHEREAS, DHS has requested the Authority to authorize and issue an additional series of Bonds under the Original Indenture for the purpose of financing the costs of completing the (i) renovation and construction of the Project Facilities; (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (the "2005 Project");

WHEREAS, for the purpose of providing funds for the 2005 Project, the Authority has determined to issue its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005" (the "2005 Bonds") in an aggregate principal amount of \$186,565,000 under the Original Indenture, as supplemented by this First Supplemental Trust Indenture (the "First Supplemental Indenture") (the Original Indenture as supplemented by this First Supplemental Indenture is referred to as the "Indenture"); and

**NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE
WITNESSETH:**

That the Authority, does hereby ratify and confirm the pledge and assignment made to the Trustee and its successors and assigns in the Original Indenture of the Pledged Property as security for the payment of the 2005 Bonds, under and subject to the terms and conditions set forth herein and in the Original Indenture, (a) for the benefit, protection and security of (i) the Owners of the 2005 Bonds, all of which shall be of equal rank, without preference, priority or distinction WITH ALL OTHER Bonds issued under the Indenture, except as otherwise provided herein or in the Original Indenture; and (b) for securing the observance and performance of the Authority's obligations and of all of the conditions, agreements and terms and provisions of the Original Indenture and this First Supplemental Indenture; subject, in all cases, to the provisions of the Original Indenture and this First Supplemental Indenture permitting the application of the Pledged Property for the purposes and on the terms and conditions set forth herein and in the Original Indenture;

AND IT IS HEREBY COVENANTED AND AGREED that the terms and conditions upon which the 2005 Bonds are to be executed, authenticated and issued, are as follows:

**ARTICLE I
DEFINITIONS**

Capitalized terms used but not defined herein shall have the respective meanings given such terms in the Original Indenture, unless the context otherwise requires. In addition, as used herein, the following terms shall have the respective meanings set forth below, unless the context otherwise requires:

Ambac Assurance shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Annual Administrative Fee shall mean the annual fee for the general administrative services of the Authority. This fee is subject to change at the discretion of the Authority.

Closing Statement shall have the meaning given to this term in Section 3.1 hereof.

Financial Guaranty Insurance Policy shall mean the financial guaranty insurance policy issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Obligations as provided therein.

First Supplemental Indenture shall have the meaning given to this term in the Recitals.

Holder shall mean Bondholder.

Indenture shall mean the Original Indenture, as amended and supplemented by this First Supplemental Indenture, and as it may be further amended and supplemented from time to time.

Insured Bonds shall mean the Series 2005 Bonds maturing September 15, 2011 through 2028, inclusive.

2005 Accounts shall mean the accounts established under this First Supplemental Indenture in respect of the 2005 Bonds within the Funds created under Section 5.2 of the Original Indenture.

2005 Authority Resolution shall mean the resolution of the Authority authorizing the issuance of the 2005 Bonds and the execution of this First Supplemental Indenture, and any other resolution or supplemental resolution of the Authority relating to the 2005 Bonds.

2005 Capitalized Interest Account shall mean the 2005 Capitalized Interest Account established within the Debt Service Fund pursuant to Section 4.1 hereof.

2005 Closing Statement shall have the meaning given such term in Section 2.4 hereof.

2005 Construction Account shall mean the 2005 Construction Account established within the Construction Fund in respect of the 2005 Bonds pursuant to Section 4.4 hereof.

2005 Costs of Issuance Account shall mean the 2005 Costs of Issuance Account established within the Costs of Issuance Fund pursuant to Section 4.2 hereof.

2005 Interest Payment Dates shall mean March 15 and September 15, commencing March 15, 2006.

2005 Rebate Account shall mean the account established within the Rebate Fund in respect of the 2005 Bonds pursuant to Section 4.3 hereof.

2005 Tax Compliance Certificate shall have the meaning given such term in Section 4.3 hereof.

ARTICLE II

THE 2005 BONDS

Section 2.1 Issuance of 2005 Bonds.

(a) In accordance with the Act, and pursuant to the provisions of the 2005 Authority Resolution and the Indenture, the 2005 Bonds shall be issued in the aggregate principal amount of \$186,565,000, and shall be designated as "Department of Human Service Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005". The 2005 Bonds shall be issued as Additional Bonds pursuant to Section 2.4 of the Original Indenture and shall be issued on an equal and ratable basis with the 2003 Bonds without preference or priority as to payment or security. The 2005 Bonds shall be dated the date of their initial delivery, mature on the dates and in the principal amounts, bear interest from their dated date payable on each Interest Payment Date, at the rates, and shall be subject to optional and mandatory redemption and purchase, all as set forth in Schedule I hereto.

(b) The 2005 Bonds will be issued in the form of fully registered Bonds without coupons and shall be in substantially the form set forth in Exhibit A hereto, with such appropriate modifications, insertions and omissions as may be set forth in this First Supplemental Indenture.

(c) The 2005 Bonds shall be executed by the Authority and authenticated by the Trustee, and be subject to transfer and exchange, cancellation and destruction as provided herein and in the Original Indenture. The 2005 Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple of \$5,000 and shall be lettered and numbered from one upward preceded by the letter "R" pre-fixed to the number.

(d) The 2005 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(e) The 2005 Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee designated by the Trustee for such payment. Interest on the 2005 Bonds shall be paid on each 2005 Interest Payment Date by check or draft drawn on the Paying Agent and mailed by the Trustee to the Owners in whose name the 2005 Bonds are registered on the registry books at the close of business on the Regular Record Date at the address of the Owners of the 2005 Bonds appearing on the registry books of the Trustee. Interest on the 2005 Bonds will be paid by wire transfer to an account in the continental United States to any Owner of \$1,000,000 or more in principal amount of a series of the 2005 Bonds upon written

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instructions from such Owner received by the Trustee on or prior to the next Interest Payment Date.

Section 2.2 Authentication and Delivery of 2005 Bonds.

The 2005 Bonds shall be executed by an Authorized Officer of the Authority and delivered to the Trustee for authentication as herein provided and shall be authenticated and delivered by the Trustee to the Authority or upon its order, but only upon the receipt by the Trustee of:

(i) a copy of the Original Indenture and this First Supplemental Indenture, each certified by an Authorized Officer of the Authority;

(ii) an Opinion of Bond Counsel substantially to the effect set forth in the form of Bond attached as Exhibit A hereto.

(iii) a written request from DHS to the Authority pursuant to Section 3.4 of the Agreement to issue the 2005 Bonds signed by an Authorized DHS Representative;

(iv) executed copies of the Lease and the Agreement, each certified to by an Authorized Officer of the Authority and an Authorized DHS Representative as being in full force and effect;

(v) a certified copy of the 2005 Authority Resolution authorizing the issuance of the 2005 Bonds ;

(vi) certificates of an Authorized Officer of the Authority and an Authorized DHS Representative stating that neither the Authority nor DHS, respectively, is in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement;

(vii) an opinion of Bond Counsel to the effect that no amendment or modification to the Lease or the Agreement is necessary for the issuance of the 2005 Bonds;

(viii) a written instrument executed by the Treasurer consenting to the issuance of the 2005 Bonds; and;

(ix) a written order as to the delivery of the 2005 Bonds, signed by an Authorized Officer of the Authority.

Section 2.3 Book-Entry-Only System.

(a) The 2005 Bonds, except as may otherwise be provided in this First Supplemental Indenture, shall initially be registered in the name of Cede & Co., as nominee of the Securities Depository. So long as Cede & Co. shall be the registered Owner of the 2005 Bonds, payment of semiannual interest on the 2005 Bonds shall be made by wire transfer to the account of Cede &

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Co. on the Interest Payment Dates for the 2005 Bonds at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

(b) So long as the 2005 Bonds are registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any Securities Depository participant, indirect Securities Depository participant, or any beneficial owner of the 2005 Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, Cede & Co. or any Securities Depository participant or indirect Securities Depository participant with respect to any beneficial ownership interest in the 2005 Bonds, (ii) the delivery to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than Securities Depository or Cede & Co., of any notice with respect to the 2005 Bonds, or (iii) the payment to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than the Securities Depository or Cede & Co., of any amount with respect to the principal of, premium, if any, or interest on the 2005 Bonds. The Authority and the Trustee may treat the Securities Depository as the absolute registered Owner of the 2005 Bonds for the purpose of (i) payment of the Principal Amount and Redemption Price of and interest on the 2005 Bonds, (ii) giving notices with respect to the 2005 Bonds, (iii) registering transfers with respect to the 2005 Bonds, and (iv) for all other purposes. The Trustee shall pay the Principal Amount, Redemption Price, if any, of and interest on the 2005 Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to such Principal Amount, Redemption Price, if any, and interest to the extent of the sum or sums so paid. No person other than the Securities Depository shall receive a Bond evidencing the obligation of the Authority to make payments of Principal Amount, Redemption Price, if any, and interest thereon pursuant to the Indenture. Upon delivery by the Securities Depository to the Trustee of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in the Indenture shall refer to such new nominee of the Securities Depository.

(c) (i) The Securities Depository may determine to discontinue providing its services with respect to the 2005 Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of such notice to the Trustee.

(ii) An Authorized Officer of the Authority, (A) in his or her sole discretion and without the consent of any other person, may discontinue the use of the system of book-entry only transfers of any Securities Depository with respect to the 2005 Bonds in which case certificates for the 2005 Bonds are required to be printed and delivered to the Securities Depository, and (B) shall terminate the services of any Securities Depository with respect to the 2005 Bonds upon receipt by the Authority and the Trustee of written notice from such Securities Depository to the effect that such Securities Depository has received written notice from the Securities Depository participants or indirect Securities Depository participants having interests, as shown in the records of Securities Depository, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding 2005 Bonds

to the effect, that (1) such Securities Depository is unable to discharge its responsibilities with respect to the 2005 Bonds; or (2) a continuation of the requirement that all of the Outstanding 2005 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, is not in the best interest of the beneficial owners of the 2005 Bonds.

(iii) Upon the termination of the services of the Securities Depository with respect to all or any portion of the 2005 Bonds pursuant to subsections 3.9(c)(ii)(A) or 3.9(c)(ii)(B)(1) of the Original Indenture, or upon the discontinuance or termination of the services of the Securities Depository with respect to all or any portion of the 2005 Bonds pursuant to subsections 3.9(c)(i) or 3.9(c)(ii)(B) of the Original Indenture, after which no substitute securities depository willing to undertake the functions of Securities Depository hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the 2005 Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, but may be registered in whatever name or names Bondholders transferring or exchanging such 2005 Bonds shall designate, in accordance with the provisions of the Indenture. Upon the determination by any party authorized herein that the 2005 Bonds (or any portion thereof) shall no longer be limited to book-entry-only form, an Authorized Officer of the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such 2005 Bonds from such book-entry-only form to a fully registered form.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Securities Depository, all payments with respect to the Principal Amount, Redemption Price, if any, of and interest on, and all notices with respect to, such Bond shall be made and given, respectively, to the Securities Depository as provided in the Letter of Representations of the Authority and the Trustee, addressed to the Securities Depository.

(e) In connection with any notice or other communication to be provided to Owners of the 2005 Bonds pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by such Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) The Authority hereby authorizes the Treasurer, by and on behalf of the Authority, and in consultation with an Authorized Officer of the Authority, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to continue the book-entry system or to replace the Securities Depository with another qualified Securities Depository as successor to the Securities Depository.

Section 2.4 **Application of Proceeds of 2005 Bonds.** The proceeds of the 2005 Bonds shall be applied as set forth in a closing statement signed by an Authorized Officer of the Authority simultaneously with their delivery (the "2005 Closing Statement"), as follows:

(i) the amount set forth in the 2005 Closing Statement representing the Costs of Issuance of the 2005 Bonds shall be deposited in the 2005 Costs of Issuance Account and applied to Costs of Issuance of the 2005 Bonds upon written order of an Authorized Officer of the Authority, as provided in Section 5.8 of the Indenture;

(ii) the amount set forth in the 2005 Closing Statement representing accrued Interest, if any, on the 2005 Bonds shall be deposited in the Debt Service Fund and applied to the payment of interest due on the 2005 Bonds on the first Interest Payment Date relating to the 2005 Bonds;

(iii) the amount set forth in the 2005 Closing Statement representing Capitalized Interest on the 2005 Bonds shall be deposited in the 2005 Capitalized Interest Account of the Debt Service Fund and applied to the payment of interest on the 2005 Bonds as provided in Section 4.1 hereof;

(iv) the balance of the proceeds of the 2005 Bonds as shown on the 2005 Closing Statement shall be deposited in the 2005 Construction Account of the Construction Fund to be applied to the payment of Costs of the Project, as provided in Section 5.3 of the Original Indenture and Section 4.4 hereof.

ARTICLE III

AMENDMENT

Section 3.1 **Amendment of Original Indenture.** Section 5.3(a) of the Original Indenture is hereby amended and restated in its entirety to read as follows:

“Section 5.3 **Construction Fund.**

(a) There shall be deposited in the Construction Fund from the proceeds of the 2003 Bonds the amount set forth on the 2003 Closing Statement and from the proceeds of each subsequent Series of Bonds such amounts as shall be set forth in each Supplemental Indenture authorizing such Series of Bonds and/or the closing statement executed with respect to such Series of Bonds (each, a “Closing Statement”), and any moneys received for or in connection with the Project Facilities by an Authorized Officer of the Authority from any source, unless required to be otherwise applied as provided by the Indenture. All amounts held in the Construction Fund (including all investment earnings thereon) shall be applied to pay the Costs of the Project in the manner provided in this Section 5.3.”

ARTICLE IV

ESTABLISHMENT OF 2005 ACCOUNTS AND APPLICATION THEREOF

Section 4.1 **2005 Capitalized Interest Account.** The Trustee shall establish a 2005 Capitalized Interest Account within the Debt Service Fund established under Section 5.5 of the

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Original Indenture, and deposit therein the amount shown on the 2005 Closing Statement representing Capitalized Interest of the 2005 Bonds. The amount on deposit in the 2005 Capitalized Interest Account shall be applied by the Trustee to the payment of interest on the 2005 Bonds due on March 15, 2006, September 15, 2006 and March 15, 2007.

Section 4.2 **2005 Costs of Issuance Account.** The Trustee shall establish the 2005 Costs of Issuance Account within the Costs of Issuance Fund established under Section 5.8 of the Original Indenture, and shall deposit therein that portion of the proceeds of the 2005 Bonds to be applied to pay the Costs of Issuance of the 2005 Bonds as set forth on the 2005 Closing Statement. Amounts on deposit in the 2005 Costs of Issuance Account shall be disbursed by the Trustee to pay Costs of Issuance of the 2005 Bonds upon a written requisition or instruction signed by an Authorized Officer of the Authority.

Section 4.3 **2005 Rebate Account.**

(a) The Trustee shall establish the 2005 Rebate Account within the Rebate Fund established under Section 5.7 of the Original Indenture. The 2005 Rebate Account shall be held by the Trustee as a special trust fund for the purpose of paying to the United States of America the amount required to be rebated with respect to the 2005 Bonds pursuant to Section 148(f) of the Code, and shall be held by the Trustee separate and apart from all other Funds and Accounts established hereunder or under the Original Indenture and separate and apart from all other moneys of the Trustee. The 2005 Rebate Fund shall be maintained until the later of (i) the date sixty (60) days after the retirement of the 2005 Bonds, or (ii) the date the Trustee is informed by an Authorized Officer of the Authority that 100% of the aggregate amount required to be rebated to the United States of America in respect of the 2005 Bonds has been paid. All amounts in the 2005 Rebate Fund, including investment earnings, shall be held by the Trustee free and clear of the lien of the Indenture.

(b) The 2005 Rebate Account shall be subject to the provisions of Section 5.7 of the Original Indenture.

Section 4.4 **2005 Construction Account.** The Trustee shall establish the 2005 Construction Account within the Construction Fund established under Section 5.3 of the Original Indenture. There shall be deposited in the 2005 Construction Account from the proceeds of the Bonds the amount set forth on the 2005 Closing Statement. All amounts held in the Construction Account (including all investment earnings thereon) shall be applied to pay the Costs of the Project in the manner provided in Section 5.3 of the Original Indenture.

ARTICLE V MISCELLANEOUS

Section 5.1 **Severability of Invalid Provisions.** If any of the covenants or agreements provided in this First Supplemental Indenture should be contrary to law, such covenant or agreement shall be deemed severable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this First Supplemental Indenture.

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Section 5.2 **No Personal Recourse.**

No covenant or agreement contained in this First Supplemental Indenture or any 2005 Bond shall be deemed to be the covenant or agreement of any member, officer, agent or employee of the Authority in his or her individual capacity. No recourse shall be had for the payment of the Principal Amount or Redemption Price of or interest on the 2005 Bonds, or for any claim based thereon or under the Indenture or against any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as material consideration for the execution and delivery by the Authority of this First Supplemental Indenture and the issuance of the 2005 Bonds.

Section 5.3 **Successors and Assigns.**

All the covenants, promises and agreements by or on behalf of the Authority, or by or on behalf of the Fiduciaries contained in this First Supplemental Indenture, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 5.4 **Descriptive Headings.**

The descriptive headings of the Articles and Sections of this First Supplemental Indenture are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this First Supplemental Indenture.

Section 5.5 **Governing Law.**

This First Supplemental Indenture and the 2005 Bonds shall be governed by the laws of the State of New Jersey.

Section 5.6 **Provisions Related to Ambac Assurance.**

(a) **Consent of Ambac Assurance**

Any provision of the Indenture expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance without the prior written consent of Ambac Assurance. Ambac Assurance reserves the right to charge the Authority a fee for any consent or amendment to the Indenture, Agreement or Lease while the Financial Guaranty Insurance Policy is outstanding.

(b) **Consent of Ambac Assurance in lieu of Bondholder Consent**

Unless otherwise provided in the Indenture, Ambac Assurance's consent shall be required in lieu of Bondholder consent, when required, for the following purposes: (i) execution and delivery

of any supplemental Indenture or any amendment, supplement or change to or modification of the Indenture or the Agreement; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(c) **Consent of Ambac Assurance in the Event of Insolvency**

Any reorganization or liquidation plan with respect to the Authority must be acceptable to Ambac Assurance. In the event of any reorganization or liquidation, Ambac Assurance shall have the right to vote on behalf of all Bondholders who hold Ambac Assurance-insured Bonds absent a default by Ambac Assurance under the applicable Financial Guaranty Insurance Policy insuring such Bonds.

(d) **Consent of Ambac Assurance Upon Default**

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined in the Indenture, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders of the Insured Bonds or the Trustee for the benefit of the Bondholders of the Insured Bonds under this Indenture, absent a default by Ambac Assurance under the applicable Financial Guaranty Insurance Policy insuring such Bonds and provided that the Financial Guaranty Insurance Policy is in full force and effect.

(e) **Defeasance Provisions**

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Insured Bonds shall be paid by Ambac Assurance Corporation pursuant to the Financial Guaranty Insurance Policy, the Insured Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such registered owners of Insured Bonds.

(f) **Payment Procedure Pursuant to the Financial Guaranty Insurance Policy**

As long as the Financial Guaranty Insurance Policy shall be in full force and effect, the Authority, the Trustee and any Paying Agent agree to comply with the following provisions:

- (i) At least one (1) business day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Insured Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such Funds or Accounts, the Trustee or Paying Agent, if any, shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Insured Bonds to which such deficiency is applicable and whether such Insured Bonds will be deficient as to principal or interest, or both. If the Trustee or Paying Agent, if any, has not so notified Ambac Assurance at

least one (1) business day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Insured Bonds on or before the first (1st) business day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(ii) The Trustee or Paying Agent, if any, shall, after giving notice to Ambac Assurance as provided in (i) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to The Bank of New York, in New York, New York, as insurance trustee for Ambac Assurance or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee or Paying Agent, if any, and all records relating to the Funds and Accounts maintained under the Indenture.

(iii) The Trustee or Paying Agent, if any, shall provide Ambac Assurance and the Insurance Trustee with a list of registered owners of Insured Bonds entitled to receive principal or interest payments from Ambac Assurance under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee to mail checks or drafts to the registered owners of Insured Bonds entitled to receive full or partial interest payments from Ambac Assurance and to pay principal upon Insured Bonds surrendered to the Insurance Trustee by the registered owners of Insured Bonds entitled to receive full or partial principal payments from Ambac Assurance.

(iv) The Trustee or Paying Agent, if any, shall, at the time it provides notice to Ambac Assurance pursuant to (i) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from Ambac Assurance (A) as to the fact of such entitlement, (B) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (C) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of Ambac Assurance) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (D) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(v) In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on an Insured Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time Ambac Assurance is notified pursuant to (i) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment

from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Insured Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(vi) In addition to those rights granted Ambac Assurance under the Indenture, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (A) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note Ambac Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, if any, upon receipt from Ambac Assurance of proof of the payment of interest thereon to the registered owners of the Insured Bonds, and (B) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note Ambac Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee or Paying Agent, if any, upon surrender of the Insured Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(g) Notices/Information To Be Given To Ambac Assurance

Ambac Assurance
One State Street Plaza
New York, New York 10004

i. Notices to be sent to the attention of the SURVEILLANCE DEPARTMENT:

A. While Ambac Assurance is not in payment default under the Financial Guaranty Insurance Policy and the Financial Guaranty Insurance Policy is in effect, the Authority or the Trustee as appropriate shall furnish to Ambac Assurance, upon request, the following:

- (1) a copy of any financial statement, audit and/or annual report of the Authority
- (2) such additional information it may reasonably request.

Upon request, such information shall be delivered at the Authority's expense to the attention of the Surveillance Department, unless otherwise indicated.

B. A copy of any notice to be given to the registered owners of the Obligations, including, without limitation, notice of any redemption of or defeasance of Obligations, and any certificate rendered pursuant to this Indenture relating to the security for the Obligations.

C. To the extent that the Authority has entered into a continuing disclosure agreement with respect to the Obligations, Ambac Assurance shall be included as party to be notified.

ii. Notices to be sent to the attention of the GENERAL COUNSEL OFFICE:

- A. The Trustee or Authority as appropriate shall notify Ambac Assurance of any failure of the Authority to provide relevant notices, certificates, etc.
- B. Notwithstanding any other provision of this Indenture, the Trustee or Authority as appropriate shall immediately notify Ambac Assurance if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

iii. Other Information to be given to Ambac Assurance:

The Authority will permit Ambac Assurance to discuss the affairs, finances and accounts of the Authority or any information Ambac Assurance may reasonably request regarding the security for the Obligations with appropriate officers of the Authority. The Trustee or Authority as appropriate will permit Ambac Assurance to have access to the Project and have access to and to make copies of all books and records relating to the Obligations at any reasonable time.

Ambac Assurance shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Ambac Assurance shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Obligations.

(h) Trustee-Related Provisions

- i. As long as Ambac Assurance is not in payment default under the Financial Guaranty Assurance Policy and the Obligation insurance is in full force and effect, the Trustee (or Paying Agent) may be removed at any time, at the request of Ambac Assurance, for any breach of the Trust set forth herein.
- ii. As long as Ambac Assurance is not in payment default under the Financial Guaranty Assurance Policy and the Obligation insurance is in full force and effect, Ambac Assurance shall receive prior written notice of any Trustee (or Paying Agent) resignation.
- iii. As long as Ambac Assurance is not in payment default under the Financial Guaranty Assurance Policy and the Obligation insurance is in full force and effect, every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to Ambac Assurance. Any successor Paying Agent, if applicable, shall not be appointed unless Ambac approves such successor in writing.
- iv. Notwithstanding any other provision of this Indenture, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant to the terms and

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provisions of this Indenture, the Trustee (or Paying Agent) shall consider the effect on the Holders as if there were no Financial Guaranty Insurance Policy.

v. As long as Ambac Assurance is not in payment default under the Financial Guaranty Assurance Policy and the Obligation insurance is in full force and effect, notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to Ambac, shall be appointed.

(i) Interested Parties

i. Ambac As Third Party Beneficiary

To the extent that this Indenture confers upon or gives or grants to Ambac any right, remedy or claim under or by reason of this Indenture, Ambac is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

ii. Parties Interested Herein

Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, Ambac Assurance, the Paying Agent, if any, and the registered owners of the Obligations, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, Ambac Assurance, the Paying Agent, if any, and the registered owners of the Obligations.

(j) Representations, Warranties and Covenants for Revised Article 9 Collateral

- i. This Indenture creates a valid and binding pledge of and security interest in the Pledged Property in favor of the Trustee as security for payment of the Obligations, enforceable by the Trustee in accordance with the terms hereof.
- ii. Under the laws of the state of New Jersey, (1) such pledge of assignment and security interest, (2) and each pledge, assignment, lien, or other security interest made to secure any prior obligations of Authority which, by the terms hereof, ranks on a parity with or prior to the pledge and security interest granted hereby, is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the Authority on a simple contract. By the date of issue of the Obligations the Authority will have filed all financing statements describing, and transferring such possession or control over, such collateral (and for so long as any Obligation is outstanding the Authority will file, continue, and amend all such financing statements and transfer such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the Authority is organized or such collateral may be located or that may otherwise be applicable pursuant to Uniform Commercial Code §§9.301--9.306 of such jurisdiction.

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iii. The Authority has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with or prior to the pledge and security interest granted hereby, except for the pledge and security interest granted to secure the Parity Obligations. The Authority shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge and security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this First Supplemental Indenture to be signed in its name by its Executive Director, and attested by its Secretary or Assistant Secretary, and WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee in token of its acceptance of the trusts confirmed hereunder, has caused this First Supplemental Indenture to be signed in its corporate name by its Assistant Vice President and attested, all as of the day and year first written above.


NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

Attest: _____
Carole Conover
Assistant Secretary

By: _____
Dennis Hancock
Deputy Executive Director

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

Attest: _____
Stephanie Roche
Assistant Secretary

By: 
Linda J. Schneider
Assistant Vice President

[Signature Page to First Supplemental Indenture]

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this First Supplemental Indenture to be signed in its name by its Executive Director, and attested by its Secretary or Assistant Secretary, and WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee in token of its acceptance of the trusts confirmed hereunder, has caused this First Supplemental Indenture to be signed in its corporate name by its Corporate Trust Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

Attest:

Carole Conover
Carole Conover
Assistant Secretary

By: Dennis Hancock
Dennis Hancock
Deputy Executive Director

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

Attest:

(Assistant) Secretary

By: _____
Name: _____
Title: _____

SCHEDULE I
TERMS OF 2005 BONDS

New Jersey Health Care Facilities Financing Authority
\$186,565,000
Department of Human Services
Lease Revenue Bonds
(Greystone Park Psychiatric Hospital Project) Series 2005

<u>Year</u> <u>(September 15)</u>	<u>Principal Amount (in 000s)</u>	<u>Interest Rate</u>
2008	1,270	3.50 %
2008	4,000	5.00 %
2009	1,520	3.50 %
2009	4,000	5.00 %
2010	1,280	3.50 %
2010	4,500	5.00 %
2011	1,555	3.50 %
2011	4,500	5.00 %
2012	1,345	3.50 %
2012	5,000	5.00 %
2013	6,660	5.00 %
2014	7,000	5.00 %
2015	7,360	5.00 %
2016	7,735	5.00 %
2017	8,135	5.00 %
2018	8,550	5.00 %
2019	8,990	5.00 %
2020	9,450	5.00 %
2021	9,885	4.00 %
2022	10,295	4.125 %
2023	10,775	5.00 %
2024	11,330	5.00 %
2025	11,910	5.00 %
2026	12,520	5.00 %
2027	13,165	5.00 %
2028	13,835	5.00 %

Redemption Provisions

Optional Redemption. The 2005 Bonds maturing on September 15, 2016 and after September 15, 2017 are subject to redemption prior to maturity, at the option of an Authorized Officer of the Authority, on any date on or after September 15, 2016, in whole or in part, from maturities selected by an Authorized Officer of the Authority, in accordance with the Indenture, upon the payment of one hundred percent (100%) of the Principal Amount thereof and accrued interest thereon to the date fixed for redemption.

The Principal Amount of the 2005 Bonds otherwise required to be redeemed may be reduced by the Principal Amount of 2005 Bonds theretofore purchased by the Trustee at the direction of an Authorized Officer of the Authority out of moneys deposited for such purpose in the Debt Service Fund.

In the case of an optional or mandatory sinking fund redemption of less than all of the 2005 Bonds of any maturity, the particular 2005 Bonds or the portions of the 2005 Bonds of such maturity to be redeemed shall be selected at random by the Trustee. Provided DTC or its nominee, Cede & Co., is the registered owner of the 2005 Bonds, if less than all of the 2005 Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the 2005 Bonds within such maturity are to be redeemed.

**EXHIBIT A
FORM OF BOND**

THE STATE OF NEW JERSEY (THE "STATE") IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (THE "AUTHORITY"), PAYABLE SOLELY OUT OF THE PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE NEW JERSEY HEALTH CARE FACILITIES FINANCING LAW, P.L. 1972, C. 29, AS AMENDED AND SUPPLEMENTED (THE "ACT"), SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY).

**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES
LEASE REVENUE BONDS
SERIES 2005**

(Greystone Park Psychiatric Hospital Project)

No. R-1

Interest Rate	Maturity Date	Dated Date	CUSIP
_____	_____	_____	_____

Registered Owner: CEDE & CO.

Principal Amount:

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a political subdivision and an instrumentality of the State of New Jersey (the

"State") created and existing under the laws of the State, acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the Pledged Property pledged thereto under the Indenture (as defined below), upon presentation and surrender of this Bond at the principal corporate trust office of Wachovia Bank, National Association, (such bank and any successors thereto being called the "Trustee"), the Principal Amount stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such Pledged Property on March 15 and September 15 in each year, commencing March 15, 2006, until the Authority's obligation with respect to the payment of such Principal Amount shall be discharged to the Registered Owner hereof, interest at the Interest Rate from the Dated Date hereof on such Principal Amount by check or draft of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the first (1st) day of the month of such Interest Payment Date on the books of the Authority maintained by the Bond Registrar or, if the Registered Owner hereof shall be the Registered Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer to an account in the continental United States, upon written instructions from such Registered Owner received by the Trustee on or prior to the next preceding the interest payment date.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005, in the aggregate principal amount of \$186,565,000 (the "2005 Bonds") issued pursuant to the New Jersey Health Care Facilities Financing Authority Law constituting Chapter 29 of the New Jersey Laws of 1972 (herein called the "Act"), and under and pursuant to a Trust Indenture, dated as of December 1, 2003, by and between the Authority and Wachovia Bank National Association, as Trustee, as amended and supplemented by a First Supplemental Indenture, dated as of September 1, 2005 (herein collectively called the "Indenture"). The 2005 Bonds are issued for the purpose of financing a portion of the costs of a project (the "Project") consisting of (i) the renovation of and construction of additional facilities at the Greystone Park Psychiatric Hospital in Morris County, New Jersey (the "Project Facilities"); (ii) the funding of capitalized interest on the 2005 Bonds, and (iii) the payment of the costs and expenses of issuing the 2005 Bonds. The Project Facilities are leased to the Authority by the New Jersey Department of Human Services ("DHS"), pursuant to a Lease dated December 1, 2003 (the "Lease"), and leased by the Authority to DHS pursuant to an Agreement and Sublease, dated as of December 1, 2003, between the Authority and the State (the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Indenture.

The 2005 Bonds are special, limited obligations of the Authority payable solely from, and secured solely by, the Pledged Property as provided in the Indenture. Pledged Property under the Indenture includes: (i) all of the Pledged Revenues as herein defined; and all right, title and interest of the Authority to received the Pledged Revenues; and (ii) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee under the Indenture in the Revenue Fund and Debt Service Fund. Pledged Revenues under the Indenture include (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement, and (ii) any other amounts appropriated by the State Legislature to DHS and payable

to the Authority or the Trustee and pledged by the Authority as security for the payment of the Bonds, or received from any other source by the Authority, DHS or the Trustee and pledged by the Authority as security for the payment of the Bonds. ALL AMOUNTS PAID TO DHS FROM THE STATE GENERAL FUND FOR THE PAYMENT OF BASIC RENT TO THE AUTHORITY UNDER THE AGREEMENT ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE NEW JERSEY STATE LEGISLATURE (THE "LEGISLATURE"). THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. Reference is hereby made to the Indenture for a description of the rights, limitation of rights, obligations, duties and immunities of the Authority, the Trustee, the Paying Agents and the Owners of the 2005 Bonds, and, by the acceptance of this Bond, the Owner hereof assents to all provisions of the Indenture. Certified copies of the Indenture hereof are on file in the corporate trust office of the Trustee and in the office of the Authority.

The 2005 Bonds have been issued on an equal and ratable basis under the Indenture with the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003 originally issued in the aggregate principal amount of \$19,125,000. As provided in the Indenture, additional series of Bonds and Parity Obligations may be issued by the Authority from time to time pursuant to the Indenture, on parity with and secured and payable equally and ratably with the 2005 Bonds. Any additional Series of Bonds and any Parity Obligations may be in one or more Series, in various Principal Amounts, may mature at different times, may bear interest at different rates and may otherwise vary from the terms of the 2005 Bonds as provided in the Indenture. The aggregate Principal Amount of Bonds and Parity Obligations which may be issued and incurred under the Indenture is not limited except as may be provided in the Indenture or the Act.

The provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by an Authorized Officer of the Authority, to the extent and in the manner permitted by the terms of the Indenture. 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 redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written consent.

Reference is made hereby to the Indenture for a more complete description of the sources of payment and security for the Bonds, including the Pledged Property, the nature, extent and manner of enforcement of remedies on the Owners of the 2005 Bonds, the terms and conditions under which the Indenture may be amended or modified, the rights and limitations on the rights of the Owners of the 2005 Bonds and the Trustee, and the terms and conditions under which the 2005 Bonds are issued and on which additional Bonds and Parity Obligations may be issued and incurred on a parity with the Bonds.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the above mentioned office of the Trustee by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds and in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

Optional Redemption. The 2005 Bonds maturing on or after September 15, ____ are subject to redemption prior to maturity, at the option of an Authorized Officer of the Authority, on any date on or after September 15, ____, in whole or in part, upon the terms set forth in the Indenture, upon the payment of one hundred percent (100%) of the Principal Amount thereof and accrued interest thereon to the date fixed for redemption.

The Principal Amount of the 2005 Bonds otherwise required to be redeemed may be reduced by the Principal Amount of 2005 Bonds theretofore purchased by the Trustee at the direction of an Authorized Officer of the Authority out of moneys deposited for such purpose in the Debt Service Fund.

In the case of the optional or mandatory sinking fund redemption of less than all of the 2005 Bonds of any maturity, the particular 2005 Bonds or the portions of the 2005 Bonds of such maturity to be redeemed shall be selected at random by the Trustee. Provided DTC or its nominee, Cede & Co., is the registered owner of the 2005 Bonds, if less than all of the 2005 Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the 2005 Bonds within such maturity are to be redeemed.]

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF THE PLEDGED PROPERTY AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY).

The Authority, pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the 2005 Bonds. No representation is made as to the accuracy of such numbers as printed on the 2005 Bonds, and reliance may be placed only on the identification numbers prefixed "R-" and printed thereon.

No recourse shall be had for the payment of the principal or Redemption Price of or interest on this Bond, or for any claims based thereon or on the Indenture against any member, officer, official or employee, past, present or future, of the Authority, or any other person executing this Bond, all such liability, if any, of such members, officers, officials or employees being expressly waived and released by every Owner of this Bond by the acceptance hereof and as material consideration for the adoption by the Authority of the Indenture and the issuance of this Bond.

It is hereby certified and recited that all conditions, acts and things required by the law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issue of bonds of which this is one is within every debt and other limit prescribed by the laws of the State.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its Executive Director, and its corporate seal (or a facsimile thereof) to be hereunder affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Secretary or Assistant Secretary, as of the Dated Date.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Name:
Title:

Attest:

Name:
(Assistant) Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION ON ALL BONDS]

TRUSTEE'S CERTIFICATE

This Bond is one of the 2005 Bonds delivered pursuant to the within mentioned Indenture.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Corporate Trust Officer

FORM OF ASSIGNMENT

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

[Please type or print name, address (including postal zip code) and Social Security or other tax identification number of the transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ his/her attorney to transfer the within Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

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NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

Department of Human Services Lease Revenue Bonds

(Greystone Park Psychiatric Hospital Project)

Series 2013

SECOND SUPPLEMENTAL TRUST INDENTURE

Dated as of April 1, 2013

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SCHEDULE I – Terms of 2013 Bonds

EXHIBIT A – Form of 2013 Bond

EXHIBIT B – Requisitions

SECOND SUPPLEMENTAL TRUST INDENTURE

SECOND SUPPLEMENTAL TRUST INDENTURE, dated as of April 1, 2013, by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the “Trustee”).

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “State”), exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29 (N.J.S.A. 26:2I-1, *et seq.*, as amended) (the “Act”); and

WHEREAS, the New Jersey Department of Human Services (“DHS”) owns and operates a psychiatric hospital known as the “Greystone Park Psychiatric Hospital” located in Morris County, New Jersey (“Greystone”); and

WHEREAS, from 2003 to the present, the Authority and DHS determined to undertake various components of a project (the “Greystone Project”) consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the “Legislature”); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and for the purpose of providing funds for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the “Bonds”) pursuant to the Act and a Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (the “Original Indenture”), between the Authority and Wachovia Bank, National Association, the original Bond trustee (the “Original Trustee”); and

WHEREAS, in order to effectuate the Greystone Project, DHS leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the “Original Lease”); and

WHEREAS, the Authority leased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the “Agreement”), pursuant to which DHS pays to the Authority, but only out of monies appropriated for such purpose by the Legislature, monies in such amounts and at such times as shall be necessary for the payment of the principal of and interest on the Bonds, the Administrative Expenses of the Authority (as defined in the Original Indenture) and all other payments required to be made under the Agreement; and

WHEREAS, in 2003, DHS undertook a portion of the Greystone Project (the “2003 Project”) consisting of (i) the renovation and construction of facilities at or related to Greystone (the “2003 Project Facilities”); (ii) the funding of capitalized interest; and (iii) the payment of the costs of financing the 2003 Project; and

WHEREAS, in order to finance the costs of the 2003 Project, at the request of DHS, the Authority issued under the Original Indenture, an initial series of Bonds entitled “Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003” (the “2003 Bonds”) in an aggregate principal amount of \$19,125,000; and

WHEREAS, in 2005, DHS requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the renovation of existing facilities and construction of additional facilities on the Leased Property (the “2005 Project Facilities”); (ii) the funding of capitalized interest; and (iii) the payment of the costs of such financing (collectively, the “2005 Project”); and

WHEREAS, for the purpose of providing funds for the 2005 Project, the Authority issued its “Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005” (the “2005 Bonds”) in an aggregate principal amount of \$186,565,000 under the Original Indenture, as supplemented by the First Supplemental Trust Indenture, dated as of December 1, 2005, between the Authority and the Original Trustee (the “First Supplemental Indenture”); and

WHEREAS, DHS has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the “2013 Project Facilities”); (ii) the funding of capitalized interest through March 15, 2014; and (iii) the payment of the costs of such financing (collectively, the “2013 Project”); and

WHEREAS, DHS also has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the refunding and defeasance of all or a portion of the 2003 Bonds (the “2003 Bonds to be Refunded”) and all or a portion of the 2005 Bonds (the “2005 Bonds to be Refunded”) and together with the 2003 Bonds to be Refunded, the “Bonds to be Refunded”); and (ii) the payment of the costs of such financing (collectively, the “Refunding”); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority has determined to issue its “Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A” (the “2013A Bonds”) in an aggregate principal amount of \$50,730,000 under a Resolution of the Authority adopted on March 21, 2013 entitled “RESOLUTION AUTHORIZING THE ISSUANCE OF DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013 AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH” (the “2013 Bond Resolution”) and the Original Indenture, as supplemented, including by this Second Supplemental Trust Indenture (the “Second Supplemental Indenture”) and, together with the Original Indenture and the First Supplemental Indenture, the “Indenture”; and

WHEREAS, for the purpose of providing funds for the Refunding, the Authority has determined to issue its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B" (the "2013B Bonds" and, together with the 2013A Bonds, the "2013 Bonds") in an aggregate principal amount of \$160,110,000 under the 2013 Bond Resolution and the Indenture;

**NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE
WITNESSETH:**

That the Authority, does hereby ratify and confirm the pledge and assignment made to the Trustee and its successors and assigns in the Original Indenture of the Pledged Property as security for the payment of the 2013 Bonds, under and subject to the terms and conditions set forth herein and in the Original Indenture, as supplemented by the First Supplemental Indenture, (a) for the benefit, protection and security of (i) the Owners of the 2013 Bonds, all of which shall be of equal rank, without preference, priority or distinction WITH ALL OTHER Bonds issued under the Indenture, except as otherwise provided herein or in the Original Indenture, as supplemented by the First Supplemental Indenture; and (b) for securing the observance and performance of the Authority's obligations and of all of the conditions, agreements and terms and provisions of the Original Indenture, the First Supplemental Indenture and this Second Supplemental Indenture; subject, in all cases, to the provisions of the Original Indenture, the First Supplemental Indenture and this Second Supplemental Indenture permitting the application of the Pledged Property for the purposes and on the terms and conditions set forth herein and in the Original Indenture, as supplemented by the First Supplemental Indenture and this Second Supplemental Indenture;

AND IT IS HEREBY COVENANTED AND AGREED that the terms and conditions upon which the 2013 Bonds are to be executed, authenticated and issued, are as follows:

**ARTICLE I
DEFINITIONS**

Capitalized terms used but not defined herein shall have the respective meanings given such terms in the Original Indenture, as amended by the First Supplemental Indenture, unless the context otherwise requires. In addition, as used herein, the following terms shall have the respective meanings set forth in the preambles hereto and below, unless the context otherwise requires:

Administrative Expenses shall mean, with respect to the 2013 Project and the 2013 Bonds, ordinary, customary and recurring costs, fees, liabilities and expenses incurred by the Authority in connection with the Project, including the Annual Administrative Fee, travel expenses, accounting, reporting and auditing costs (to the extent normally incurred in accordance with generally accepted accounting principles), litigation and legal fees and costs, whether for law firm attorneys or the State Attorney General including expert witness fees, if any, and the cost of postage, reproduction expenses and telephones, provided, however, that all the above expenses have been incurred with respect to the Project. Administrative Expenses also shall include, at any time and without limitation, the fees and expenses of the Trustee, including any

amounts due the Trustee pursuant to the provisions of the Indenture (to the extent such payment is required pursuant to Section 9.5 of the Original Indenture), any Paying Agent or tender agents, any Fiduciaries acting under the Indenture, legal and accounting fees including the fees of any Rebate Consultant, any other expenses incurred in connection with the calculation and payment of arbitrage rebate as required by the Tax Compliance Certificate hereof, and the initial and annual fees of the Rating Agencies with respect to the 2013 Bonds, to the extent such fees and expenses are not paid from the proceeds of sale of the 2013 Bonds.

Amendment shall mean the Amendment to Sublease and Agreement by and between the Authority and DHS dated as of April 1, 2013 amending the Sublease and Agreement by and between the Authority and DHS dated as of December 1, 2003.

Amendment to Lease shall mean the Amendment to Lease by and between DHS and the Authority dated as of April 1, 2013 amending the Original Lease.

Cost or Costs shall mean, with respect to the 2013 Project and the proceeds of the 2013A Bonds, all costs incurred by or on behalf of the Authority, DHS or DPMC which are reasonable and necessary for carrying out the Project, including all Costs of Issuance of the 2013A Bonds and DPMC's construction fee and the Department of Labor and Workforce Development set aside fee for affirmative action, and with respect to the Refunding and the proceeds of the 2013B Bonds, all costs incurred by or behalf of the Authority in connection with the refunding and defeasance of the Bonds to be Refunded, including all Costs of Issuance of the 2013B Bonds.

Cost or Costs of the 2013 Project Facilities shall mean all Costs of the 2013 Project other than Costs of Issuance of the 2013 Project.

Debt Service is defined, as of any date of calculation and with respect to any Series of Bonds, including the 2013 Bonds, as an amount equal to the sum of (i) the interest payable during such period on such Bonds, except to the extent such interest is to be paid from deposits made from Bond proceeds in the Debt Service Fund or from funds in the Escrow Account, and (ii) the Principal Amount payable during such period on such Bonds, except to the extent such principal is to be paid from funds in the Escrow Account.

First Supplemental Indenture shall have the meaning given to this term in the Recitals.

Indenture shall mean the Original Indenture, as amended and supplemented by, the First Supplemental Indenture and this Second Supplemental Indenture, and as it may be further amended and supplemented from time to time.

Issue Date shall mean April 18, 2013.

Second Supplemental Indenture shall have the meaning given to this term in the Recitals.

Trustee shall mean U.S. Bank National Association, Morristown, New Jersey.

2003 Escrow Agreement shall mean the Escrow Agreement dated the Issue Date between the Authority and the Trustee, as escrow agent, for the refunding of all or a portion of the 2003 Bonds.

2003 Escrow Account shall mean the escrow account established by the Trustee pursuant to the 2003 Escrow Agreement.

2005 Escrow Agreement shall mean the Escrow Agreement dated the Issue Date between the Authority and the Trustee, as escrow agent, for the refunding of all or a portion of the 2005 Bonds.

2005 Escrow Account shall mean the escrow account established by the Trustee pursuant to the 2005 Escrow Agreement.

2013 Accounts shall mean the accounts established under this Second Supplemental Indenture in respect of the 2013 Bonds within the Funds created under Section 5.2 of the Original Indenture.

2013 Bond Resolution shall mean the resolution of the Authority authorizing the issuance of the 2013 Bonds and the execution of this Second Supplemental Indenture, and any other resolution or supplemental resolution of the Authority relating to the 2013 Bonds.

2013 Capitalized Interest Account shall mean the 2013 Capitalized Interest Account established within the Debt Service Fund pursuant to Section 4.1 hereof.

2013 Construction Account shall mean the 2013 Construction Account established within the Construction Fund in respect of the 2013A Bonds pursuant to Section 4.4 hereof.

2013 Interest Payment Dates shall mean March 15 and September 15, commencing September 15, 2013.

2013 Rebate Account shall mean the account established within the Rebate Fund in respect of the 2013 Bonds pursuant to Section 4.3 hereof.

2013 Tax Compliance Certificate shall have the meaning given such term in Section 4.3 hereof.

2013A Closing Statement shall have the meaning given such term in Section 2.4 hereof.

2013A Costs of Issuance Account shall mean the 2013A Costs of Issuance Account established within the Costs of Issuance Fund pursuant to Section 4.2 hereof.

2013B Closing Statement shall have the meaning given such term in Section 2.4 hereof.

2013B Costs of Issuance Account shall mean the 2013B Costs of Issuance Account established within the Costs of Issuance Fund pursuant to Section 4.2 hereof.

ARTICLE II THE 2013 BONDS

Section 2.1 Issuance of 2013 Bonds.

(a) In accordance with the Act, and pursuant to the provisions of the 2013 Bond Resolution and the Indenture, the 2013 Bonds shall be issued in two (2) or more series in the aggregate principal amount of \$210,840,000, and shall be designated as “Department of Human Service Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A” in an aggregate principal amount of \$50,730,000 and “Department of Human Service Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B” in an aggregate principal amount of \$160,110,000. Any additional series of Bonds issued hereunder (not to exceed the aggregate principal amount 2013 Bonds authorized under the 2013 Resolution) shall be designated as “2013” Bonds followed by the appropriate letter. The 2013 Bonds shall be issued as Additional Bonds pursuant to Section 2.4 of the Original Indenture and shall be issued on an equal and ratable basis with the 2003 Bonds and 2005 Bonds, if any remain outstanding subsequent to the Refunding, without preference or priority as to payment or security. The 2013 Bonds shall be dated the date of their initial delivery, mature on the dates and in the principal amounts, bear interest from their dated date payable on each Interest Payment Date, at the rates, and shall be subject to optional and mandatory redemption and purchase, all as set forth in Schedule I hereto.

(b) The 2013 Bonds will be issued in the form of fully registered Bonds without coupons and shall be in substantially the form set forth in Exhibit A hereto, with such appropriate modifications, insertions and omissions as may be set forth in this Second Supplemental Indenture.

(c) The 2013 Bonds shall be executed by the Authority and authenticated by the Trustee, and be subject to transfer and exchange, cancellation and destruction as provided herein and in the Original Indenture. The 2013 Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple of \$5,000 and shall be lettered and numbered from one upward preceded by the letter “R” pre-fixed to the number.

(d) The 2013 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(e) The 2013 Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee designated by the Trustee for such payment. Interest on the 2013 Bonds shall be paid on each 2013 Interest Payment Date by check or draft drawn on the Paying Agent and mailed by the Trustee to the Owners in whose name the 2013 Bonds are registered on the registry books at the close of business on the Regular Record Date at the address of the Owners of the 2013 Bonds appearing on the registry books of the Trustee. Interest

on the 2013 Bonds will be paid by wire transfer to an account in the continental United States to any Owner of \$1,000,000 or more in principal amount of a series of the 2013 Bonds upon written instructions from such Owner received by the Trustee on or prior to the next Interest Payment Date.

Section 2.2 Authentication and Delivery of 2013 Bonds. The 2013 Bonds shall be executed by an Authorized Officer of the Authority and delivered to the Trustee for authentication as herein provided and shall be authenticated and delivered by the Trustee to the Authority or upon its order, but only upon the receipt by the Trustee of:

(i) a copy of the Original Indenture, the First Supplemental Indenture, and this Second Supplemental Indenture, each certified by an Authorized Officer of the Authority;

(ii) an Opinion of Bond Counsel to the effect that (i) the Authority is duly created and validly existing as a public body corporate and politic, constituting a political subdivision and instrumentality of the State pursuant to the Act, and has the right and power to adopt the Resolution, to execute and deliver the Second Supplemental Indenture and the Amendment and to perform its obligations thereunder, and to issue and sell the 2013 Bonds; the Resolution has been duly and lawfully adopted by the Authority, and the Second Supplemental Indenture has been duly executed and delivered by the Authority; and the Resolution and the Indenture are in full force and effect and are valid and binding upon the Authority, the Indenture is enforceable against the Authority in accordance with its terms, and no other authorization for the Resolution or Second Supplemental Indenture is required; (ii) the Indenture creates the valid pledge which it purports to create in the Pledged Property held or set aside under the Indenture as security for the 2013 Bonds; (iii) the Amendment has been duly authorized, executed and delivered by the Authority and DHS, is in full force and effect and is valid and binding upon the Authority and DHS and enforceable against the Authority and DHS in accordance with its terms; (iv) the 2013 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Act, the Resolution and the Indenture, and are valid and binding special and limited obligations of the Authority payable solely from the Pledged Property as set forth in the Indenture, are entitled to the benefits of the Act and the Indenture, and are enforceable in accordance with their terms; (v) under existing law, interest on the 2013 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on certain corporations; and (vi) interest on and any gain realized on the sale of any 2013 Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act; provided that, such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and general principles of equity;

(iii) a written request from DHS to the Authority pursuant to Section 3.4 of the Agreement to issue the 2013 Bonds signed by an Authorized DHS Representative;

(iv) a copy of the Lease, certified by an Authorized Officer of the Authority and an Authorized DHS Representative as being in full force and effect;

(v) a copy of the Agreement, together with an executed copy of the Amendment, each certified to by an Authorized Officer of the Authority and an Authorized DHS Representative as being in full force and effect;

(vi) a certified copy of the 2013 Bond Resolution authorizing the issuance of the 2013 Bonds;

(vii) certificates of an Authorized Officer of the Authority and an Authorized DHS Representative stating that neither the Authority nor DHS, respectively, is in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement;

(viii) an opinion of Bond Counsel to the effect that no amendment or modification to the Lease or the Agreement is necessary for the issuance of the 2013 Bonds, other than the Amendment;

(ix) a written instrument executed by the Treasurer consenting to the issuance of the 2013 Bonds; and

(x) a written order as to the delivery of the 2013 Bonds, signed by an Authorized Officer of the Authority.

Section 2.3 Book-Entry-Only System.

(a) The 2013 Bonds, except as may otherwise be provided in this Second Supplemental Indenture, shall initially be registered in the name of Cede & Co., as nominee of the Securities Depository. So long as Cede & Co. shall be the registered Owner of the 2013 Bonds, payment of semiannual interest on the 2013 Bonds shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Dates for the 2013 Bonds at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

(b) So long as the 2013 Bonds are registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any Securities Depository participant, indirect Securities Depository participant, or any beneficial owner of the 2013 Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, Cede & Co. or any Securities Depository participant or indirect Securities Depository participant with respect to any beneficial ownership interest in the 2013 Bonds, (ii) the delivery to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than Securities Depository or Cede & Co., of any notice with respect to the 2013 Bonds, or (iii) the payment to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than the Securities Depository or Cede & Co., of any amount with respect to the principal

of, premium, if any, or interest on the 2013 Bonds. The Authority and the Trustee may treat the Securities Depository as the absolute registered Owner of the 2013 Bonds for the purpose of (i) payment of the Principal Amount and Redemption Price of and interest on the 2013 Bonds, (ii) giving notices with respect to the 2013 Bonds, (iii) registering transfers with respect to the 2013 Bonds, and (iv) for all other purposes. The Trustee shall pay the Principal Amount, Redemption Price, if any, of and interest on the 2013 Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to such Principal Amount, Redemption Price, if any, and interest to the extent of the sum or sums so paid. No person other than the Securities Depository shall receive a Bond evidencing the obligation of the Authority to make payments of Principal Amount, Redemption Price, if any, and interest thereon pursuant to the Indenture. Upon delivery by the Securities Depository to the Trustee of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in the Indenture shall refer to such new nominee of the Securities Depository.

(c) (i) The Securities Depository may determine to discontinue providing its services with respect to the 2013 Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of such notice to the Trustee.

(ii) An Authorized Officer of the Authority, (A) in his or her sole discretion and without the consent of any other person, may discontinue the use of the system of book-entry only transfers through the Securities Depository with respect to the Bonds, in which event the Authority, if required by the Securities Depository, shall cause certificates for the Bonds to be printed and delivered to the Securities Depository, and (B) shall terminate the services of any Securities Depository with respect to the 2013 Bonds upon receipt by the Authority and the Trustee of written notice from such Securities Depository to the effect that such Securities Depository has received written notice from the Securities Depository participants or indirect Securities Depository participants having interests, as shown in the records of Securities Depository, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding 2013 Bonds to the effect, that (1) such Securities Depository is unable to discharge its responsibilities with respect to the 2013 Bonds; or (2) a continuation of the requirement that all of the Outstanding 2013 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, is not in the best interest of the beneficial owners of the 2013 Bonds.

(iii) Upon the termination of the services of the Securities Depository with respect to all or any portion of the 2013 Bonds pursuant to subsections 3.9(c)(ii)(A) or 3.9(c)(ii)(B)(1) of the Original Indenture, or upon the discontinuance or termination of the services of the Securities Depository with respect to all or any portion of the 2013 Bonds pursuant to subsections 3.9(c)(i) or 3.9(c)(ii)(B) of the Original Indenture, after which no substitute securities depository willing to undertake the functions of Securities Depository hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the 2013 Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the

Trustee in the name of Cede & Co., as nominee of the Securities Depository, but may be registered in whatever name or names Bondholders transferring or exchanging such 2013 Bonds shall designate, in accordance with the provisions of the Indenture. Upon the determination by any party authorized herein that the 2013 Bonds (or any portion thereof) shall no longer be limited to book-entry-only form, an Authorized Officer of the Authority shall immediately advise the Trustee in writing of the procedures for transfer of such 2013 Bonds from such book-entry-only form to a fully registered form.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Securities Depository, all payments with respect to the Principal Amount, Redemption Price, if any, of and interest on, and all notices with respect to, such Bond shall be made and given, respectively, to the Securities Depository as provided in the Letter of Representations of the Authority and the Trustee, addressed to the Securities Depository.

(e) In connection with any notice or other communication to be provided to Owners of the 2013 Bonds pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by such Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) The Authority hereby authorizes the Treasurer, by and on behalf of the Authority, and in consultation with an Authorized Officer of the Authority, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to continue the book-entry system or to replace the Securities Depository with another qualified Securities Depository as successor to the Securities Depository.

Section 2.4 Application of Proceeds.

(a) Application of Proceeds of 2013A Bonds. The proceeds of the 2013A Bonds shall be applied as set forth in a closing statement signed by an Authorized Officer of the Authority simultaneously with their delivery (the "2013A Closing Statement"), as follows:

(i) the amount set forth in the 2013A Closing Statement representing the Costs of Issuance of the 2013A Bonds shall be deposited in the 2013A Costs of Issuance Account within the Costs of Issuance Fund and applied to pay Costs of Issuance of the 2013A Bonds upon written order of an Authorized Officer of the Authority, as provided in Section 5.8 of the Indenture;

(ii) the amount set forth in the 2013A Closing Statement representing accrued interest, if any, on the 2013A Bonds shall be deposited in the Debt Service Fund and applied to the payment of interest due on the 2013A Bonds on the first Interest Payment Date relating to the 2013A Bonds;

(iii) the amount set forth in the 2013A Closing Statement representing capitalized interest on the 2013A Bonds shall be deposited in the 2013 Capitalized Interest Account within the Debt Service Fund and applied to the payment of interest on the 2013A Bonds as provided in Section 4.1 hereof; and

(iv) the balance of the proceeds of the 2013A Bonds as shown on the 2013A Closing Statement shall be deposited in the 2013 Construction Account within the Construction Fund to be applied to the payment of Costs of the 2013 Project Facilities, as provided in Section 5.3A of the Original Indenture, as added to the Original Indenture pursuant to Section 3.1 hereof, and Section 4.4 hereof.

(b) Application of Proceeds of 2013B Bonds. The proceeds of the 2013B Bonds shall be applied as set forth in a closing statement signed by an Authorized Officer of the Authority simultaneously with their delivery (the "2013B Closing Statement"), as follows:

(i) the amount set forth in the 2013B Closing Statement representing the Costs of Issuance of the 2013B Bonds shall be deposited in the 2013B Costs of Issuance Account within the Costs of Issuance Fund and applied to pay Costs of Issuance of the 2013B Bonds upon written order of an Authorized Officer of the Authority, as provided in Section 5.8 of the Indenture;

(ii) the amount set forth in the 2013B Closing Statement representing accrued interest, if any, on the 2013B Bonds shall be deposited in the Debt Service Fund and applied to the payment of interest due on the 2013B Bonds on the first Interest Payment Date relating to the 2013B Bonds;

(iii) the amount set forth in the 2013B Closing Statement representing the amount necessary to refund and defease the 2003 Bonds to be Refunded shall be transferred to the 2003 Escrow Account established under the 2003 Escrow Agreement and applied in accordance with the instructions therein to provide for the payment of the principal of and interest on the 2003 Bonds to Be Refunded; and

(iv) the amount set forth in the 2013B Closing Statement representing the amount necessary to refund and defease the 2005 Bonds to be Refunded shall be transferred to the 2005 Escrow Account established under the 2005 Escrow Agreement and applied in accordance with the instructions therein to provide for the payment of the principal of and interest on the 2005 Bonds to Be Refunded.

ARTICLE III

AMENDMENTS

Section 3.1 Amendment of Original Indenture.

(a) There are no outstanding Parity Obligations or Subordinated Obligations under the Original Indenture, as supplemented by the First Supplemental Indenture; therefore, the provisions in the Original Indenture providing for Parity Obligations and Subordinated Obligations are hereby removed.

(b) Section 5.3 of the Original Indenture shall not apply to the 2013A Bonds. With respect to the 2013A Bonds and the application of the proceeds thereof, all references in the Original Indenture and the First Supplemental Indenture to Section 5.3 shall mean and refer to Section 5.3A. Section 5.3A is hereby added to the Original Indenture as follows:

"Section 5.3A 2013 Construction Account within Construction Fund

(a) There shall be deposited in the 2013 Construction Account within the Construction Fund from the proceeds of the 2013A Bonds the amount set forth on the 2013A Closing Statement and any moneys received for or in connection with the 2013 Project Facilities by an Authorized Officer of the Authority from any source, unless required to be otherwise applied as provided by the Indenture. All amounts held in the 2013 Construction Account (including all investment earnings thereon) shall be applied to pay the Costs of the Project Facilities in the manner provided in this Section 5.3A.

(b) There shall be paid into the Net Proceeds Account in the Construction Fund the Net Proceeds which, notwithstanding anything contained herein to the contrary, shall be applied as set forth in Section 5.6 of the Agreement, which provides, in pertinent part, that DHS may (i) apply the Net Proceeds to the prompt repair, restoration, modification or improvement of the Project Facilities, or (ii) apply the Net Proceeds to the payment of the cost of any other lawful purpose of DHS or the Authority for which bonds may be issued pursuant to the Act, provided that DHS or the Authority shall deliver to the Trustee, with a copy to the Authority or DHS, as applicable, written approval of an Authorized State Representative of such proposed use and an Opinion of Bond Counsel stating that such proposed use of the Net Proceeds shall not cause interest on the Bonds to be includable in the gross income of any holder thereof for Federal income tax purposes and shall not cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, or (iii) exercise its option to purchase the Leased Property and the Project Facilities and apply the Net Proceeds thereto.

(c) The Trustee is hereby authorized and directed to make disbursements from the Construction Fund, in the amounts, at the times, in the

manner, and on the other terms and conditions, if any, set forth in, and otherwise in accordance with, a Requisition delivered by or on behalf of DHS with a copy to the Authority. The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom, and the Trustee shall, upon request of DHS or an Authorized Officer of the Authority, furnish statements in the form customarily prepared by the Trustee.

(d) The completion of the demolition, remediation and construction of the 2013 Project Facilities shall be evidenced by a certificate of an Authorized DHS Representative, which shall be filed with the Trustee, stating (i) that the demolition, remediation and construction of the 2013 Project Facilities has been completed substantially in accordance with the plans and specifications applicable thereto and that it is ready for occupancy or use, (ii) the date of such substantial completion, and (iii) the amount, if any, as set forth in such certificate required for the payment of any remaining part of the Cost of the 2013 Project Facilities to be financed from the proceeds of the Bonds. Upon the filing of such certificate, the balance in the 2013 Construction Account established therefor may be applied, as provided in the Agreement, (i) to pay for the cost of any other lawful purpose of DHS or of the Authority for which bonds may be issued pursuant to the Act, provided that DHS or an Authorized Officer of the Authority shall deliver to the Trustee, with a copy to the Authority or DHS, as applicable, written approval of an Authorized State Representative of such proposed use, and an Opinion of Bond Counsel stating that such proposed use of the remaining proceeds of the Bonds shall not cause interest on the Bonds to be includable in the gross income of any holder thereof for Federal income tax purposes and shall not cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, or (ii) may be transferred by the Trustee to the Debt Service Fund, pursuant to written directions from Authority to the Trustee, and applied in accordance with the applicable provisions of Article V of the Indenture.”

(c) Exhibit B to the Original Indenture shall be replaced in its entirety with Exhibit B attached hereto and incorporated herein.

Section 3.2 Transfer of Funds. Upon the defeasance of the Series 2003 Bonds and the Series 2005 Bonds, the holders of such Bonds will receive payment of the principal of, redemption price and interest on their respective series of Bonds from the Federal Securities held under the respective Escrow Deposit Agreements and will no longer have an interest in the funds on deposit in the various Funds and Accounts under the Indenture. Accordingly, the Trustee is hereby directed to transfer all moneys remaining in the Revenue Fund and the Debt Service Fund for the Series 2003 Bonds and in the Debt Service Fund for the Series 2005 Bonds to the Debt Service Fund established for the Series 2013 Bonds, to be applied on September 15, 2013 to pay debt service on the Series 2013B Bonds. The Trustee is further hereby directed to transfer the moneys remaining in the 2005 Cost of Issuance Account to the 2005 Construction Account.

ARTICLE IV

ESTABLISHMENT OF 2013 ACCOUNTS AND APPLICATION THEREOF

Section 4.1 2013 Capitalized Interest Account. There is hereby established a 2013 Capitalized Interest Account within the Debt Service Fund, which shall be held by the Trustee. The Trustee shall deposit therein the amount shown on the 2013A Closing Statement representing capitalized interest on the 2013A Bonds. The amount on deposit in the 2013 Capitalized Interest Account shall be applied by the Trustee to the payment of interest on the 2013A Bonds due on September 15, 2013 and March 15, 2014.

Section 4.2 Costs of Issuance Accounts.

(a) There is hereby established a 2013A Costs of Issuance Account within the Costs of Issuance Fund, which shall be held by the Trustee. The Trustee shall deposit therein that portion of the proceeds of the 2013A Bonds to be applied to pay the Costs of Issuance of the 2013A Bonds as set forth on the 2013A Closing Statement. Amounts on deposit in the 2013A Costs of Issuance Account shall be disbursed by the Trustee to pay Costs of Issuance of the 2013A Bonds upon a written Requisition signed by an Authorized Officer of the Authority. Any balance remaining in the 2013A Costs of Issuance Account after six (6) months following the date of issuance of the 2013A Bonds (or such later date as may be directed by an Authorized Officer of the Authority) shall be transferred to the 2013 Construction Account, pursuant to written directions from an Authorized Officer of the Authority to the Trustee.

(b) There is hereby established a 2013B Costs of Issuance Account within the Costs of Issuance Fund, which shall be held by the Trustee. The Trustee deposit therein that portion of the proceeds of the 2013B Bonds to be applied to pay the Costs of Issuance of the 2013B Bonds as set forth on the 2013B Closing Statement. Amounts on deposit in the 2013B Costs of Issuance Account shall be disbursed by the Trustee to pay Costs of Issuance of the 2013B Bonds upon a written Requisition signed by an Authorized Officer of the Authority. Any balance remaining in the 2013B Costs of Issuance Account after six (6) months following the date of issuance of the 2013B Bonds (or such later date as may be directed by an Authorized Officer of the Authority) shall be transferred to the Debt Service Fund to be applied to pay Debt Service on the 2013B Bonds, pursuant to written directions from an Authorized Officer of the Authority to the Trustee.

Section 4.3 2013 Rebate Account.

(a) The Trustee shall establish the 2013 Rebate Account within the Rebate Fund established under Section 5.7 of the Original Indenture. The 2013 Rebate Account shall be held by the Trustee as a special trust fund for the purpose of paying to the United States of America the amount required to be rebated with respect to the 2013 Bonds pursuant to Section 148(f) of the Code, and shall be held by the Trustee separate and apart from all other Funds and Accounts established hereunder or under the Original Indenture and separate and apart from all other moneys of the Trustee. The 2013 Rebate Fund shall be maintained until the later of (i) the date sixty (60) days after the retirement of the 2013 Bonds, or (ii) the date the Trustee is informed by an Authorized Officer of the Authority that 100% of the aggregate amount required to be rebated

to the United States of America in respect of the 2013 Bonds has been paid. All amounts in the 2013 Rebate Fund, including investment earnings, shall be held by the Trustee free and clear of the lien of the Indenture.

(b) The 2013 Rebate Account shall be subject to the provisions of Section 5.7 of the Original Indenture.

Section 4.4 2013 Construction Account. There is hereby established a 2013 Construction Account within the Construction Fund, which shall be held by the Trustee. The Trustee shall deposit in the 2013 Construction Account the amount of proceeds of the 2013A Bonds as set forth on the 2013A Closing Statement. All amounts held in the 2013 Construction Account (including all investment earnings thereon) shall be applied to pay the Costs of the 2013 Project in the manner provided in Section 5.3A of the Original Indenture, as added to the Original Indenture by Section 3.1 hereof. Any balance remaining in the 2013 Construction Account following completion of the 2013 Project shall be transferred to the Debt Service Fund to be applied to pay Debt Service on the 2013A Bonds, pursuant to written direction from an Authorized Officer of the Authority to the Trustee.

ARTICLE V MISCELLANEOUS

Section 5.1 Severability of Invalid Provisions. If any of the covenants or agreements provided in this Second Supplemental Indenture should be contrary to law, such covenant or agreement shall be deemed severable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this Second Supplemental Indenture.

Section 5.2 No Personal Recourse. No covenant or agreement contained in this Second Supplemental Indenture or any 2013 Bond shall be deemed to be the covenant or agreement of any member, officer, agent or employee of the Authority in his or her individual capacity. No recourse shall be had for the payment of the Principal Amount or Redemption Price of or interest on the 2013 Bonds, or for any claim based thereon or under the Indenture or against any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as material consideration for the execution and delivery by the Authority of this Second Supplemental Indenture and the issuance of the 2013 Bonds.

Section 5.3 Successors and Assigns. All the covenants, promises and agreements by or on behalf of the Authority, or by or on behalf of the Fiduciaries contained in this Second Supplemental Indenture, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 5.4 Descriptive Headings. The descriptive headings of the Articles and Sections of this Second Supplemental Indenture are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Second Supplemental Indenture.

Section 5.5 Governing Law. This Second Supplemental Indenture and the 2013 Bonds shall be governed by the laws of the State of New Jersey.

Section 5.6. Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein or in the Indenture, the Indenture is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Trustee hereby agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

Section 5.7. L. 2005 c. 92 Compliance. In accordance with L. 2005 c. 92, the Trustee agrees that all services performed by it under this Indenture and any subcontract hereunder, shall be performed within the United States of America.


Section 5.8. Compliance With L. 2005, c. 271 Reporting Requirements. The Trustee 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-20.27 (L.2005, c. 271, section 3) if the Trustee enters into agreements or contracts such as the Indenture, with a State public entity (including the Authority), and receives compensation or fees of \$50,000 or more in the aggregate from State public entities, in a calendar year. It is the Trustee’s responsibility to determine if filing is necessary. Failure to so file 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.

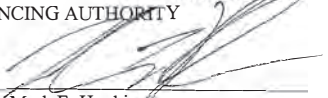
Section 5.9. Compliance With L. 2005, c. 51. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, which codified Executive Order No. 134 (McGreevey 2004), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection with the Indentured Bonds. The Trustee agrees that it shall maintain continued compliance with L. 2005, c. 51 and regulations promulgated thereunder while any Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under the Indenture and any remedies available may be exercised against the Trustee at law or in equity.

Section 5.10. Compliance With Executive Order 117. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with Executive Order No. 117 (Corzine 2008), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection with the Bonds. The Trustee agrees that it shall maintain continued compliance with Executive Order 117 (Corzine 2008) and regulations promulgated thereunder while any Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under this Indenture and any remedies available may be exercised against the Trustee at law or in equity.

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Second Supplemental Indenture to be signed in its name by its Executive Director, and attested by its Secretary or Assistant Secretary, and U.S. BANK NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Second Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

Attest: 
Stephen M. Fillebrown
Assistant Secretary

By: 
Mark E. Hopkins
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Attest:

Authorized Officer

By: _____
Name: _____
Title: Authorized Officer

SCHEDULE I - TERMS OF 2013 BONDS
New Jersey Health Care Facilities Financing Authority
\$50,730,000 Department of Human Services Lease Revenue Bonds
(Greystone Park Psychiatric Hospital Project) Series 2013A

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Second Supplemental Indenture to be signed in its name by its Executive Director, and attested by its Secretary or Assistant Secretary, and U.S. BANK NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Second Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
 FINANCING AUTHORITY

Attest:

 Stephen M. Fillebrown
 Assistant Secretary

By: _____
 Mark E. Hopkins
 Executive Director

U.S. BANK NATIONAL ASSOCIATION,
 as Trustee

Attest:

 Authorized Officer

By: Andrea Harris
 Andrea G. Harris
 Vice President

September 15, <u>(Year)</u>	<u>Principal Amount</u>	<u>Coupon Rate</u>
2029	\$9,385,000	5.000%
2030	9,795,000	3.500%
2031	10,140,000	3.500%
2032	10,510,000	3.625%
2033	10,900,000	3.625%

Redemption Provisions

Optional Redemption. The 2013 Bonds maturing on or after September 15, 2024 are subject to redemption prior to maturity, at the option of an Authorized Officer of the Authority, on any date on or after September 15, 2023, in whole or in part, from maturities selected by an Authorized Officer of the Authority, in accordance with the Indenture, upon the payment of one hundred percent (100%) of the Principal Amount thereof and accrued interest thereon to the date fixed for redemption.

The Principal Amount of the 2013 Bonds otherwise required to be redeemed may be reduced by the Principal Amount of 2013 Bonds theretofore purchased by the Trustee at the direction of an Authorized Officer of the Authority out of moneys deposited for such purpose in the Debt Service Fund.

In the case of an optional redemption of less than all of the 2013 Bonds of any maturity, the particular 2013 Bonds or the portions of the 2013 Bonds of such maturity to be redeemed shall be selected by lot by the Trustee. Provided DTC or its nominee, Cede & Co., is the registered owner of the 2013 Bonds, if less than all of the 2013 Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the 2013 Bonds within such maturity are to be redeemed.

\$160,110,000
Department of Human Services
Lease Revenue Refunding Bonds
(Greystone Park Psychiatric Hospital Project) Series 2013B

September 15, (Year)	<u>Principal Amount</u>	<u>Coupon Rate</u>
2014	\$5,320,000	4.000%
2015	7,880,000	5.000%
2016	8,485,000	5.000%
2017	8,920,000	5.000%
2018	9,375,000	5.000%
2019	9,860,000	5.000%
2020	10,365,000	5.000%
2021	10,900,000	5.000%
2022	11,460,000	5.000%
2023	12,045,000	5.000%
2024	12,665,000	5.000%
2025	13,315,000	5.000%
2026	12,520,000	5.000%
2027	13,165,000	5.000%
2028	13,835,000	5.000%

Redemption Provisions

Optional Redemption. The 2013 Bonds maturing on or after September 15, 2024 are subject to redemption prior to maturity, at the option of an Authorized Officer of the Authority, on any date on or after September 15, 2023, in whole or in part, from maturities selected by an Authorized Officer of the Authority, in accordance with the Indenture, upon the payment of one hundred percent (100%) of the Principal Amount thereof and accrued interest thereon to the date fixed for redemption.

The Principal Amount of the 2013 Bonds otherwise required to be redeemed may be reduced by the Principal Amount of 2013 Bonds theretofore purchased by the Trustee at the direction of an Authorized Officer of the Authority out of moneys deposited for such purpose in the Debt Service Fund.

In the case of an optional redemption of less than all of the 2013 Bonds of any maturity, the particular 2013 Bonds or the portions of the 2013 Bonds of such maturity to be redeemed shall be selected by lot by the Trustee. Provided DTC or its nominee, Cede & Co., is the registered owner of the 2013 Bonds, if less than all of the 2013 Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the 2013 Bonds within such maturity are to be redeemed.

EXHIBIT A
FORM OF SERIES 2013A BOND

THE STATE OF NEW JERSEY (THE "STATE") IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (THE "AUTHORITY"), PAYABLE SOLELY OUT OF THE PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE NEW JERSEY HEALTH CARE FACILITIES FINANCING LAW, L. 1972, C. 29, AS AMENDED AND SUPPLEMENTED (THE "ACT"), SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A

No. R-	Interest Rate	Maturity Date	Dated Date	CUSIP
	_____%	_____	_____	
Registered Owner:		CEDE & CO.		
Principal Amount:				

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a political subdivision and an instrumentality of the State of New Jersey (the "State") created and existing under the laws of the State, acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the Pledged Property pledged thereto under the Indenture (as defined below), upon presentation and surrender of this Bond at the principal corporate trust office of U.S. Bank National Association (such bank and any successors thereto being called the "Trustee"), the Principal Amount stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such Pledged Property on March 15 and September 15 in each year, commencing September 15, 2013, until the Authority's obligation with respect to the payment of such Principal Amount shall be discharged to the Registered Owner hereof, interest at the Interest Rate from the Dated Date hereof on such Principal Amount by check or draft of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the first (1st) day of the month of such Interest Payment Date on the books of the Authority maintained by the Bond Registrar or, if the Registered Owner hereof shall be the Registered Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer to an account in the continental United States, upon written instructions from such Registered Owner received by the Trustee on or prior to the next preceding Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A, in the aggregate principal amount of \$50,730,000 (the "Series 2013A Bonds") issued pursuant to the Act, and under and pursuant to a Trust Indenture, dated as of December 1, 2003, by and between the Authority and Wachovia Bank National Association, as predecessor in interest to the Trustee, as amended and supplemented, including by the Second Supplemental Trust Indenture, dated as of April 1, 2013 (herein collectively called the "Indenture"). The Series 2013A Bonds are issued for the purpose of financing a portion of the costs of a project (the "Project") consisting of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the "Project Facilities"); (ii) the funding of capitalized interest on the Series 2013A Bonds through March 15, 2014; and (iii) the payment of the costs and expenses of issuing the Series 2013A Bonds. The Project Facilities are leased to the Authority by the New Jersey Department of Human Services ("DHS"), pursuant to a Lease dated December 1, 2003, as amended by an Amendment to Lease dated as of April 1, 2013 by and between DHS and the Authority (herein collectively called the "Lease"), and leased by the Authority to DHS pursuant to an Agreement and Sublease, dated as of December 1, 2003, between the Authority and the State, as amended by the Amendment to Sublease and Agreement dated as of April 1, 2013 (herein collectively called the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Indenture.

The Series 2013A Bonds are special, limited obligations of the Authority payable solely from, and secured solely by, the Pledged Property as provided in the Indenture. Pledged Property under the Indenture includes: (i) all of the Pledged Revenues as hereinafter defined; and all right, title and interest of the Authority to received the Pledged Revenues; and (ii) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee under the Indenture in the Revenue Fund and the Debt Service Fund. Pledged Revenues

under the Indenture include (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement; and (ii) any other amounts appropriated by the New Jersey State Legislature (the "Legislature") for such purpose, which are payable to the Authority or the Trustee by DHS and pledged by the Authority as security for the payment of the Bonds or received from any other source by the Authority, DHS or the Trustee and pledged by the Authority as security for the payment of the Bonds. ALL AMOUNTS PAYABLE BY DHS AS BASIC RENT TO THE AUTHORITY UNDER THE AGREEMENT ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR SUCH PURPOSE. THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. Reference is hereby made to the Indenture for a description of the rights, limitation of rights, obligations, duties and immunities of the Authority, the Trustee, the Paying Agents and the Owners of the Series 2013A Bonds, and, by the acceptance of this Bond, the Owner hereof assents to all provisions of the Indenture. Certified copies of the Indenture are on file in the corporate trust office of the Trustee and in the office of the Authority.

The Series 2013A Bonds have been issued on an equal and ratable basis under the Indenture with the Authority's Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B (the "Series 2013B Bonds"), issued simultaneously with the Series 2013A Bonds, in the aggregate principal amount of \$160,110,000. As provided in the Indenture, additional Series of Bonds of the Authority may be issued from time to time pursuant to Supplemental Indentures, on a parity with and secured and payable equally and ratably with all other Series of Bonds, including the Series 2013A Bonds. Any additional Series of Bonds may be in one or more Series, in various Principal Amounts, may mature at different times, may bear interest at different rates and may otherwise vary from the terms of the Series 2013A Bonds as provided in the Indenture. The aggregate Principal Amount of Bonds which may be issued and incurred under the Indenture is not limited except as may be provided in the Indenture or the Act.

The provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by an Authorized Officer of the Authority, to the extent and in the manner permitted by the terms of the Indenture. 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 redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written consent.

Reference is made hereby to the Indenture for a more complete description of the sources of payment and security for the Series 2013A Bonds, including the Pledged Property, the nature, extent and manner of enforcement of remedies by the Owners of the Series 2013A Bonds, the terms and conditions under which the Indenture may be amended or modified, the rights and limitations on the rights of the Owners of the Series 2013A Bonds and the Trustee, and the terms and conditions under which the Series 2013A Bonds are issued and on which additional Bonds may be issued and incurred on a parity with the Series 2013A Bonds.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the above mentioned office of the Trustee by the Registered Owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds and in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

[HERE INSERT APPLICABLE REDEMPTION PROVISIONS]

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF BASIC RENT RECEIVED FROM DHS AND OTHER PLEDGED PROPERTY AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

The Authority, pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the Series 2013A Bonds. No representation is made as to the accuracy of such numbers as printed on the Series 2013A Bonds, and reliance may be placed only on the identification numbers prefixed "R-" and printed thereon.

No recourse shall be had for the payment of the principal or Redemption Price of or interest on this Bond, or for any claims based thereon or on the Indenture against any member, officer, official or employee, past, present or future, of the Authority, or any other person executing this Bond, all such liability, if any, of such members, officers, officials or employees being expressly waived and released by every Owner of this Bond by the acceptance hereof and

as material consideration for the adoption by the Authority of the Indenture and the issuance of this Bond.

It is hereby certified and recited that all conditions, acts and things required by the law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issue of bonds of which this is one is within every debt and other limit prescribed by the laws of the State of New Jersey.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its Executive Director, and its corporate seal (or a facsimile thereof) to be hereunder affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Secretary or Assistant Secretary, as of the Dated Date.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Mark E. Hopkins
Executive Director

Attest:

Stephen M. Fillebrown
Assistant Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION ON ALL BONDS]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2013A Bonds delivered pursuant to the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

[Please type or print name, address (including postal zip code) and Social Security or other tax identification number of the transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ his/her attorney to transfer the within Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

FORM OF SERIES 2013B BOND

THE STATE OF NEW JERSEY (THE "STATE") IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (THE "AUTHORITY"), PAYABLE SOLELY OUT OF THE PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE NEW JERSEY HEALTH CARE FACILITIES FINANCING LAW, L. 1972, C. 29, AS AMENDED AND SUPPLEMENTED (THE "ACT"), SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

DEPARTMENT OF HUMAN SERVICES LEASE REVENUE REFUNDING BONDS
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013B

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

Registered Owner: CEDE & CO.

Principal Amount:

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a political subdivision and an instrumentality of the State of New Jersey (the "State") created and

existing under the laws of the State, acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the Pledged Property pledged thereto under the Indenture (as defined below), upon presentation and surrender of this Bond at the principal corporate trust office of U.S. Bank National Association (such bank and any successors thereto being called the "Trustee"), the Principal Amount stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such Pledged Property on March 15 and September 15 in each year, commencing September 15, 2013, until the Authority's obligation with respect to the payment of such Principal Amount shall be discharged to the Registered Owner hereof, interest at the Interest Rate from the Dated Date hereof on such Principal Amount by check or draft of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the first (1st) day of the month of such Interest Payment Date on the books of the Authority maintained by the Bond Registrar or, if the Registered Owner hereof shall be the Registered Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer to an account in the continental United States, upon written instructions from such Registered Owner received by the Trustee on or prior to the next preceding Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B, in the aggregate principal amount of \$160,110,000 (the "Series 2013B Bonds") issued pursuant to the Act, and under and pursuant to a Trust Indenture, dated as of December 1, 2003, by and between the Authority and Wachovia Bank National Association, as predecessor in interest to the Trustee, as amended and supplemented, including by the Second Supplemental Trust Indenture, dated as of April 1, 2013 (herein collectively called the "Indenture"). The Series 2013B Bonds are issued for the purpose of (i) refunding all or a portion of the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003 (the "2003 Bonds") originally issued in the aggregate principal amount of \$19,125,000 and all or a portion of the Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005 (the "2005 Bonds") originally issued in the aggregate principal amount of \$186,565,000; and (ii) the payment of the costs and expenses of issuing the Series 2013B Bonds. The Project Facilities are leased to the Authority by the New Jersey Department of Human Services ("DHS"), pursuant to a Lease dated December 1, 2003, as amended by an Amendment to Lease dated as of April 1, 2013 by and between DHS and the Authority (herein collectively called the "Lease"), and leased by the Authority to DHS pursuant to an Agreement and Sublease, dated as of December 1, 2003, between the Authority and the State, as amended by the Amendment to Sublease and Agreement dated as of April 1, 2013 (herein collectively called the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meaning given to such terms in the Indenture.

The Series 2013B Bonds are special, limited obligations of the Authority payable solely from, and secured solely by, the Pledged Property as provided in the Indenture. Pledged Property under the Indenture includes: (i) all of the Pledged Revenues as hereinafter defined; and all right, title and interest of the Authority to received the Pledged Revenues; and (ii) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee under the Indenture in the Revenue Fund and the Debt Service Fund. Pledged Revenues

under the Indenture include (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement; and (ii) any other amounts appropriated by the New Jersey State Legislature (the "Legislature") for such purpose, which are payable to the Authority or the Trustee by DHS and pledged by the Authority as security for the payment of the Bonds or received from any other source by the Authority, DHS or the Trustee and pledged by the Authority as security for the payment of the Bonds. ALL AMOUNTS PAYABLE BY DHS AS BASIC RENT TO THE AUTHORITY UNDER THE AGREEMENT ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR SUCH PURPOSE. THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. Reference is hereby made to the Indenture for a description of the rights, limitation of rights, obligations, duties and immunities of the Authority, the Trustee, the Paying Agents and the Owners of the Series 2013B Bonds, and, by the acceptance of this Bond, the Owner hereof assents to all provisions of the Indenture. Certified copies of the Indenture are on file in the corporate trust office of the Trustee and in the office of the Authority.

The Series 2013B Bonds have been issued on an equal and ratable basis under the Indenture with the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A (the "Series 2013A Bonds"), issued simultaneously with the Series 2013B Bonds, in the aggregate principal amount of \$50,730,000. As provided in the Indenture, additional Series of Bonds of the Authority may be issued from time to time pursuant to Supplemental Indentures, on a parity with and secured and payable equally and ratably with all other Series of Bonds, including the Series 2013B Bonds. Any additional Series of Bonds may be in one or more Series, in various Principal Amounts, may mature at different times, may bear interest at different rates and may otherwise vary from the terms of the Series 2013B Bonds as provided in the Indenture. The aggregate Principal Amount of Bonds which may be issued and incurred under the Indenture is not limited except as may be provided in the Indenture or the Act.

The provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by an Authorized Officer of the Authority, to the extent and in the manner permitted by the terms of the Indenture. 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 redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written consent.

Reference is made hereby to the Indenture for a more complete description of the sources of payment and security for the Series 2013B Bonds, including the Pledged Property, the nature, extent and manner of enforcement of remedies by the Owners of the Series 2013B Bonds, the terms and conditions under which the Indenture may be amended or modified, the rights and limitations on the rights of the Owners of the Series 2013B Bonds and the Trustee, and the terms and conditions under which the Series 2013B Bonds are issued and on which additional Bonds may be issued and incurred on a parity with the Series 2013B Bonds.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the above mentioned office of the Trustee by the Registered Owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds and in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

[HERE INSERT APPLICABLE REDEMPTION PROVISIONS]

THE STATE IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE AUTHORITY, PAYABLE SOLELY OUT OF BASIC RENT RECEIVED FROM DHS AND OTHER PLEDGED PROPERTY AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE ACT SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

The Authority, pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the Series 2013B Bonds. No representation is made as to the accuracy of such numbers as printed on the Series 2013B Bonds, and reliance may be placed only on the identification numbers prefixed "R-" and printed thereon.

No recourse shall be had for the payment of the principal or Redemption Price of or interest on this Bond, or for any claims based thereon or on the Indenture against any member, officer, official or employee, past, present or future, of the Authority, or any other person executing this Bond, all such liability, if any, of such members, officers, officials or employees being expressly waived and released by every Owner of this Bond by the acceptance hereof and

as material consideration for the adoption by the Authority of the Indenture and the issuance of this Bond.

It is hereby certified and recited that all conditions, acts and things required by the law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issue of bonds of which this is one is within every debt and other limit prescribed by the laws of the State.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its Executive Director, and its corporate seal (or a facsimile thereof) to be hereunder affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Secretary or Assistant Secretary, as of the Dated Date.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Mark E. Hopkins
Executive Director

Attest:

Stephen M. Fillebrown
Assistant Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION ON ALL BONDS]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2013B Bonds delivered pursuant to the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

FORM OF ASSIGNMENT

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

[Please type or print name, address (including postal zip code) and Social Security or other tax identification number of the transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ his/her attorney to transfer the within Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: The signature on this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

REQUISITION FORMS

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
 DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
 (Greystone Park Psychiatric Hospital Project) Series 2013A

CONSTRUCTION FUND REQUISITION
REQUISITION NO. _____

Date: _____

U.S. Bank National Association
 Corporate Trust Administration
 21 South Street, 3rd Floor
 Morristown, New Jersey 07960

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.3A(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Second Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2013 (collectively, the "Indenture"), the total sum of \$ _____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

<u>Name and Address of Pavee:</u>	<u>Purpose of Obligation:</u>	<u>Amount to be Paid:</u>
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I hereby certify that:

- (a) such obligation has been incurred in connection with the demolition and remediation of the Project Facilities,
- (b) each item is a Cost of the Project Facilities, and
- (c) such obligation has not been the basis for a prior requisition which has been paid.

<i>Required Signature:</i>	NEW JERSEY DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION
Date: _____	By: _____ Authorized Officer

<i>Optional Signature:</i>	NEW JERSEY DEPARTMENT OF HUMAN SERVICES:
Date: _____	By: _____ Name: Title: For the Commissioner

COPY TO: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
 DEPARTMENT OF HUMAN SERVICES LEASE REVENUE [REFUNDING] BONDS
 (Greystone Park Psychiatric Hospital Project) [Series 2013A][Series 2013B]

COSTS OF ISSUANCE FUND REQUISITION
REQUISITION NO. _____

Date: _____

U.S. Bank National Association
 Corporate Trust Administration
 21 South Street, 3rd Floor
 Morristown, New Jersey 07960

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.8 of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Second Supplemental Trust Indenture (the "Second Supplemental Indenture") between the Authority and the Trustee, dated as of April 1, 2013 (collectively, the "Indenture") and pursuant to Section 4.2 of the Second Supplemental Indenture, the total sum of \$ _____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

<u>Name and Address of Pavee:</u>	<u>Purpose of Obligation:</u>	<u>Amount to be Paid:</u>
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I hereby certify that:

- (a) such cost of issuance has been incurred by the Authority or its agents in connection with the issuance of the Bonds.
- (b) each item is a proper charge against the Costs of Issuance Fund, and
- (c) such obligation has not been the basis for a prior requisition which has been paid.

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
By: _____ Authorized Officer

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

Department of Human Services Lease Revenue Bonds

(Greystone Park Psychiatric Hospital Project)

Series 2013

THIRD SUPPLEMENTAL TRUST INDENTURE

Dated as of April 1, 2016

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THIRD SUPPLEMENTAL TRUST INDENTURE

THIRD SUPPLEMENTAL TRUST INDENTURE, dated as of April 1, 2016, by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the "Trustee").

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the "State"), exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29, as amended (N.J.S.A. 26:21-1, *et seq.*, as amended) (the "Act"); and

WHEREAS, the New Jersey Department of Human Services ("DHS") owns and operates various health care facilities, including but not limited to the property and facilities comprising a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey ("Greystone"); and

WHEREAS, from 2003 to the present, the Authority and DHS determined to undertake various components of a project (the "Greystone Project") consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "Legislature"); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and

WHEREAS, for the purpose of providing funds to DHS for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the "Bonds") pursuant to the Act and a Trust Indenture, dated as of December 1, 2003 (the "Original Indenture"), between the Authority and Wachovia Bank, National Association, the original bond trustee (the "Original Trustee"), as supplemented, including by a First Supplemental Trust Indenture, dated as of December 1, 2005 (the "First Supplemental Indenture"), between the Authority and the Original Trustee, and by a Second Supplemental Trust Indenture, dated as of April 1, 2013 (the "Second Supplemental Indenture"), between the Authority and the Trustee (the Original Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture is referred to herein as the "Indenture"); and

WHEREAS, in order to effectuate the financing of the Greystone Project, DHS leased the Leased Property (as defined in the Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the "Original Lease"), as amended by an Amendment to Lease dated as of April 1, 2013 (the "Amendment to Lease" and, together with the Original Lease, the "Lease"), and the Authority subleased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the "Original Sublease and Agreement"), as amended

by an Amendment to Sublease and Agreement, dated as of April 1, 2013 (the "Amendment to Sublease and Agreement" and, together with the Original Sublease and Agreement, the "Agreement") (the Indenture, the Lease and the Agreement are referred to herein as the "Bond Documents"); and

WHEREAS, in 2013, DHS requested the Authority to authorize and issue a series of bonds for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the "2013 Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2013 Project"); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority issued its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A" (the "2013A Bonds") in an aggregate principal amount \$50,730,000 under the Indenture; and

WHEREAS, the Authority has determined based on information provided to the Authority that the remaining cost to complete the 2013 Project is less than the remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, DHS has requested and the Authority has agreed to make certain amendments to the Bond Documents to authorize the expenditure of proceeds of the 2013A Bonds for certain other capital improvement projects of DHS, as described on Schedule I attached hereto (the "Additional Projects"), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted on February 25, 2016 entitled "A SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A (THE "2013A BONDS") AUTHORIZING AMENDMENTS TO THE INDENTURE AND THE AGREEMENT AND APPROVING A MEMORANDUM OF AGREEMENT BETWEEN THE AUTHORITY AND THE DEPARTMENT OF HUMAN SERVICES" (the "Supplemental Resolution"), the Indenture, as amended and supplemented by this Third Supplemental Trust Indenture (the "Third Supplemental Indenture") and the Agreement, as amended by a Second Amendment to Sublease and Agreement dated as of April 1, 2016, between the Authority and DHS; and

WHEREAS, the Authority and DHS have agreed to enter into that certain Memorandum of Agreement, dated as of April 1, 2016 (the "Memorandum of Agreement"), to set forth certain terms of their agreement with respect to the use of proceeds of the 2013A Bonds for Costs of Additional Projects (as hereinafter defined).

NOW, THEREFORE, IT IS HEREBY COVENANTED AND AGREED AS FOLLOWS:

ARTICLE I

DEFINITIONS

Capitalized terms used but not defined in the recitals hereto or elsewhere herein shall have the respective meanings given such terms in the Original Indenture, as amended by the First

Supplemental Indenture and the Second Supplemental Indenture, unless the context otherwise requires. In addition to the capitalized terms defined in the recitals hereto and elsewhere herein, the following terms shall have the respective meanings set forth below, unless the context otherwise requires:

Additional Projects Subaccount shall mean the Additional Projects Subaccount established within the 2013 Construction Account within the Construction Fund, pursuant to Section 3.1 of this Third Supplemental Indenture.

Cost or Costs of Additional Projects shall mean all costs incurred by or on behalf of the Authority, DHS or DPMC which are reasonable and necessary for carrying out an Additional Project and are eligible to be financed with the proceeds of federally tax-exempt bonds issued under and pursuant to the Act.

Cost or Costs of the 2013 Project shall mean all costs incurred by or on behalf of the Authority, DHS or DPMC which are reasonable and necessary for carrying out the 2013 Project, including all Costs of Issuance of the 2013A Bonds and DPMC's construction fee and the Department of Labor and Workforce Development set aside fee for affirmative action.

Cost or Costs of the 2013 Project Facilities shall mean all costs of the 2013 Project other than Costs of Issuance of the 2013A Bonds.

ARTICLE II

AMENDMENTS

Section 2.1 Amendments to Indenture.

(a) Section 5.3A(a) of the Original Indenture, which was added to the Original Indenture by Section 3.1 of the Second Supplemental Indenture, is hereby amended and restated in its entirety to be and read as follows:

“ (a) There shall be deposited in the 2013 Construction Account within the Construction Fund from the proceeds of the 2013A Bonds the amount set forth on the 2013A Closing Statement and any moneys received for or in connection with the 2013 Project Facilities by an Authorized Officer of the Authority from any source, unless required to be otherwise applied as provided by the Indenture. Amounts held in the 2013 Construction Account (including all investment earnings thereon) shall be applied to pay the Costs of the 2013 Project Facilities in the manner provided in and pursuant to this Section 5.3A, provided, however, that amounts held in the Additional Projects Subaccount within the 2013 Construction Account shall be applied to pay the Costs of Additional Projects in the manner provided in and pursuant to this Section 5.3A.”

(b) Section 5.3A(d) of the Original Indenture, which was added to the Original Indenture by Section 3.1 of the Second Supplemental Indenture, is hereby amended and restated in its entirety to be and read as follows:

“ (d) At such time that an Authorized DHS Representative shall reasonably determine the total remaining amount (the “Remaining 2013 Project Amount”) that is reasonable and necessary to be expended from the 2013 Construction Account within the Construction Fund to pay Costs of the 2013 Project Facilities to substantially complete the 2013 Project Facilities, as evidenced by a certificate (the “Completion Certificate”) of an Authorized DHS Representative, such Completion Certificate shall be filed with the Trustee and the Authority, stating (i) that the 2013 Project Facilities have been or will be substantially completed in accordance with the plans and specifications therefor, (ii) the date or anticipated date of such substantial completion, and (iii) the Remaining 2013 Project Amount. Upon the filing of such Completion Certificate, the Trustee shall transfer the balance in the 2013 Construction Account in excess of the Remaining 2013 Project Amount (the “Additional Projects Amount”) to the Additional Projects Subaccount within the 2013 Construction Account, and, thereafter, (A) the Remaining 2013 Project Amount shall be applied by the Trustee to pay Costs of the 2013 Project Facilities, but only in accordance with and pursuant to the Requisition process described in subsection (c) of this Section 5.3A, and (B) the Additional Projects Amount shall be applied by the Trustee to pay Costs of Additional Projects, but only in accordance with and pursuant to the Requisition process described in subsection (c) of this Section 5.3A. If subsequent to the filing of such Completion Certificate, an Authorized DHS Representative shall file with the Trustee and the Authority a certificate or certificates stating that any portion of the Remaining 2013 Project Amount is no longer so required, then such amount shown therein as no longer being required for Costs of the 2013 Project Facilities shall, pursuant to written directions from the Authority to the Trustee, be either applied by the Trustee to Costs of Additional Projects or transferred by the Trustee to the Debt Service Fund and applied in accordance with the applicable provisions of Article V of the Indenture.”

(c) Section 4.4 of the Second Supplemental Indenture is hereby amended and restated in its entirety to be and read as follows:

“Section 4.4 2013 Construction Account. There is hereby established a 2013 Construction Account within the Construction Fund, which shall be held by the Trustee. The Trustee shall deposit in the 2013 Construction Account the amount of proceeds of the 2013A Bonds as set forth on the 2013A Closing Statement. Amounts held in the 2013 Construction Account (including all investment earnings thereon) shall be applied to pay the Costs of the 2013 Project Facilities in the manner provided in and pursuant to Section 5.3A of the Original Indenture, as added to the Original Indenture by Section 3.1 of the Second Supplemental Indenture and as amended by Section 2.1 of the Third Supplemental Indenture (“Amended Section 5.3A”), and amounts held in the Additional Projects Subaccount within the 2013 Construction Account shall be applied to pay the Costs of Additional Projects in the manner provided in and pursuant to Amended Section 5.3A. The amount of proceeds to be deposited in the Additional Projects Subaccount within the 2013 Construction Account shall be determined pursuant

to subsection (d) of Amended Section 5.3A (“Amended Section 5.3A(d)”). Any balance remaining in the 2013 Construction Account following completion of the 2013 Project Facilities or otherwise not required for the 2013 Project Facilities, as determined pursuant to Amended Section 5.3A(d), shall be applied pursuant to written directions from the Authority to the Trustee as provided pursuant to Amended Section 5.3A(d).”

(d) The form of Construction Fund Requisition set forth in Exhibit B to the Indenture (as set forth in Exhibit B to the Second Supplemental Indenture) shall be replaced in its entirety with the forms of Construction Fund Requisition applicable to Costs of the 2013 Project Facilities and Construction Fund Requisition applicable to the Additional Projects, each of which is set forth in Exhibit A attached hereto and made a part hereof.

ARTICLE III

ESTABLISHMENT OF ADDITIONAL PROJECTS SUBACCOUNT AND APPLICATION THEREOF

Section 3.1 Additional Projects Subaccount. There is hereby established an Additional Projects Subaccount within the 2013 Construction Account within the Construction Fund, which shall be held by the Trustee. The Trustee shall deposit therein the amount determined pursuant to the Completion Certificate filed with the Trustee pursuant to Section 5.3A(d) of the Indenture, as amended pursuant to Section 2.1(b) of this Third Supplemental Indenture. All amounts held in the Additional Projects Subaccount (including all investment earnings thereon) shall be applied to pay the Costs of Additional Projects in the manner provided in Section 5.3A(c) of the Original Indenture, as added to the Original Indenture by Section 3.1 of the Second Supplemental Indenture. Any balance remaining in the Additional Projects Subaccount following completion of the Additional Projects shall be transferred to the Debt Service Fund to be applied to pay Debt Service on the 2013A Bonds, pursuant to written directions from an Authorized Officer of the Authority to the Trustee.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Severability of Invalid Provisions. If any of the provisions of this Third Supplemental Indenture shall be contrary to law, such provision shall be deemed severable from the remaining provisions hereof, and shall in no way affect the validity of the other provisions of this Third Supplemental Indenture.

Section 4.2 No Personal Recourse. No covenant or agreement contained in this Third Supplemental Indenture shall be deemed to be the covenant or agreement of any member, officer, agent or employee of the Authority in his or her individual capacity. No recourse shall be had for any claim under the Indenture as amended hereby or against any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any

assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as material consideration for the execution and delivery by the Authority of this Third Supplemental Indenture.

Section 4.3 Successors and Assigns. All the covenants, promises and agreements by or on behalf of the Authority, or by or on behalf of the Fiduciaries contained in this Third Supplemental Indenture, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 4.4 Descriptive Headings. The descriptive headings of the Articles and Sections of this Third Supplemental Indenture are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Third Supplemental Indenture.

Section 4.5 Governing Law. This Third Supplemental Indenture shall be governed by the laws of the State of New Jersey.

Section 4.6 Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein or in the Indenture, the Indenture is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Trustee hereby agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

Section 4.7 L. 2005, c. 92 Compliance. In accordance with L. 2005, c. 92, the Trustee agrees that all services performed by it under the Indenture as amended hereby, and any subcontract hereunder, shall be performed within the United States of America.

Section 4.8 Compliance With L. 2005, c. 271 Reporting Requirements. The Trustee 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-20.27 (L. 2005, c. 271, section 3) if the Trustee enters into agreements or contracts such as the Indenture, with a State public entity (including the Authority), and receives compensation or fees of \$50,000 or more in the aggregate from State public entities, in a calendar year. It is the Trustee’s responsibility to determine if filing is necessary. Failure to so file 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 4.9 Compliance With L. 2005, c. 51. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection herewith. The Trustee agrees that it shall maintain continued compliance with L. 2005, c. 51 and


regulations promulgated thereunder while any Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under the Indenture and any remedies available may be exercised against the Trustee at law or in equity.


Section 4.10 Compliance With Executive Order 117. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with Executive Order No. 117 (Corzine 2008), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection herewith. The Trustee agrees that it shall maintain continued compliance with Executive Order 117 (Corzine 2008) and regulations promulgated thereunder while any Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under the Indenture and any remedies available may be exercised against the Trustee at law or in equity.

Section 4.11 Compliance with L. 2012, c. 25. The Trustee represents and warrants that it has complied with the requirements of N.J.S.A. 52:32-58 and has filed a certification with the Authority that it is not identified on the list of persons engaging in investment activities in Iran.

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Third Supplemental Indenture to be signed in its name by its Executive Director and attested by its Secretary or Assistant Secretary, and U.S. BANK NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Third Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

Attest: 
Carole Conover
Assistant Secretary

By: 
Mark E. Hopkins
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Attest: _____
Paul O'Brien
Vice President

By: _____
Andrea Harris
Vice President

SCHEDULE I

Description of Additional Projects

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Third Supplemental Indenture to be signed in its name by its Executive Director and attested by its Secretary or Assistant Secretary, and U.S. BANK NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Third Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

Attest:

Carole Conover
Assistant Secretary

By: _____
Mark E. Hopkins
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Attest:

Paul O'Brien
Vice President

By: _____
Andrea Harris
Vice President

**SCHEDULE I
ADDITIONAL PROJECTS**

Project (see Note 1 below)	Facility (see Notes 2 & 3 below)
Anti-ligature hardware and fixture installation in all patient areas	All psychiatric hospitals
Fireproofing installation, building penetration sealing and other building envelope issues	Greystone Psychiatric Hospital
Smoke and fire door replacement and upgrade	Hunterdon Developmental Center
Wastewater treatment plant decommissioning, replacement and upgrade	Woodbine Developmental Center, Trenton Psychiatric Hospital
Powerhouse repairs	Woodbine Developmental Center
Emergency generator purchase and installation	Woodbine Developmental Center, Ann Klein Forensic Center
Electrical system and component replacement and upgrade	Trenton Psychiatric Hospital
HVAC system and component replacement and upgrade, including but not limited to steam lines, chillers and boilers	Hunterdon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center, Ann Klein Forensic Center, Trenton Psychiatric Hospital
Energy efficiency replacements and upgrades	Hunterdon Developmental Center
Food service area renovation and food preparation equipment replacement	Trenton Psychiatric Hospital
Patient building elevator replacement and upgrade	All developmental centers and all psychiatric hospitals
Patient building roof replacement and building envelope repairs	All developmental centers and all psychiatric hospitals
Vacant building demolition and remediation	New Lisbon Developmental Center
Electronic Medical Records implementation to meet CMS meaningful use requirements	All developmental centers and all psychiatric hospitals
Electronic scheduling and timekeeping system implementation	All developmental centers and all psychiatric hospitals
NOTES:	
1. <u>Eligible costs do not include working capital.</u>	
2. "All psychiatric hospitals" means one or more of the following facilities:	Ancora Psychiatric Hospital, Ann Klein Forensic Center, Greystone Psychiatric Hospital, Trenton Psychiatric Hospital
3. "All developmental centers" means one or more of the following facilities:	Hunterdon Developmental Center, Green Brook Regional Center, New Lisbon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center

**EXHIBIT A
Forms of Construction Fund Requisitions**

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
(Greystone Park Psychiatric Hospital Project) Series 2013A

CONSTRUCTION FUND REQUISITION
2013 CONSTRUCTION ACCOUNT — 2013 PROJECT FACILITIES
REQUISITION NO. _____

Date: _____

U.S. Bank National Association
Corporate Trust Administration
21 South Street, 3rd Floor
Morristown, New Jersey 07960

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.3A(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Third Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2016 (collectively, the "Indenture"), the total sum of \$ _____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

Name and Address of Pavee: Purpose of Obligation: Amount to be Paid:

I hereby certify that:

(a) such obligation has been incurred in connection with the demolition and remediation of the 2013 Project Facilities,

(b) each item is a Cost of the 2013 Project Facilities, and

(c) such obligation has not been the basis for a prior requisition which has been paid.

Required Signature: NEW JERSEY DEPARTMENT OF THE TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

Date: _____ By: _____
Authorized Officer

Optional Signature: NEW JERSEY DEPARTMENT OF
HUMAN SERVICES:

Date: _____ By: _____
Name:
Title:
For the Commissioner

COPY TO: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

5726537.4

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
(Greystone Park Psychiatric Hospital Project) Series 2013A

CONSTRUCTION FUND REQUISITION
ADDITIONAL PROJECTS SUBACCOUNT WITHIN 2013 CONSTRUCTION ACCOUNT
REQUISITION NO. _____

Date: _____

U.S. Bank National Association
Corporate Trust Administration
21 South Street, 3rd Floor
Morristown, New Jersey 07960

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.3A(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Third Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2016 (collectively, the "Indenture"), the total sum of \$ _____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

Name and Address of Pavee: Purpose of Obligation: Amount to be Paid:

I hereby certify that:

(a) each item is a Cost of the Additional Projects, and

(b) such obligation has not been the basis for a prior requisition which has been paid.

Required Signature: NEW JERSEY DEPARTMENT OF THE TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

Date: _____ By: _____
Authorized Officer

Required Signature: NEW JERSEY DEPARTMENT OF
HUMAN SERVICES:

Date: _____ By: _____
Name:
Title:
For the Commissioner

COPY TO: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

5726537.4

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

Department of Human Services Lease Revenue Bonds

(Greystone Park Psychiatric Hospital Project)

Series 2013

FOURTH SUPPLEMENTAL TRUST INDENTURE

Dated as of January 15, 2020

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SCHEDULE I: Description of Additional Projects

EXHIBIT A: Forms of Construction Fund Requisitions and DHS Request for Project Requisition

FOURTH SUPPLEMENTAL TRUST INDENTURE

FOURTH SUPPLEMENTAL TRUST INDENTURE, dated as of January 15, 2020, by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, as successor trustee (the “Trustee”).

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “State”), exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29, as amended (N.J.S.A. 26:2I-1, *et seq.*, as amended) (the “Act”); and

WHEREAS, the New Jersey Department of Human Services (“DHS”) owns and operates various health care facilities, including but not limited to the property and facilities comprising a psychiatric hospital known as the “Greystone Park Psychiatric Hospital” located in Morris County, New Jersey (“Greystone”); and

WHEREAS, commencing in 2003, the Authority and DHS determined to undertake various components of a project (the “Greystone Project”) consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the “Legislature”); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and

WHEREAS, for the purpose of providing funds to DHS for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the “Bonds”) pursuant to the Act and a Trust Indenture, dated as of December 1, 2003 (the “Original Indenture”), between the Authority and Wachovia Bank, National Association, the original bond trustee (the “Original Trustee”), as supplemented, including by a First Supplemental Trust Indenture, dated as of December 1, 2005 (the “First Supplemental Indenture”), between the Authority and the Original Trustee, and by a Second Supplemental Trust Indenture, dated as of April 1, 2013 (the “Second Supplemental Indenture”), between the Authority and the Trustee (the Original Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, is referred to herein as the “2013 Indenture”); and

WHEREAS, in order to effectuate the financing of the Greystone Project, DHS leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the “Original Lease”), as amended by an Amendment to Lease dated as of April 1, 2013 (the “Amendment to Lease”) and, together with the Original Lease, the “Lease”), and the Authority subleased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the “Original Sublease and Agreement”), as

amended by an Amendment to Sublease and Agreement, dated as of April 1, 2013 (the “Amendment to Sublease and Agreement”) and, together with the Original Sublease and Agreement, the “2013 Agreement”) (the 2013 Indenture, the Lease and the 2013 Agreement are collectively referred to herein as the “2013 Bond Documents”); and

WHEREAS, in 2013, DHS requested the Authority to authorize and issue a series of bonds for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the “2013 Project Facilities”); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the “2013 Project”); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority issued its “Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A” (the “2013A Bonds”) in an aggregate principal amount \$50,730,000 under the 2013 Indenture; and

WHEREAS, in February 2016, the Authority determined, based on information provided to the Authority, that the remaining cost to complete the 2013 Project was less than the remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, in 2016, DHS requested and the Authority agreed to make certain amendments to the 2013 Bond Documents to authorize the expenditure of proceeds of the 2013A Bonds for certain other capital improvement projects of DHS (the “2016 Additional Projects”), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted on February 25, 2016 entitled “A SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A (THE “2013A BONDS”) AUTHORIZING AMENDMENTS TO THE INDENTURE AND THE AGREEMENT AND APPROVING A MEMORANDUM OF AGREEMENT BETWEEN THE AUTHORITY AND THE DEPARTMENT OF HUMAN SERVICES” (the “First Supplemental Resolution”), the 2013 Indenture, as amended and supplemented by a Third Supplemental Trust Indenture, dated as of April 1, 2016 (the “Third Supplemental Indenture”; the 2013 Indenture, as amended and supplemented by the Third Supplemental Indenture, is referred to herein as the “2016 Indenture”), and the 2013 Agreement, as amended by a Second Amendment to Sublease and Agreement dated as of April 1, 2016 (the “Second Amendment to Sublease and Agreement”; the 2013 Agreement, as amended by the Second Amendment to Sublease and Agreement, is referred to herein as the “2016 Agreement”; the 2016 Indenture, the Lease, and the 2016 Agreement are collectively referred to herein as the “2016 Bond Documents”), such 2016 Additional Projects being described on that certain Schedule I (“Schedule I (2016)”) attached to each of the First Supplemental Resolution, the Third Supplemental Indenture, and the Second Amendment to Sublease and Agreement, and referred to in each of such documents as the “Additional Projects”; and

WHEREAS, the Authority and DHS entered into that certain Memorandum of Agreement, dated and effective as of April 1, 2016 (the “2016 Memorandum of Agreement”), to set forth certain terms of their agreement with respect to the use of proceeds of the 2013A Bonds for Costs of Additional Projects (as such term was heretofore defined in the 2016 Indenture); and

WHEREAS, work on the 2013 Project and the 2016 Additional Projects has proceeded and the Authority has determined, based on information provided to the Authority, that the remaining cost to complete the 2013 Project and the 2016 Additional Projects is less than the currently remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, DHS has requested and the Authority has agreed to make certain amendments to the 2016 Bond Documents to authorize the expenditure of available proceeds of the 2013A Bonds for certain additional capital improvement projects of DHS, as described on Schedule I (2019) (“Schedule I (2019)”) attached hereto (the “2019 Additional Projects”), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted on December 19, 2019 entitled “A SECOND SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A (THE “2013A BONDS”) AUTHORIZING AMENDMENTS TO THE INDENTURE, THE AGREEMENT, AND THE MEMORANDUM OF AGREEMENT AND APPROVING THE 2019 ADDITIONAL PROJECTS” (the “Second Supplemental Resolution”), the 2016 Indenture, as amended and supplemented by this Fourth Supplemental Trust Indenture (the “Fourth Supplemental Indenture”; the 2016 Indenture, as amended and supplemented by the Fourth Supplemental Indenture, is referred to herein as the “Indenture”), and the 2016 Agreement, as amended by a Third Amendment to Sublease and Agreement dated as of January 15, 2020 (the “Third Amendment to Sublease and Agreement”; the 2016 Agreement, as amended by the Third Amendment to Sublease and Agreement, is referred to herein as the “Agreement”); and

WHEREAS, the Authority and DHS have agreed to amend the 2016 Memorandum of Agreement to make conforming changes to reflect the addition of the 2019 Additional Projects, subject and pursuant to the terms of the Second Supplemental Resolution.

NOW, THEREFORE, IT IS HEREBY COVENANTED AND AGREED AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Capitalized terms used but not defined in the recitals hereto or elsewhere herein shall have the respective meanings given such terms in the Indenture, unless the context otherwise requires.

ARTICLE II

**AMENDMENTS; ESTABLISHMENT OF 2019 COSTS ACCOUNT;
TRANSFER OF 2005 FUNDS**

Section 2.1 Amendments.

(a) All references to “Additional Project”, “Additional Projects”, “Additional Projects Subaccount”, “Cost or Costs of Additional Projects”, and all like terms contained in the Indenture shall refer to and include both the Additional Projects authorized pursuant to the First

Supplemental Resolution as set forth on Schedule I (2016) and the 2019 Additional Projects authorized pursuant to the Second Supplemental Resolution as set forth on Schedule I (2019).

(b) All provisions of the Indenture, as supplemented and amended to and including the date hereof, shall be understood, interpreted, and applied to give effect to the amendment set forth in subsection (a) of this Section 2.1.

(c) The forms of (i) “CONSTRUCTION FUND REQUISITION – 2013 CONSTRUCTION ACCOUNT – 2013 PROJECT FACILITIES” and (ii) “CONSTRUCTION FUND REQUISITION – ADDITIONAL PROJECTS SUBACCOUNT WITHIN 2013 CONSTRUCTION ACCOUNT”, each as set forth in Exhibit A attached to and made a part of the Third Supplemental Indenture, are hereby replaced in their entirety with the following forms: (i) “CONSTRUCTION FUND REQUISITION – 2013 CONSTRUCTION ACCOUNT – 2013 PROJECT FACILITIES”, (ii) “CONSTRUCTION FUND REQUISITION – ADDITIONAL PROJECTS SUBACCOUNT WITHIN 2013 CONSTRUCTION ACCOUNT”, and (iii) “DHS REQUEST FOR PROJECT REQUISITION – ADDITIONAL PROJECTS SUBACCOUNT WITHIN 2013 CONSTRUCTION ACCOUNT”, each of which is set forth in Exhibit A attached hereto and made a part hereof. Forms identical to or substantially similar to those set forth in Exhibit A attached hereto shall be used in connection with requisitioning funds from the applicable Accounts.

Section 2.2 Establishment of 2019 Costs Account

(a) Pursuant to Section 5.2(b) of the Original Indenture, there is hereby established a 2019 Costs Account within the 2013 Construction Account, which shall be held by the Trustee. Amounts held in the 2019 Costs Account shall be applied to pay the legal fees and expenses of Bond Counsel upon the written instruction of an Authorized Officer of the Authority.

(b) The Trustee is hereby directed to transfer \$20,000 from the Additional Projects Subaccount within the 2013 Construction Account to the 2019 Costs Account. Any moneys on deposit in the 2019 Costs Account not needed to pay legal fees and expenses shall be transferred to the Additional Projects Subaccount within the 2013 Construction Account within the Construction Fund upon the written instruction of an Authorized Officer of the Authority.

Section 2.3 Transfer of 2005 Funds.

(a) The Trustee is hereby directed to transfer all moneys remaining in the 2005 Construction Account within the Construction Fund to the Additional Projects Subaccount within the 2013 Construction Account within the Construction Fund, and to close the 2005 Construction Account.

(b) The Trustee is hereby directed to transfer all moneys remaining in the 2005 Rebate Account within the Rebate Fund to the 2013 Rebate Account within the Rebate Fund, and to close the 2005 Rebate Account.

ARTICLE III
MISCELLANEOUS

Section 3.1 Severability of Invalid Provisions. If any of the provisions of this Fourth Supplemental Indenture shall be contrary to law, such provision shall be deemed severable from the remaining provisions hereof, and shall in no way affect the validity of the other provisions of this Fourth Supplemental Indenture.

Section 3.2 No Personal Recourse. No covenant or agreement contained in this Fourth Supplemental Indenture shall be deemed to be the covenant or agreement of any member, officer, agent or employee of the Authority in his or her individual capacity. No recourse shall be had for any claim under the Indenture as amended hereby or against any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as material consideration for the execution and delivery by the Authority of this Fourth Supplemental Indenture.

Section 3.3 Successors and Assigns. All the covenants, promises and agreements by or on behalf of the Authority, or by or on behalf of the Fiduciaries contained in this Fourth Supplemental Indenture, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 3.4 Descriptive Headings. The descriptive headings of the Articles and Sections of this Fourth Supplemental Indenture are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Fourth Supplemental Indenture.

Section 3.5 Governing Law. This Fourth Supplemental Indenture shall be governed by the laws of the State of New Jersey.

Section 3.6 Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein or in the Indenture, the Indenture is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Trustee hereby agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

Section 3.7 L. 2005, c. 92 Compliance. In accordance with L. 2005, c. 92, the Trustee agrees that all services performed by it under the Indenture as amended hereby, and any subcontract hereunder, shall be performed within the United States of America.

Section 3.8 Compliance With L. 2005, c. 271 Reporting Requirements. The Trustee 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-20.27 (L. 2005, c. 271, section 3) if the Trustee enters into agreements or contracts such as the Indenture, with a State public entity (including the Authority), and receives compensation or fees of \$50,000 or more in the aggregate from State public entities, in a calendar year. It is the Trustee's responsibility to determine if filing is necessary. Failure to so file 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 3.9 Compliance With L. 2005, c. 51. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection herewith. The Trustee agrees that it shall maintain continued compliance with L. 2005, c. 51 and regulations promulgated thereunder while any Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under the Indenture and any remedies available may be exercised against the Trustee at law or in equity.

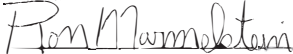
Section 3.10 Compliance With Executive Order 117. The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with Executive Order No. 117 (Corzine 2008), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection herewith. The Trustee agrees that it shall maintain continued compliance with Executive Order 117 (Corzine 2008) and regulations promulgated thereunder while any Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under the Indenture and any remedies available may be exercised against the Trustee at law or in equity.

Section 3.11 Compliance with L. 2012, c. 25. The Trustee represents and warrants that it has complied with the requirements of N.J.S.A. 52:32-58 and has filed a certification with the Authority that it is not identified on the list of persons engaging in investment activities in Iran.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Fourth Supplemental Indenture to be signed in its name by its Executive Director and attested by its Secretary or Assistant Secretary, and U.S. BANK NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Fourth Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

Attest:



Ron Marmelstein
Assistant Secretary

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: 

Mark E. Hopkins
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Attest:

Paul O'Brien
Vice President

By: _____
Andrea Harris
Vice President

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Fourth Supplemental Indenture to be signed in its name by its Executive Director and attested by its Secretary or Assistant Secretary, and U.S. BANK NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Fourth Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

Attest:


Ron Marmelstein
Assistant Secretary

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY


By: _____
Mark E. Hopkins
Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Attest:



Paul O'Brien
Vice President

By: 

Andrea Harris
Vice President

[SIGNATURE PAGE TO FOURTH SUPPLEMENTAL TRUST INDENTURE]

**SCHEDULE I (2016)
ADDITIONAL PROJECTS**

SCHEDULE I

Description of Additional Projects

(Consisting of Schedule I (2016) and Schedule I (2019))

<u>Project (see Note 1 below)</u>	<u>Facility (see Notes 2 & 3 below)</u>
Anti-ligature hardware and fixture installation in all patient areas	All psychiatric hospitals
Fireproofing installation, building penetration sealing and other building envelope issues	Greystone Psychiatric Hospital
Smoke and fire door replacement and upgrade	Hunterdon Developmental Center
Wastewater treatment plant decommissioning, replacement and upgrade	Woodbine Developmental Center, Trenton Psychiatric Hospital
Powerhouse repairs	Woodbine Developmental Center
Emergency generator purchase and installation	Woodbine Developmental Center, Ann Klein Forensic Center
Electrical system and component replacement and upgrade	Trenton Psychiatric Hospital
HVAC system and component replacement and upgrade, including but not limited to steam lines, chillers and boilers	Hunterdon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center, Ann Klein Forensic Center, Trenton Psychiatric Hospital
Energy efficiency replacements and upgrades	Hunterdon Developmental Center
Food service area renovation and food preparation equipment replacement	Trenton Psychiatric Hospital
Patient building elevator replacement and upgrade	All developmental centers and all psychiatric hospitals
Patient building roof replacement and building envelope repairs	All developmental centers and all psychiatric hospitals
Vacant building demolition and remediation	New Lisbon Developmental Center
Electronic Medical Records implementation to meet CMS meaningful use requirements	All developmental centers and all psychiatric hospitals
Electronic scheduling and timekeeping system implementation	All developmental centers and all psychiatric hospitals

NOTES:

1. Eligible costs do not include working capital.
2. "All psychiatric hospitals" means one or more of the following facilities: Ancora Psychiatric Hospital, Ann Klein Forensic Center, Greystone Psychiatric Hospital, Trenton Psychiatric Hospital
3. "All developmental centers" means one or more of the following facilities: Hunterdon Developmental Center, Green Brook Regional Center, New Lisbon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center

SCHEDULE I (2019)
ADDITIONAL PROJECTS

Project (see Note 1 below)	Facility (see Notes 2 & 3 below)
Wastewater treatment plant decommissioning, replacement and upgrade	New Lisbon Developmental Center
Emergency generator purchase and installation	Trenton Psychiatric Hospital
Electrical system and component replacement and upgrade	All developmental centers and all psychiatric hospitals
HVAC system and component replacement and upgrade (e.g., steam lines, chillers, boilers)	All developmental centers and all psychiatric hospitals
Energy efficiency replacements and upgrades (e.g., lighting fixtures, insulation)	All developmental centers and all psychiatric hospitals
Vacant building demolition and remediation	All developmental centers and all psychiatric hospitals
Installation of security camera system for monitoring patient safety	All developmental centers and all psychiatric hospitals
Installation of HWAT system for the maintenance of domestic hot water temperatures	Greystone Psychiatric Hospital
Correction of building water infiltration	Greystone Psychiatric Hospital
Greenhouse construction	Greystone Psychiatric Hospital, Hunterdon Developmental Center
Mechanical, electrical, and plumbing upgrades, including but not limited to: the installation of water softening systems, reconfiguration of emergency generator bus to accommodate non-critical loads, boiler burner retrofits, and corrections to cooling tower deficiencies	Greystone Psychiatric Hospital
Construct trailers or modular buildings to relocate the central regional office of the Human Services Police Department	All developmental centers and all psychiatric hospitals
Renovate buildings to be code compliant to house the Human Services Police Department	All developmental centers and all psychiatric hospitals

NOTES:

1. Eligible costs do not include working capital.
2. "All psychiatric hospitals" means one or more of the following facilities:
Ancora Psychiatric Hospital, Ann Klein Forensic Center, Greystone Psychiatric Hospital, Trenton Psychiatric Hospital
3. "All developmental centers" means one or more of the following facilities:
Hunterdon Developmental Center, Green Brook Regional Center, New Lisbon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center

EXHIBIT A

Forms of Construction Fund Requisitions and DHS Request for Project Requisition

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
 DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
 (Greystone Park Psychiatric Hospital Project) Series 2013A

CONSTRUCTION FUND REQUISITION
2013 CONSTRUCTION ACCOUNT — 2013 PROJECT FACILITIES

REQUISITION NO. _____

Date: _____

U.S. Bank National Association
 Global Corporate Trust
 333 Thornall Street
 Edison, New Jersey 08837

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.3A(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Third Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2016, and that certain Fourth Supplemental Trust Indenture between the Authority and the Trustee, dated as of January 15, 2020 (collectively, the "Indenture"), the total sum of \$_____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

Name and Address of Payee: Purpose of Obligation: Amount to be Paid:

I hereby certify that:

- (a) such obligation has been incurred in connection with the demolition and remediation of the 2013 Project Facilities,
- (b) each item is a Cost of the 2013 Project Facilities, and
- (c) such obligation has not been the basis for a prior requisition which has been paid.

Required Signature: NEW JERSEY DEPARTMENT OF THE TREASURY
 DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

Date: _____ By: _____
 Authorized Officer

Optional Signature: NEW JERSEY DEPARTMENT OF
 HUMAN SERVICES:

Date: _____ By: _____
 Name:
 Title:
 For the Commissioner

COPY TO: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
 DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
 (Greystone Park Psychiatric Hospital Project) Series 2013A

CONSTRUCTION FUND REQUISITION
ADDITIONAL PROJECTS SUBACCOUNT WITHIN 2013 CONSTRUCTION ACCOUNT

REQUISITION NO. _____

Date: _____

U.S. Bank National Association
 Global Corporate Trust
 333 Thornall Street
 Edison, New Jersey 08837

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.3A(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Third Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2016, and that certain Fourth Supplemental Trust Indenture between the Authority and the Trustee, dated as of January 15, 2020 (collectively, the "Indenture"), the total sum of \$_____ to be paid as follows as more fully set forth in the attached supplemental documentation (including, where applicable, AIA Form G702/G703):

Name and Address of Payee: Purpose of Obligation: Amount to be Paid:

I hereby certify that:

- (a) each item is a Cost of the Additional Projects, and
- (b) such obligation has not been the basis for a prior requisition which has been paid.

Required Signature: NEW JERSEY DEPARTMENT OF THE TREASURY
 DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION

Date: _____ By: _____
 Authorized Officer

COPY TO: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY and
 NEW JERSEY DEPARTMENT OF HUMAN SERVICES

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS
(Greystone Park Psychiatric Hospital Project) Series 2013A

DHS REQUEST FOR PROJECT REQUISITION
ADDITIONAL PROJECTS SUBACCOUNT WITHIN 2013 CONSTRUCTION ACCOUNT

NEW JERSEY DEPARTMENT OF THE TREASURY
DIVISION OF PROPERTY MANAGEMENT AND CONSTRUCTION
P.O. Box 0034
Trenton, New Jersey 08625

Date: _____

Ladies and Gentlemen:

On behalf of the New Jersey Department of Human Services ("DHS"), I hereby submit this Request for Project Requisition pursuant to Section 5.3A(c) of a certain Trust Indenture between the Authority and Wachovia Bank, National Association, as predecessor in interest to U.S. Bank National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Third Supplemental Trust Indenture between the Authority and the Trustee, dated as of April 1, 2016, and that certain Fourth Supplemental Trust Indenture between the Authority and the Trustee, dated as of January 15, 2020 (collectively, the "Indenture"), in the ESTIMATED TOTAL SUM OF \$_____ FOR THE PROJECT DESCRIBED BELOW:

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Project Description:

I hereby certify that the foregoing Project is an Additional Project as defined in the Indenture.

Required Signature:

NEW JERSEY DEPARTMENT OF HUMAN SERVICES:

Date: _____

By: _____

Name:

Title:

For the Commissioner

COPY TO: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY and
NEW JERSEY DEPARTMENT OF THE TREASURY, DIVISION OF PROPERTY
MANAGEMENT AND CONSTRUCTION

**NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES LEASE REVENUE REFUNDING BONDS
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT), SERIES 2024**

FIFTH SUPPLEMENTAL TRUST INDENTURE

Dated as of May 1, 2024

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SCHEDULE I – Terms of 2024 Bonds

EXHIBIT A – Form of 2024 Bond

EXHIBIT B – Requisition

FIFTH SUPPLEMENTAL TRUST INDENTURE

FIFTH SUPPLEMENTAL TRUST INDENTURE, dated as of May 1, 2024, by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the "Authority"), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, (the "Trustee").

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the "State"), exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29 (N.J.S.A. 26:21-1, *et seq.*, as amended) (the "Act"); and

WHEREAS, the New Jersey Department of Human Services ("DHS") owns and operates a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey ("Greystone"); and

WHEREAS, from 2003 to the present, the Authority and DHS determined to undertake various components of a project (the "Greystone Project") consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "Legislature"); and

WHEREAS, the Authority is authorized under the Act to issue such bonds, and for the purpose of providing funds for the Greystone Project, the Authority determined to issue, from time to time, its revenue bonds pursuant to the Act and a Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (as so supplemented, the "Original Indenture"), between the Authority and the Trustee; and

WHEREAS, in order to effectuate the Greystone Project, DHS leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the "Original Lease"), as amended by an Amendment to the Lease, dated as of April 1, 2013 (the "Amendment to Lease" and, together with the Original Lease, the "Lease"); and

WHEREAS, the Authority leased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the "Original Sublease and Agreement"), pursuant to which DHS pays to the Authority, but only out of monies appropriated for such purpose by the Legislature, monies in such amounts and at such times as shall be necessary for the payment of the principal of and interest on the Bonds, the Administrative Expenses of the Authority (as defined in the Original Indenture) and all other payments required to be made under the Original Sublease and Agreement, as amended by an Amendment to

Sublease and Agreement, dated as of April 1, 2013 (the "First Amendment to Sublease and Agreement", and together with the Original Sublease and Agreement, the "2013 Agreement"); and

WHEREAS, in 2003, DHS undertook a portion of the Greystone Project (the "2003 Project") consisting of (i) the renovation and construction of facilities at or related to Greystone (the "2003 Project Facilities"); (ii) the funding of capitalized interest; and (iii) the payment of the costs of financing the 2003 Project; and

WHEREAS, in order to finance the costs of the 2003 Project, at the request of DHS, the Authority issued under the Original Indenture, an initial series of bonds entitled "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003" (the "2003 Bonds") in an aggregate principal amount of \$19,125,000; and

WHEREAS, in 2005, DHS requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the renovation of existing facilities and construction of additional facilities on the Leased Property (the "2005 Project Facilities"); (ii) the funding of capitalized interest; and (iii) the payment of the costs of such financing (collectively, the "2005 Project"); and

WHEREAS, for the purpose of providing funds for the 2005 Project, the Authority issued its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005" (the "2005 Bonds") in an aggregate principal amount of \$186,565,000 under the Original Indenture, as supplemented by the First Supplemental Trust Indenture, dated as of December 1, 2005, between the Authority and the Trustee (the "First Supplemental Indenture"); and

WHEREAS, in 2013, DHS requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone; (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2013 Project"); and

WHEREAS, in 2013, DHS also requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the refunding and defeasance of all or a portion of the 2003 Bonds and the 2005 Bonds; and (ii) the payment of the costs of such financing (collectively, the "2013 Refunding"); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority issued its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A" (the "2013A Bonds") in an aggregate principal amount of \$50,730,000 under a Resolution of the Authority adopted on March 21, 2013 (the "2013 Resolution") and under the Original Indenture, as supplemented by the Second Supplemental Trust Indenture dated as of April 1, 2013 (the "Second Supplemental Indenture"), between the Authority and the Trustee; and

WHEREAS, for the purpose of providing funds for the 2013 Refunding, the Authority issued its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B" (the "2013B Bonds" and, together with the 2013A Bonds, the "2013 Bonds") in an aggregate principal amount of \$160,110,000 under the 2013 Resolution and under the Original Indenture, as supplemented by the Second Supplemental Trust Indenture (the Original Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture is referred to as the "2013 Indenture"); and

WHEREAS, in February 2016, the Authority determined, based on information provided to the Authority, that the remaining cost to complete the 2013 Project was less than the remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, in 2016, DHS requested and the Authority agreed to make certain amendments to the Original Indenture, as supplemented, including by the Second Supplemental Indenture and the 2013 Agreement, to authorize the expenditure of proceeds of the 2013A Bonds for certain other capital improvement projects of DHS (the "2016 Additional Projects"), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted February 26, 2016 (the "First Supplemental Resolution"); and

WHEREAS, pursuant to and in accordance with the First Supplemental Resolution, the Authority and the Trustee entered into a Third Supplemental Trust Indenture, dated as of April 1, 2016 (the "Third Supplemental Indenture"), and the Authority and DHS entered into a Second Amendment to Sublease and Agreement, dated as of April 1, 2016 (the "Second Amendment to Sublease and Agreement"); and

WHEREAS, the Authority and DHS entered into that certain Memorandum of Agreement, dated and effective as of April 1, 2016, to set forth certain terms of their agreement with respect to the use of proceeds of the 2013A Bonds for Costs of Additional Projects (as such term was heretofore defined in the Original Indenture); and

WHEREAS, in December, 2019, the Authority determined, based on information provided to the Authority, that the remaining cost to complete the 2013 Project was less than the remaining amount of unspent proceeds of the 2013A Bonds and the 2016 Additional Projects; and

WHEREAS, in 2019, DHS requested and the Authority agreed to make certain further amendments to the Original Indenture, as supplemented, including by the Third Supplemental Indenture, and to the 2013 Agreement, as amended, including by the Second Amendment to Sublease and Agreement to authorize the expenditure of proceeds of the 2013A Bonds for certain other capital improvement projects of DHS (the "2019 Additional Projects"), subject and pursuant to the terms of a Second Supplemental Resolution of the Authority adopted December 19, 2019 (the "Second Supplemental Resolution"); and

WHEREAS, pursuant to and in accordance with the Second Supplemental Resolution, the Authority and the Trustee entered into a Fourth Supplemental Trust Indenture, dated as of

January 15, 2020 (the "Fourth Supplemental Indenture"), and the Authority and DHS entered into a Third Amendment to Sublease and Agreement, dated as of January 15, 2020 (the "Third Amendment to Sublease and Agreement"; the 2013 Agreement, as amended by the Second Amendment to Sublease and Agreement, and the Third Amendment to Sublease and Agreement, is referred to herein as the "Agreement"); and

WHEREAS, DHS has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the refunding and defeasance of all or a portion of the 2013 Bonds ("Bonds to be Refunded"); and (ii) the payment of the costs of such financing (collectively, the "2024 Refunding"); and

WHEREAS, for the purpose of providing funds for the 2024 Refunding, the Authority has determined to issue its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024" (the "2024 Refunding Bonds") in an aggregate principal amount not to exceed \$120,000,000 under a Resolution of the Authority adopted on March 28, 2024 (the "2024 Resolution") and the Original Indenture, as supplemented, including by a Fifth Supplemental Trust Indenture (the "Fifth Supplemental Indenture," to be entered into by the Authority and the Trustee. The Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture, and as supplemented further by the Fifth Supplemental Indenture is referred to herein as the "Indenture").

**NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL INDENTURE
WITNESSETH:**

That the Authority, does hereby ratify and confirm the pledge and assignment made to the Trustee and its successors and assigns in the Indenture of the Pledged Property as security for the payment of the 2024 Bonds, under and subject to the terms and conditions set forth herein and in the Indenture, (a) for the benefit, protection and security of (i) the Owners of the 2024 Bonds, all of which shall be of equal rank, without preference, priority or distinction WITH ALL OTHER Bonds which may be issued under the Indenture, except as otherwise provided herein or in the Indenture; and (b) for securing the observance and performance of the Authority's obligations and of all of the conditions, agreements and terms and provisions of the Indenture; subject, in all cases, to the provisions of the Indenture permitting the application of the Pledged Property for the purposes and on the terms and conditions set forth herein and in the Indenture and this Fifth Supplemental Indenture;

AND IT IS HEREBY COVENANTED AND AGREED that the terms and conditions upon which the 2024 Bonds are to be executed, authenticated and issued, are as follows:

ARTICLE I

DEFINITIONS

Capitalized terms used but not defined herein shall have the respective meanings given such terms in the Indenture, unless the context otherwise requires. In addition, (i) capitalized terms defined in the recitations to this Fifth Supplemental Indenture shall have the meanings set forth therein, and (ii) as used herein, the following terms shall have the respective meanings set forth in the preambles hereto and below, unless the context otherwise requires:

Administrative Expenses shall mean, with respect to the 2024 Refunding and the 2024 Bonds, ordinary, customary and recurring costs, fees, liabilities and expenses incurred by the Authority in connection with the Project, including the Annual Administrative Fee, travel expenses, accounting, reporting and auditing costs (to the extent normally incurred in accordance with generally accepted accounting principles), litigation and legal fees and costs, whether for law firm attorneys or the State Attorney General including expert witness fees, if any, and the cost of postage, reproduction expenses and telephones, provided, however, that all the above expenses have been incurred with respect to the 2024 Refunding. Administrative Expenses also shall include, at any time and without limitation, the fees and expenses of the Trustee, including any amounts due the Trustee pursuant to the provisions of the Indenture (to the extent such payment is required pursuant to Section 9.5 of the Original Indenture), any Paying Agent or tender agents, any Fiduciaries acting under the Indenture, legal and accounting fees including the fees of any Rebate Consultant, any other expenses incurred in connection with the calculation and payment of arbitrage rebate as required by the 2024 Tax Certificate hereof, and the initial and annual fees of the Rating Agencies with respect to the 2024 Bonds, to the extent such fees and expenses are not paid from the proceeds of sale of the 2024 Bonds.

Cost or Costs shall mean, with respect to the 2024 Refunding and the proceeds of the 2024 Bonds, all costs incurred by or behalf of the Authority in connection with the refunding and defeasance of the Bonds to be Refunded, including all Costs of Issuance of the 2024 Bonds.

Debt Service shall mean, as of any date of calculation and with respect to any Series of Bonds, including the 2024 Bonds, an amount equal to the sum of (i) the interest payable during such period on such Bonds, except to the extent such interest is to be paid from deposits made from Bond proceeds in the Debt Service Fund, and (ii) the Principal Amount payable during such period on such Bonds.

Issue Date shall mean May __, 2024.

Escrow Agreement shall mean the Escrow Deposit Agreement dated the Issue Date between the Authority and the Trustee, as escrow agent, for the refunding and defeasance of the Bonds to be Refunded.

Escrow Account shall mean the escrow account established by the Trustee pursuant to the Escrow Agreement.

2024 Accounts shall mean the accounts established under this Fifth Supplemental Indenture in respect of the 2024 Bonds within the Funds created under Section 5.2 of the Original Indenture.

2024 Closing Statement shall have the meaning given such term in Section 2.4 hereof.

2024 Costs of Issuance Account shall mean the 2024 Costs of Issuance Account established within the Costs of Issuance Fund pursuant to Section 4.1 hereof.

2024 Interest Payment Dates shall mean March 15 and September 15, commencing September 15, 2024.

2024 Rebate Account shall mean the account established within the Rebate Fund in respect of the 2024 Bonds pursuant to Section 4.2 hereof.

2024 Refunding shall mean (i) the refunding and defeasance of all or a portion of the 2013 Bonds; and (ii) the payment of the costs of such financing.

2024 Tax Certificate shall mean the Tax Certificate to be executed by the Authority and DHS in connection with the issuance of the 2024 Bonds.

ARTICLE II

THE 2024 BONDS

Section 2.1 Issuance of 2024 Bonds.

(a) In accordance with the Act, and pursuant to the provisions of the 2024 Resolution and the Indenture, the 2024 Bonds shall be issued in a single series in the aggregate principal amount of \$_____, and shall be designated as "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024". The 2024 Bonds shall be issued as Refunding Bonds pursuant to Section 2.5 of the Original Indenture. The 2024 Bonds shall be dated the date of their initial delivery, shall mature on the dates and in the principal amounts, shall bear interest from their dated date payable on each Interest Payment Date, at the rates, all as set forth in Schedule I hereto. The 2024 Bonds shall not be subject to redemption prior to maturity.

(b) The 2024 Bonds will be issued in the form of fully registered Bonds without coupons and shall be in substantially the form set forth in Exhibit A hereto, with such appropriate modifications, insertions and omissions as may be set forth in this Fifth Supplemental Indenture.

(c) The 2024 Bonds shall be executed by the Authority and authenticated by the Trustee, and be subject to transfer and exchange, cancellation and destruction as provided herein and in the Original Indenture. The 2024 Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple of \$5,000 and shall be lettered and numbered from one upward preceded by the letter "R" pre-fixed to the number.

(d) The 2024 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(e) The 2024 Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee designated by the Trustee for such payment. Interest on the 2024 Bonds shall be paid on each 2024 Interest Payment Date by check or draft drawn on the Paying Agent and mailed by the Trustee to the Owners in whose name the 2024 Bonds are registered on the registry books at the close of business on the Regular Record Date at the address of the Owners of the 2024 Bonds appearing on the registry books of the Trustee. Interest on the 2024 Bonds will be paid by wire transfer to an account in the continental United States to any Owner of \$1,000,000 or more in principal amount of a series of the 2024 Bonds upon written instructions from such Owner received by the Trustee on or prior to the next Interest Payment Date.

Section 2.2 Authentication and Delivery of 2024 Bonds. The 2024 Bonds shall be executed by an Authorized Officer and delivered to the Trustee for authentication as herein provided and shall be authenticated and delivered by the Trustee to the Authority or upon its order, but only upon the receipt by the Trustee of:

(i) a copy of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and this Fifth Supplemental Indenture, each certified by an Authorized Officer;

(ii) an Opinion of Bond Counsel to the effect that (i) the Authority is duly created and validly existing as a public body corporate and politic, constituting a political subdivision and instrumentality of the State pursuant to the Act, and has the right and power to adopt the 2024 Resolution, to execute and deliver the Fifth Supplemental Indenture and to perform its obligations thereunder, and to issue and sell the 2024 Bonds; the 2024 Resolution has been duly and lawfully adopted by the Authority, and the Fifth Supplemental Indenture has been duly executed and delivered by the Authority; and the 2024 Resolution and the Indenture are in full force and effect and are valid and binding upon the Authority, the Indenture is enforceable against the Authority in accordance with its terms, and no other authorization for the 2024 Resolution or Fifth Supplemental Indenture is required; (ii) the Indenture creates the valid pledge which it purports to create in the Pledged Property held or set aside under the Indenture as security for the 2024 Bonds; (iii) the 2024 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Act, the 2024 Resolution and the Indenture, and are valid and binding special and limited obligations of the Authority payable solely from the Pledged Property as set forth in the Indenture, are entitled to the benefits of the Act and the Indenture, and are enforceable in accordance with their terms; (iv) under existing law, interest on the 2024 Bonds

is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on certain corporations; and (v) interest on and any gain realized on the sale of any 2024 Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act; provided that, such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and general principles of equity;

(iii) a written request from DHS to the Authority pursuant to Section 3.4 of the Agreement to issue the 2024 Bonds signed by an Authorized DHS Representative;

(iv) a copy of the Lease, certified to by an Authorized Officer and an Authorized DHS Representative as being in full force and effect;

(v) a copy of the Agreement certified to by an Authorized Officer and an Authorized DHS Representative as being in full force and effect;

(vi) a certified copy of the 2024 Resolution authorizing the issuance of the 2024 Bonds;

(vii) certificates of an Authorized Officer and an Authorized DHS Representative stating that neither the Authority nor DHS, respectively, is in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement;

(viii) an opinion of Bond Counsel to the effect that no amendment or modification to the Lease or the Agreement is necessary for the issuance of the 2024 Bonds;

(ix) a written instrument executed by the Treasurer consenting to the issuance of the 2024 Bonds;

(x) executed counterparts of the Escrow Agreement and the Continuing Disclosure Agreement;

(xi) a copy of the verification report of _____ with respect to the defeasance of the Bonds to be Refunded; and

(xii) a written order as to the delivery of the 2024 Bonds, signed by an Authorized Officer.

Section 2.3 Book-Entry-Only System.

(a) The 2024 Bonds, except as may otherwise be provided in this Fifth Supplemental Indenture, shall initially be registered in the name of Cede & Co., as nominee of the Securities Depository. So long as Cede & Co. shall be the registered Owner of the 2024 Bonds, payment of semiannual interest on the 2024 Bonds shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Dates for the 2024 Bonds at the address indicated for Cede & Co. in the registration books of the Authority kept by the Trustee, as Bond Registrar.

(b) So long as the 2024 Bonds are registered in the name of Cede & Co., the Authority and the Trustee shall have no responsibility or obligation to any Securities Depository participant, indirect Securities Depository participant, or any beneficial owner of the 2024 Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, Cede & Co. or any Securities Depository participant or indirect Securities Depository participant with respect to any beneficial ownership interest in the 2024 Bonds, (ii) the delivery to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than Securities Depository or Cede & Co., of any notice with respect to the 2024 Bonds, or (iii) the payment to any Securities Depository participant, indirect Securities Depository participant, beneficial owner or any other person, other than the Securities Depository or Cede & Co., of any amount with respect to the principal of, premium, if any, or interest on the 2024 Bonds. The Authority and the Trustee may treat the Securities Depository as the absolute registered Owner of the 2024 Bonds for the purpose of (i) payment of the Principal Amount and Redemption Price of and interest on the 2024 Bonds, (ii) giving notices with respect to the 2024 Bonds, (iii) registering transfers with respect to the 2024 Bonds, and (iv) for all other purposes. The Trustee shall pay the Principal Amount, Redemption Price, if any, and interest on the 2024 Bonds only to or upon the order of the Securities Depository, and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to such Principal Amount, Redemption Price, if any, and interest to the extent of the sum or sums so paid. No person other than the Securities Depository shall receive a Bond evidencing the obligation of the Authority to make payments of Principal Amount, Redemption Price, if any, and interest thereon pursuant to the Indenture. Upon delivery by the Securities Depository to the Trustee of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the words "Cede & Co." in the Indenture shall refer to such new nominee of the Securities Depository.

(c) (i) The Securities Depository may determine to discontinue providing its services with respect to the 2024 Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of such notice to the Trustee.

(ii) An Authorized Officer, (A) in his or her sole discretion and without the consent of any other person, may discontinue the use of the system of book-entry only transfers through the Securities Depository with respect to the Bonds, in which event the Authority, if required by the Securities Depository, shall cause certificates for the Bonds to be printed and delivered to the Securities Depository, and (B) shall terminate the services of any Securities

Depository with respect to the 2024 Bonds upon receipt by the Authority and the Trustee of written notice from such Securities Depository to the effect that such Securities Depository has received written notice from the Securities Depository participants or indirect Securities Depository participants having interests, as shown in the records of Securities Depository, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding 2024 Bonds to the effect, that (1) such Securities Depository is unable to discharge its responsibilities with respect to the 2024 Bonds; or (2) a continuation of the requirement that all of the Outstanding 2024 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, is not in the best interest of the beneficial owners of the 2024 Bonds.

(iii) Upon the termination of the services of the Securities Depository with respect to all or any portion of the 2024 Bonds pursuant to subsections 3.9(c)(ii)(A) or 3.9(c)(ii)(B)(1) of the Original Indenture, or upon the discontinuance or termination of the services of the Securities Depository with respect to all or any portion of the 2024 Bonds pursuant to subsections 3.9(c)(i) or 3.9(c)(ii)(B) of the Original Indenture, after which no substitute securities depository willing to undertake the functions of Securities Depository hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the 2024 Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of the Securities Depository, but may be registered in whatever name or names Bondholders transferring or exchanging such 2024 Bonds shall designate, in accordance with the provisions of the Indenture. Upon the determination by any party authorized herein that the 2024 Bonds (or any portion thereof) shall no longer be limited to book-entry-only form, an Authorized Officer shall immediately advise the Trustee in writing of the procedures for transfer of such 2024 Bonds from such book-entry-only form to a fully registered form.

(d) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Securities Depository, all payments with respect to the Principal Amount, Redemption Price, if any, of and interest on, and all notices with respect to, such Bond shall be made and given, respectively, to the Securities Depository as provided in the Letter of Representations of the Authority and the Trustee, addressed to the Securities Depository.

(e) In connection with any notice or other communication to be provided to Owners of the 2024 Bonds pursuant to the Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by such Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) The Authority hereby authorizes the Treasurer, by and on behalf of the Authority, and in consultation with an Authorized Officer, to determine from time to time, subject to confirmation and ratification by the Authority, whether or not it is advisable for the Authority to

continue the book-entry system or to replace the Securities Depository with another qualified Securities Depository as successor to the Securities Depository.

Section 2.4 Application of Proceeds.

(a) The proceeds of the 2024 Bonds shall be applied as set forth in a closing statement signed by an Authorized Officer simultaneously with their delivery (the "2024 Closing Statement"), as follows:

(i) the amount set forth in the 2024 Closing Statement representing the Costs of Issuance of the 2024 Bonds shall be deposited in the 2024 Costs of Issuance Account within the Costs of Issuance Fund and applied to pay Costs of Issuance of the 2024 Bonds upon written order of an Authorized Officer, as provided in Section 5.8 of the Original Indenture; and

(ii) the amount set forth in the 2024 Closing Statement representing the amount necessary to refund and defease the Bonds to Be Refunded shall be transferred to the Escrow Agent for deposit to the Escrow Account established under the Escrow Agreement and applied in accordance with the instructions therein to provide for the payment of the principal of and interest on the Bonds to Be Refunded.

Section 2.5 Transfer of Funds. Upon the defeasance of the Bonds to be Refunded, the holders of such Bonds will receive payment of the principal of, redemption price and interest on their respective series of Bonds from the Federal Securities held under the Escrow Agreement and will no longer have an interest in the funds on deposit in the various Funds and Accounts under the Indenture. Accordingly, the Trustee is hereby directed to transfer all moneys remaining in the Revenue Fund and the Debt Service Account within the Debt Service Fund for the Bonds to be Refunded, if any, to the Debt Service Fund established for the 2024 Bonds, to be applied to pay debt service on the 2024 Bonds.

ARTICLE III

[RESERVED]

ARTICLE IV

ESTABLISHMENT OF 2024 ACCOUNTS AND APPLICATION THEREOF

Section 4.1 2024 Costs of Issuance Account. There is hereby established a 2024 Costs of Issuance Account within the Costs of Issuance Fund, which shall be held by the Trustee. The Trustee shall deposit therein that portion of the proceeds of the 2024 Bonds to be applied to pay the Costs of Issuance of the 2024 Bonds as set forth on the 2024 Closing Statement. Amounts on deposit in the 2024 Costs of Issuance Account shall be disbursed by the Trustee to pay Costs of Issuance of the 2024 Bonds upon a written Requisition signed by an Authorized

Officer in the form set forth in Exhibit B attached hereto and made a part hereof. Any balance remaining in the 2024 Costs of Issuance Account after six (6) months following the date of issuance of the 2024 Bonds (or such later date as may be directed by an Authorized Officer) shall be transferred either (i) to the 2024 Debt Service Account within the Debt Service Fund pursuant to written directions from an Authorized Officer to the Trustee, or (ii) to be applied to such other purpose as directed by an Authorized Officer, provided that the Authority shall obtain an opinion of bond counsel to the effect that such use of the remaining funds in the 2024 Costs of Issuance Account will not adversely affect the exclusion from gross income of interest on the 2024 bonds for federal income tax purposes.

Section 4.2 2024 Rebate Account.

(a) The Trustee shall establish the 2024 Rebate Account within the Rebate Fund established under Section 5.7 of the Original Indenture. The 2024 Rebate Account shall be held by the Trustee as a special trust fund for the purpose of paying to the United States of America the amount required to be rebated with respect to the 2024 Bonds pursuant to Section 148(f) of the Code, and shall be held by the Trustee separate and apart from all other Funds and Accounts established hereunder or under the Original Indenture and separate and apart from all other moneys of the Trustee. The 2024 Rebate Fund shall be maintained until the date as of which (i) the 2024 Bonds have been retired, and (ii) the Trustee is informed by an Authorized Officer that 100% of the aggregate amount required to be rebated to the United States of America in respect of the 2024 Bonds has been paid. All amounts in the 2024 Rebate Fund, including investment earnings, shall be held by the Trustee free and clear of the lien of the Indenture.

(b) The 2024 Rebate Account shall be subject to the provisions of Section 5.7 of the Original Indenture and of the 2024 Tax Certificate.

ARTICLE V
MISCELLANEOUS

Section 5.1 Severability of Invalid Provisions. If any of the covenants or agreements provided in this Fifth Supplemental Indenture should be contrary to law, such covenant or agreement shall be deemed severable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this Fifth Supplemental Indenture.

Section 5.2 No Personal Recourse. No covenant or agreement contained in this Fifth Supplemental Indenture or any 2024 Bond shall be deemed to be the covenant or agreement of any member, officer, agent or employee of the Authority in his or her individual capacity. No recourse shall be had for the payment of the Principal Amount or Redemption Price of or interest on the 2024 Bonds, or for any claim based thereon or under the Indenture or against any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as material consideration for the execution and delivery by the Authority of this Fifth Supplemental Indenture and the issuance of the 2024 Bonds.

Section 5.3 Successors and Assigns. All the covenants, promises and agreements by or on behalf of the Authority, or by or on behalf of the Fiduciaries contained in this Fifth Supplemental Indenture, shall bind and inure to the benefit of their respective successors and assigns, whether or not so expressed.

Section 5.4 Descriptive Headings. The descriptive headings of the Articles and Sections of this Fifth Supplemental Indenture are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Fifth Supplemental Indenture.

Section 5.5 Governing Law. This Fifth Supplemental Indenture and the 2024 Bonds shall be governed by the laws of the State of New Jersey.

Section 5.6. Application of New Jersey Contractual Liability Act. Notwithstanding anything to the contrary contained herein or in the Indenture, the Indenture is subject to the limitations of the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. and the New Jersey Tort Claims Act, N.J.S.A. 59:2-1, et seq. While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq. is not applicable by its terms to claims arising under contracts with the Authority, the Trustee hereby agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims arising against the Authority under this agreement.

Section 5.7. L. 2005 c. 92 Compliance. In accordance with L. 2005 c. 92, the Trustee agrees that all services performed by it under this Indenture and any subcontract hereunder, shall be performed within the United States of America.

Section 5.8. Compliance With L. 2005, c. 271 Reporting Requirements. The Trustee 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-20.27 (L.2005, c. 271, section 3) if the Trustee enters into agreements or contracts such as the Indenture, with a State public entity (including the Authority), and receives compensation or fees of \$50,000 or more in the aggregate from State public entities, in a calendar year. It is the Trustee's responsibility to determine if filing is necessary. Failure to so file 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 5.9. Compliance With Chapter 51 and Executive Order No. 333 (Murphy 2023). The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, as amended by P.L. 2023, c. 30 (codified at N.J.S.A. 19:44A-20.13 to -20.25) ("Chapter 51") and Executive Order No. 333 (Murphy 2023) ("Executive Order No. 333"), are true and correct as of the date hereof and all such statements have been made with full knowledge that the Authority and the State will rely upon the truth of the statements contained herein and therein in engaging the Trustee, as trustee in connection with the 2024 Bonds. The Trustee agrees that it shall maintain continued compliance with Chapter 51 and Executive Order No. 333 and regulations promulgated thereunder while any 2024 Bonds are Outstanding. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Trustee may be removed as Trustee under the Indenture and any remedies available may be exercised against the Trustee at law or in equity.

Section 5.10. Compliance With N.J.S.A. 52:32-58. The Trustee represents and warrants that it has complied with the requirements of N.J.S.A. 52:32-58 and has filed a certification with the Authority that it is not identified on the list of persons engaging in investment activities in Iran.

Section 5.11. Compliance with N.J.S.A. 52:32-60.1: The Trustee represents and warrants that in accordance with N.J.S.A. 52:32-60.1 et seq. (P.L. 2022, c. 3), the Trustee has executed and delivered to the Authority a "Certification of Non-Involvement in Prohibited Activities in Russia or Belarus" in the form available at www.nj.gov/treasury/administration/pdf/DisclosureofProhibitedActivitiesinRussiaBelarus.pdf certifying that it is not identified on the list of persons or entities engaging in prohibited activities in Russia or Belarus.

IN WITNESS WHEREOF, NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Fifth Supplemental Indenture to be signed in its name by its Executive Director, and attested by its Secretary or Assistant Secretary, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee, in token of its acceptance of the trusts confirmed hereunder, has caused this Fifth Supplemental Indenture to be signed in its corporate name by its Authorized Officer and attested, all as of the day and year first written above.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Frank Troy
Executive Director

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION

By: _____

**SCHEDULE I
TERMS OF 2024 BONDS**

**New Jersey Health Care Facilities Financing Authority
\$ _____ Department of Human Services Lease Revenue Refunding Bonds
(Greystone Park Psychiatric Hospital Project), Series 2024**

September 15 (Year)	Principal Amount	Coupon Rate
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		

Redemption Provisions.

No Redemption. The 2024 Bonds are not subject to optional redemption prior to maturity.

EXHIBIT A

FORM OF SERIES 2024 BOND

THE STATE OF NEW JERSEY (THE "STATE") IS NOT OBLIGATED TO PAY, AND NEITHER THE FAITH AND CREDIT NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE) IS PLEDGED TO THE PAYMENT OF, THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OR INTEREST ON THIS BOND. THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (THE "AUTHORITY"), PAYABLE SOLELY OUT OF BASIC RENT RECEIVED FROM DHS AND OTHER PLEDGED PROPERTY UNDER THE INDENTURE AND FROM ANY AMOUNTS OTHERWISE AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THIS BOND. THIS BOND DOES NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER. THIS BOND SHALL NOT BE A DEBT OR LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), EITHER LEGAL, MORAL OR OTHERWISE, AND NOTHING IN THE NEW JERSEY HEALTH CARE FACILITIES FINANCING LAW, L. 1972, C. 29, AS AMENDED AND SUPPLEMENTED (THE "ACT"), SHALL BE CONSTRUED TO AUTHORIZE THE AUTHORITY TO INCUR ANY INDEBTEDNESS ON BEHALF OF OR IN ANY WAY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE).

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

DEPARTMENT OF HUMAN SERVICES LEASE REVENUE REFUNDING BONDS
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2024

No. R-

Interest Rate	Maturity Date	Dated Date	CUSIP
_____ %	_____	_____	

Registered Owner: CEDE & CO.

Principal Amount:

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a political subdivision and an instrumentality of the State of New Jersey (the "State") created and existing under the laws of the State, acknowledges itself indebted to, and for value received hereby promises to pay to, the Registered Owner stated hereon or registered assigns, on the Maturity Date stated hereon, but solely from the Pledged Property pledged thereto under the Indenture (as defined below), upon presentation and surrender of this Bond at the principal corporate trust office of U.S. Bank Trust Company, National Association (such bank and any successors thereto being called the "Trustee"), the Principal Amount stated hereon in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay from such Pledged Property on March 15 and September 15 in each year, commencing September 15, 2024, until the Authority's obligation with respect to the payment of such Principal Amount shall be discharged to the Registered Owner hereof, interest at the Interest Rate from the Dated Date hereof on such Principal Amount by check or draft of the Trustee hereinafter mentioned mailed to such Registered Owner who shall appear as of the first (1st) day of the month of such Interest Payment Date on the books of the Authority maintained by the Bond Registrar or, if the Registered Owner hereof shall be the Registered Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, by wire transfer to an account in the continental United States, upon written instructions from such Registered Owner received by the Trustee on or prior to the next preceding Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024, in the aggregate principal amount of \$_____ (the "Series 2024 Bonds") issued pursuant to the Act, and under and pursuant to a Trust Indenture, dated as of December 1, 2003 (the "Original Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as supplemented, including by a Fifth Supplemental Trust Indenture dated as of May 1, 2024. The Series 2024 Bonds are issued for the purpose of financing the costs of a (i) the refunding and defeasance of all or a portion of the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A and the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B; and (ii) the payment of the costs of such financing (collectively, the "2024 Refunding"). The Project Facilities are leased to the Authority by the New Jersey Department of Human Services ("DHS"), pursuant to a Lease dated December 1, 2003, as amended by an Amendment to Lease dated as of April 1, 2013 by and between DHS and the Authority (herein collectively called the "Lease"), and subleased by the Authority to DHS pursuant to an Agreement and Sublease, dated as of December 1, 2003, between the Authority and the State, (the "Original Agreement"), as amended and supplemented by an Amendment to Agreement and Sublease, dated as of April 1, 2013, by and between the Authority and DHS, a Second Amendment to Agreement and Sublease, dated as of April 1, 2016, and by a Third Amendment to Sublease and Agreement, dated as of January 15, 2020 (collectively, "Sublease and Agreement"), by and between the Authority and DHS. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture.

The Series 2024 Bonds are special, limited obligations of the Authority payable solely from, and secured solely by, the Pledged Property as provided in the Indenture. Pledged Property under the Indenture includes: (i) all of the Pledged Revenues as hereinafter defined; and all right, title and interest of the Authority to receive the Pledged Revenues; and (ii) all moneys and securities (and all investment earnings thereon) from time to time held by the Trustee under the Indenture in the Revenue Fund and the Debt Service Fund. Pledged Revenues under the Indenture include (i) all amounts payable to the Authority by DHS as Basic Rent under the Agreement; and (ii) any other amounts appropriated by the New Jersey State Legislature (the "Legislature") for such purpose, which are payable to the Authority or the Trustee by DHS and pledged by the Authority as security for the payment of the Bonds or received from any other source by the Authority, DHS or the Trustee and pledged by the Authority as security for the payment of the Bonds. ALL AMOUNTS PAYABLE BY DHS AS BASIC RENT TO THE AUTHORITY UNDER THE AGREEMENT ARE SUBJECT TO AND DEPENDENT UPON APPROPRIATIONS BEING MADE FROM TIME TO TIME BY THE LEGISLATURE FOR SUCH PURPOSE. THE LEGISLATURE HAS NO LEGAL OBLIGATION TO MAKE ANY SUCH APPROPRIATIONS. Reference is hereby made to the Indenture for a description of the rights, limitation of rights, obligations, duties and immunities of the Authority, the Trustee, the Paying Agents and the Owners of the Series 2024 Bonds, and, by the acceptance of this Bond, the Owner hereof assents to all provisions of the Indenture. Certified copies of the Indenture are on file in the corporate trust office of the Trustee and in the office of the Authority.

As provided in the Indenture, additional Series of Bonds of the Authority may be issued from time to time pursuant to Supplemental Indentures, on a parity with and secured and payable equally and ratably with all other Series of Bonds, including the Series 2024 Bonds. Any additional Series of Bonds may be in one or more Series, in various Principal Amounts, may mature at different times, may bear interest at different rates and may otherwise vary from the terms of the Series 2024 Bonds as provided in the Indenture. The aggregate Principal Amount of Bonds which may be issued and incurred under the Indenture is not limited except as may be provided in the Indenture or the Act.

The provisions of the Indenture, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by an Authorized Officer, to the extent and in the manner permitted by the terms of the Indenture. 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 redemption price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee or of any Paying Agent without its written consent.

Reference is made hereby to the Indenture for a more complete description of the sources of payment and security for the Series 2024 Bonds, including the Pledged Property, the nature, extent and manner of enforcement of remedies by the Owners of the Series 2024 Bonds,

the terms and conditions under which the Indenture may be amended or modified, the rights and limitations on the rights of the Owners of the Series 2024 Bonds and the Trustee, and the terms and conditions under which the Series 2024 Bonds are issued and on which additional Bonds may be issued and incurred on a parity with the Series 2024 Bonds.

This Bond is transferable, as provided in the Indenture, only upon the books of the Authority kept for that purpose at the above mentioned office of the Trustee by the Registered Owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his or her duly authorized attorney, and thereupon a new Bond or Bonds and in the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Authority, the Trustee and any Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The Series 2024 Bonds are not subject to redemption prior to maturity.

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

The Authority, pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the Series 2024 Bonds. No representation is made as to the accuracy of such numbers as printed on the Series 2024 Bonds, and reliance may be placed only on the identification numbers prefixed "R-" and printed thereon.

No recourse shall be had for the payment of the principal of, or Redemption Price, if any, or interest on this Bond, or for any claims based thereon or on the Indenture against any member,

officer, official or employee, past, present or future, of the Authority, or any other person executing this Bond, all such liability, if any, of such members, officers, officials or employees being expressly waived and released by every Owner of this Bond by the acceptance hereof and as material consideration for the adoption by the Authority of the Indenture and the issuance of this Bond.

It is hereby certified and recited that all conditions, acts and things required by the law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issue of bonds of which this is one is within every debt and other limit prescribed by the laws of the State.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate hereon.

IN WITNESS WHEREOF, THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY has caused this Bond to be signed in its name and on its behalf by the facsimile signature of its Executive Director, and its corporate seal (or a facsimile thereof) to be hereunder affixed, imprinted, engraved or otherwise reproduced and attested by the facsimile signature of its Secretary or Assistant Secretary, as of the Dated Date.

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Frank Troy
Executive Director

Attest:

Assistant Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION ON ALL BONDS]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2024 Bonds delivered pursuant to the within mentioned Indenture.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Officer

A-7

FORM OF ASSIGNMENT

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

[Please type or print name, address (including postal zip code) and Social Security or other tax identification number of the transferee]

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ his/her attorney to transfer the within Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

A-8

EXHIBIT B

COSTS OF ISSUANCE REQUISITION FORM

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY
DEPARTMENT OF HUMAN SERVICES LEASE REVENUE REFUNDING BONDS
(Greystone Park Psychiatric Hospital Project), Series 2024

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Authorized Officer

COSTS OF ISSUANCE FUND REQUISITION

REQUISITION NO. _____

Date: _____

U.S. Bank Trust Company, National Association
Corporate Trust Administration
333 Thornall Street, 4th Floor
Edison, New Jersey 08837

Ladies and Gentlemen:

On behalf of the New Jersey Health Care Facilities Financing Authority (the "Authority"), I hereby requisition pursuant to Section 5.8 of a certain Trust Indenture between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), dated as of December 1, 2003, as supplemented and amended from time to time including by that certain Fifth Supplemental Trust Indenture (the "Fifth Supplemental Indenture") between the Authority and the Trustee, dated as of May 1, 2024 (collectively, the "Indenture") and pursuant to Section 4.1 of the Fifth Supplemental Indenture, the total sum of \$_____ to be paid as follows as more fully set forth in the attached supplemental documentation:

Name and Address of Payee: Purpose of Obligation: Amount to be Paid:

I hereby certify that:

- (a) such cost of issuance has been incurred by the Authority or its agents in connection with the issuance of the Bonds.
- (b) each item is a proper charge against the Costs of Issuance Fund, and
- (c) such obligation has not been the basis for a prior requisition which has been paid.

Exhibit B-1

Exhibit B-2



LEASE

between

DEPARTMENT OF HUMAN SERVICES

as Lessor

and

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

as Lessee

Dated as of December 1, 2003

JOAN BRADSHAW - MORRIS COUNTY CLERK
DATE 01 12 2004 TIME 08 49 AM PAGES 11
85.00 COPE COUNTY FEES
55.00 STFC NUMBER OF PAGES STATE
140.00 TOTAL RECORDED FEES
JY-POCK 106643

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LEASE made and entered into as of the 1st day of December, 2003 (the "Lease"), by and between the DEPARTMENT OF HUMAN SERVICES of the State of New Jersey ("DHS"), as lessor, and the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body corporate and politic organized and existing under the Act hereinafter mentioned, as lessee.

BACKGROUND

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State, exercising public and essential governmental functions, organized and existing under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29 (N.J.S.A. 26:21-1 *et seq.*, as amended (the "Act")); and

WHEREAS, DHS owns and operates a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey, and wishes to renovate and make additions to the hospital; and

WHEREAS, the Authority is authorized under the Act to undertake the financing of the acquisition, design and construction of facilities for DHS through the issuance of bonds, the debt service on which shall be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "State Legislature"); and

WHEREAS, DHS has requested the Authority to issue bonds to finance the costs of a project (the "Project") consisting of (i) the renovation of and construction of additional facilities at or related to Greystone Park Psychiatric Hospital in Morris County, New Jersey (the "Project Facilities"); and (ii) the payment of the costs of such financing; and

WHEREAS, for the purpose of providing funds for the Project, the Authority has determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the "Bonds") pursuant to the Act and a Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (collectively, the "Indenture") between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee"); and

WHEREAS, in order to effectuate the Project, DHS is hereby leasing the Leased Property (as defined in the Indenture), as more fully set forth in Exhibit A attached hereto and made part hereof, to the Authority pursuant to this Lease; and

WHEREAS, the Authority shall lease the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the "Agreement"), pursuant to which DHS will pay to the Authority (but only out of monies made available to DHS by the Treasurer of the State from appropriations for such purpose by the State Legislature), in such amounts and at such times as shall be necessary for the payment of the principal of and interest on the Bonds, the Administrative Expenses of the Authority (as defined in the Indenture) and all other payments required to be made under the Agreement; and

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WHEREAS, in order to finance the initial costs of the Project, the Authority intends to issue under the Indenture, an initial series of Bonds entitled "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003" (the "2003 Bonds") in an aggregate principal amount not to exceed \$25,000,000; and

WHEREAS, DHS has requested the Authority to authorize the issuance of one or more future series of Bonds (the "Future Series of Bonds"), as Additional Bonds under the Indenture, for the purpose of financing the completion of the Project; and

WHEREAS, for the purpose of managing potential interest rate exposure with respect to the Future Series of Bonds, DHS has requested that the Authority authorize the entry by the Authority into one or more Qualified Swap Agreements (as defined in the Indenture) and related reimbursement or guaranty agreements with one or more Qualified Swap Providers (as defined in the Indenture), and take other certain action in connection therewith, all as more particularly set forth herein; and

WHEREAS, the Authority has assigned its right to receive payments of Basic Rent, as defined in the Agreement, under the Agreement to the Trustee pursuant to the Indenture; and

WHEREAS, the Authority has entered into a memorandum of understanding, dated as of December 1, 2003 (the "Development Memorandum") by and among the Authority, DHS and the New Jersey Economic Development Authority (the "Developer") to effectuate the Project;

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby covenant as follows:

ARTICLE I

Lease of the Leased Property; Term; Definitions

Section 1.01. Lease of the Leased Property. DHS hereby leases to the Authority and the Authority hereby takes and leases from DHS for the sum of one dollar (\$1.00) and other good and valuable consideration, the receipt and the sufficiency of which are hereby acknowledged, the Leased Property.

Section 1.02. Term. The term of this Lease shall commence on the effective date hereof and shall remain in effect until terminated in accordance with Article III hereof.

Section 1.03. Lease and the Agreement Create Independent Estates.

It is specifically agreed by the Authority and DHS that:

(a) the leasehold interest herein granted by DHS to the Authority shall be independent of the Agreement;

(b) the Agreement shall not be an assignment or surrender of the leasehold interest herein granted to the Authority;

(c) the Agreement shall not operate as a merger or extinguishment of the leasehold interest herein granted to the Authority;

(d) this Lease and the Agreement shall not constitute "washout" or "mutual" leases.

Section 1.04. Definitions. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Agreement and the Indenture, unless the context shall clearly otherwise require.

ARTICLE II

Representations, Warranties and Covenants

Section 2.01. Representations, Warranties and Covenants of DHS. DHS represents and warrants to and covenants with the Authority as follows:

(a) DHS has or will obtain title to the Leased Property, subject only to Permitted Encumbrances, has the full right, power and authority to enter into, to execute, to deliver and to perform this Lease and the Agreement and to perform its obligations hereunder and thereunder, and has duly authorized the execution, delivery and performance of this Lease and the Agreement;

(b) To the best of DHS' knowledge, except for Permitted Encumbrances, the Leased Property is not subject to any dedication, easement, right of way, reservation, covenant, condition, restriction, lien or encumbrance that would prohibit or would interfere materially with the proposed design, acquisition, construction, equipping and operation of the Project Facilities;

(c) All taxes, assessments or impositions of any kind with respect to the Leased Property, if any, and except for current taxes not due and payable, have been paid in full;

(d) The Project Facilities are necessary in order for DHS to carry out its governmental function of promoting the health of the residents of the State.

Section 2.02. Representations, Warranties and Covenants of the Authority. The Authority represents and warrants to and covenants with DHS that the Authority has the full right, power and authority to enter into, to adopt, to execute, to deliver and to perform this Lease, the Agreement and the Indenture, and to perform its obligations hereunder and thereunder and has duly authorized the adoption, execution, delivery and performance of this Lease, the Agreement and the Indenture.

ARTICLE III

Termination

Section 3.01. Termination. Subject to the other provisions hereof, this Lease shall terminate fifty (50) years from the date hereof, unless sooner terminated upon the termination of the Agreement.

ARTICLE IV

Quiet Use and Enjoyment

Section 4.01. Quiet Use and Enjoyment. Subject to the terms of the Agreement, DHS hereby covenants to provide the Authority during the term of this Lease with quiet use and enjoyment of the Project Facilities, and the Authority during such term shall have, shall hold and shall enjoy the Project Facilities peaceably and quietly, without interference from DHS.

ARTICLE V

Use of Project Facilities; Surrender; Assignment; Partial Release

Section 5.01. Use of Project Facilities. The Authority agrees to use the Project Facilities solely for the purposes set forth in the Agreement.

Section 5.02. Surrender of Project Facilities. The Authority agrees that upon the termination of this Lease it will surrender the Project Facilities to DHS free and clear of all liens and encumbrances, except the Permitted Encumbrances.

Section 5.03. Assignment. The Authority will not sell, assign or otherwise dispose of or encumber this Lease without the prior written consent of DHS.

Section 5.04 Partial Release. The parties agree that upon receipt of a written request from DHS, the Authority will consent to a release of a portion of the Leased Property from being the subject of this Lease, resulting in a revised description of the Leased Property, provided that (i) the request shall be accompanied with documentation satisfactory to the Authority to determine the part of the Leased Property to be released, (ii) DHS certifies that no portion of the Project Facilities are located on the part of the Leased Property to be released, and (c) DHS certifies that such release shall not impair the operation of the Project Facilities.

ARTICLE VI

Miscellaneous

Section 6.01. Severability. If any term or provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this

Lease or the application of such term or provision to persons or to circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 6.02. Notices and Demands. Notices under this Lease shall be given and shall be deemed given in accordance with Section 11.6 of the Agreement.

Section 6.03. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Authority and DHS and their respective successors and assigns.

Section 6.04. Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

Section 6.05. Applicable Law. This Lease shall be governed by and interpreted in accordance with the laws of the State of New Jersey.

Section 6.06. Amendments, Changes and Modifications. This Lease may be amended from time to time by the Authority and DHS, with the consent of the Trustee and the Insurer, only as provided in Articles X and XI of the Indenture.

Section 6.07. Recording. A copy of this Lease or a memorandum hereof shall be recorded by the Authority.

Section 6.08 Headings. The headings of the several sections hereof are inserted for convenience only and shall not control or affect the interpretation of the provisions hereof.

Section 6.09 Replacement of Exhibit A. The parties agree that the Leased Property will be surveyed by a surveyor licensed in the State of New Jersey as part of the Project. The description of the Leased Property prepared by said surveyor upon completion of the survey shall replace Exhibit A to this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

DEPARTMENT OF HUMAN SERVICES,
as Lessor

By: 
GWENDOLYN L. HARRIS
Commissioner

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY, as Lessee

By: _____
Dennis Hancock
Deputy Executive Director

APPROVED AS TO FORM:

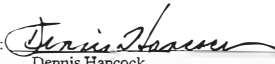
Deputy Attorney General of New Jersey

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first above written.

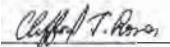
DEPARTMENT OF HUMAN SERVICES,
as Lessor

By: _____
GWENDOLYN L. HARRIS
Commissioner

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY, as Lessee

By: 
Dennis Hancock
Deputy Executive Director

APPROVED AS TO FORM:


Clifford T. Ross
Deputy Attorney General of New Jersey

ACKNOWLEDGEMENTS

STATE OF NEW JERSEY)
) ss.:
COUNTY OF *Morris*)

On this *18th* day of December, 2003, before me personally came GWENDOLYN L. HARRIS, to me known, who, being by me duly sworn, did depose and say that she is the Commissioner of the NEW JERSEY DEPARTMENT OF HUMAN SERVICES, and that she signed her name thereto.

Anna Lane Zaitowski
Notary Public
My Commission Expires: *6-19-07*

STATE OF NEW JERSEY)
): ss.:
COUNTY OF)

On this *12th* day of December, 2003, before me personally came DENNIS HANCOCK, to me known, who, being by me duly sworn, did depose and say that he is the Deputy Executive Director of the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, and that he signed his name thereto.

Mae C. Jeffries-Grant
Notary Public
My Commission Expires: *May 7, 2004*

MAE C. JEFFRIES-GRANT
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires May 7, 2004

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EXHIBIT "A"

Description of Leased Property

All that property as shown on the attached Project Facility Map located in the Borough of Morris Plains, Morris County, New Jersey, covering all or certain portions of the following blocks and lots:

Block 7, Lot 1;

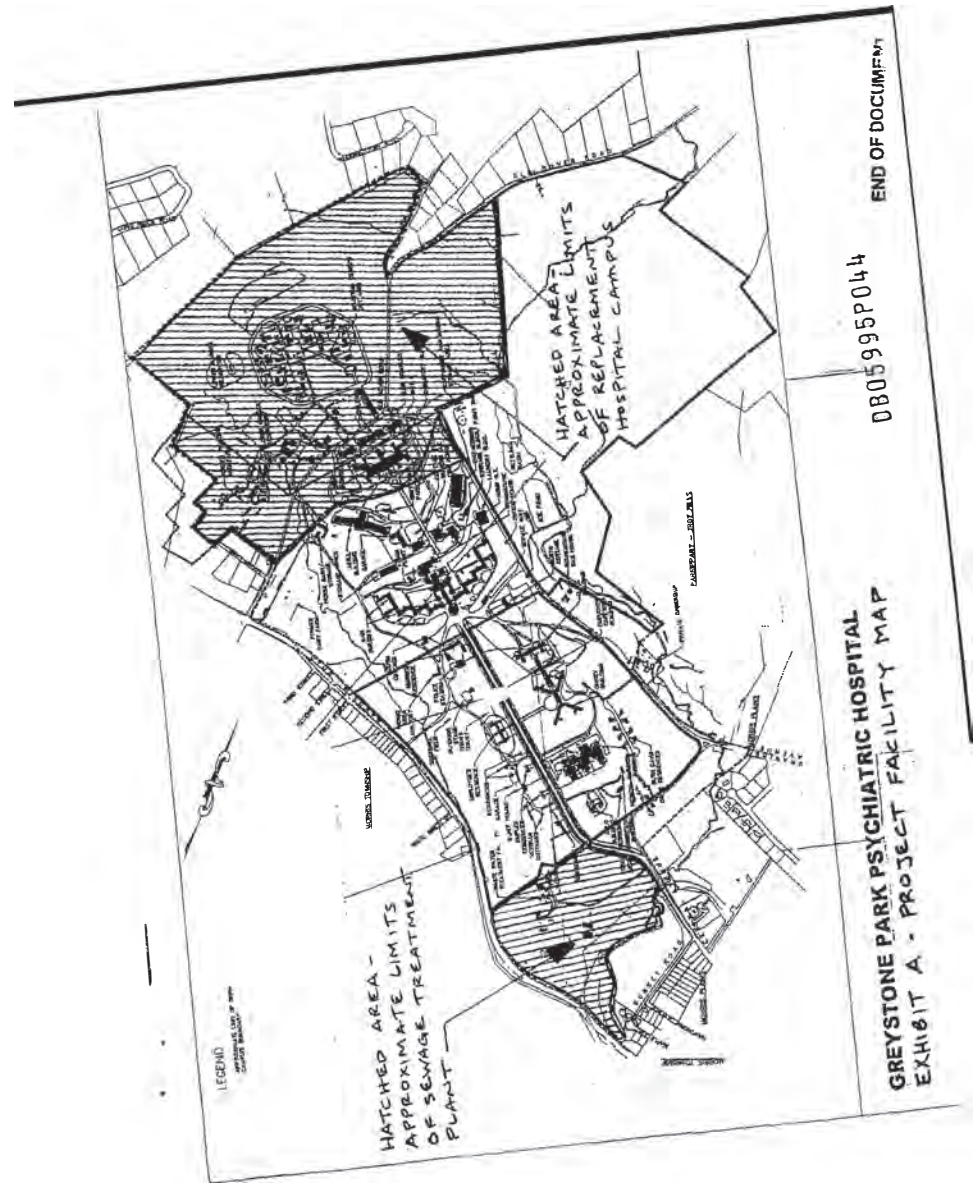
Block 10, Lot 1 (except for the portion of said land conveyed to the County of Morris by Deed dated July 7, 2003);

Block 13, Lot 1 (except for the portion of said land conveyed to the County of Morris by Deed dated July 7, 2003); and

Block 39, Lots 35, 36 and 37

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Record and Return to:
Bernard S. Davis, Esq.
Wolff & Samson PC
One Boland Drive
West Orange, New Jersey 07068

MORRIS COUNTY, NEW JERSEY
JOAN BRAMHALL, COUNTY CLERK
LEA-OR BOOK 22310 PG 509
RECORDED 04/20/2013 13:03:52
FILE NUMBER 2013034155
DATE 04 20 2013 BY: A61-cas/ff
RECORDING FEE \$130.00
MORRIS COUNTY, NEW JERSEY

AMENDMENT TO LEASE

Between

STATE OF NEW JERSEY, DEPARTMENT OF HUMAN SERVICES

as Lessor

and

NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

as Lessee

Dated as of April 1, 2013

This Amendment to Lease amends a Lease dated December 1, 2003, which was filed by the Clerk of Morris County on January 12, 2004, in Deed Book 05995, beginning at Page 33.

AMENDMENT TO LEASE made and entered into as of the 1st day of April, 2013 (the "Lease Amendment"), by and between the STATE OF NEW JERSEY, DEPARTMENT OF HUMAN SERVICES ("DHS"), located at 222 South Warren Street, Trenton, New Jersey, as lessor, and the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body corporate and politic organized and existing under the Act hereinafter mentioned, located at 22 South Clinton Avenue, Trenton, New Jersey, as lessee.

BACKGROUND

WHEREAS, the Authority, is a public body corporate and politic, constituting a political subdivision and instrumentality of the State, exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29 (N.J.S.A. 26:21-1, *et seq.*, as amended) (the "Act"); and

WHEREAS, DHS owns and operates a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey ("Greystone"); and

WHEREAS, from 2003 to the present, the Authority and DHS determined to undertake various components of a project (the "Greystone Project") consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "Legislature"); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and for the purpose of providing funds for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the "Bonds") pursuant to the Act and a Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (the "Original Indenture"), between the Authority and Wachovia Bank, National Association, the original Bond trustee (the "Original Trustee"); and

WHEREAS, in order to effectuate the Greystone Project, DHS leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the "Lease"); and

WHEREAS, the Authority leased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the "Agreement"), pursuant to which DHS pays to the Authority, but only out of monies appropriated to DHS for such purpose by the Legislature, monies in such amounts and at such times as shall be necessary for the payment of the principal of and interest on Bonds, the Administrative Expenses of the Authority (as defined in the Original Indenture) and all other payments required to be made under the Agreement; and



WHEREAS, in 2003, DHS undertook a portion of the Greystone Project (the "2003 Project") consisting of (i) the renovation and construction of facilities at or related to Greystone (the "2003 Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of financing the 2003 Project; and

WHEREAS, in order to finance the costs of the 2003 Project, at the request of DHS, the Authority issued under the Original Indenture, an initial series of Bonds entitled "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003" (the "2003 Bonds") in an aggregate principal amount of \$19,125,000; and

WHEREAS, in 2005, DHS requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the renovation of existing facilities and construction of additional facilities on the Leased Property (the "2005 Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2005 Project"); and

WHEREAS, for the purpose of providing funds for the 2005 Project, the Authority issued its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005" (the "2005 Bonds") in an aggregate principal amount of \$186,565,000 under the Original Indenture, as supplemented by the First Supplemental Trust Indenture, dated as of December 1, 2005, between the Authority and the Original Trustee (the "First Supplemental Indenture"); and

WHEREAS, DHS has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the "2013 Project Facilities", and together with the 2003 Project Facilities and the 2005 Project Facilities, the "Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2013 Project"); and

WHEREAS, DHS also has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the refunding and defeasance of all or a portion of the 2003 Bonds (the "2003 Bonds to be Refunded") and all or a portion of the 2005 Bonds (the "2005 Bonds to be Refunded" and together with the 2003 Bonds to be Refunded, the "Bonds to be Refunded"); and (ii) the payment of the costs of such financing (collectively, the "Refunding"); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority has determined to issue its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A" (the "2013A Bonds") in an aggregate principal amount ~~not to exceed of~~ \$50,730,000 under a Resolution of the Authority adopted on March 21, 2013 entitled "RESOLUTION AUTHORIZING THE ISSUANCE OF DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS

(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013 AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH" (the "Resolution") and the Original Indenture, as supplemented, including by a Second Supplemental Trust Indenture, dated as of April 1, 2013 (the "Second Supplemental Indenture") between the Authority and U.S. Bank, National Association, as successor in interest to the Original Trustee (the "Trustee") (the Original Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture is referred to as the "Indenture"); and

WHEREAS, for the purpose of providing funds for the Refunding, the Authority has determined to issue its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B" (the "2013B Bonds" and, together with the 2013A Bonds, the "2013 Bonds") in an aggregate principal amount ~~not to exceed of~~ \$475,000,000 160,110,000 under the Resolution and the Indenture; and

WHEREAS, in order to effectuate the 2013 Project and the Refunding, DHS and the Authority are hereby amending the Lease pursuant to this Lease Amendment; and

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby covenant as follows:

ARTICLE I AMENDMENT TO LEASE

SECTION 1.1. Amendment to Lease.

The "Leased Property" as set forth in Exhibit "A" to and as described in the Lease is hereby amended to include all the right, title and interest of DHS in the lands and property set forth in Exhibit A hereto.

ARTICLE II MISCELLANEOUS

SECTION 2.1. Successors and Assigns. This Lease Amendment shall inure to the benefit of and shall be binding upon DHS, the Authority and their respective successors and assigns.

SECTION 2.2. Severability. In the event any provision of this Lease Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 2.3. Amendments, Changes and Modifications. (a) This Lease Amendment may be amended in writing by the parties, provided that the parties comply with the provisions of Articles X and XI of the Indenture and the Authority has received an Opinion of Bond Counsel that such amendment shall not cause the interest on the Bonds to be includible in the gross income under Section 103 of the Code or cause the

interest on the Bonds to be treated as an item of tax preference under Section 27 of the Code.

(b) All of the terms and conditions of the Lease shall remain in full force and effect as specifically amended herein. In the event of a conflict between the original terms of the Lease and this Lease Amendment, the terms of this Lease Amendment shall control. Nothing herein shall be construed to otherwise modify or amend the original terms of the Lease. Only the explicit amendments set forth herein shall be deemed to have been made in the original terms of the Lease.

SECTION 2.4. Notices. All notices or other communications provided for in this Lease Amendment shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority to the care of Executive Director, New Jersey Health Care Facilities Financing Authority, P.O. Box 366, Trenton, N.J. 08625-0366 or for Overnight and Hand Deliveries only at Station Plaza, Bldg. #4, 22 South Clinton Avenue, Trenton, N.J. 08609, and (b) for DHS to the care of the Director, Division of Mental Health Services, Department of Human Services, Capital Center, 50 East State Street, P.O. Box 727, Trenton, N.J. 08625-0727 or to such other representatives as the Authority or DHS may from time to time designate in writing. Copies of all notices shall also be given to the Trustee at U.S. Bank, National Association, Corporate Trust Bond Administration, 21 South St., 3rd Floor, Morristown, NJ 07960 and to the Insurer, if any.

SECTION 2.5. Counterparts. This Lease Amendment may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 2.6. Non-Waiver. It is understood and agreed that nothing contained in this Lease Amendment shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Lease Amendment.

SECTION 2.7. Headings. The Article and section headings in this Lease Amendment are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease Amendment.

SECTION 2.8. Applicable Law. This Lease Amendment shall be governed by and interpreted in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Lease Amendment the day and year first above written.

ATTEST:



DEPARTMENT OF HUMAN SERVICES

By: 
Jennifer Velez, Esq.
Commissioner

ATTEST:



NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: 
Mark E. Hopkins
Executive Director

[Signature Page to Amendment to Lease]

IN WITNESS WHEREOF, the parties have executed this Lease Amendment the day and year first above written.

ATTEST: DEPARTMENT OF HUMAN SERVICES

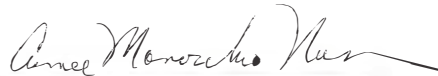
By: _____
Jennifer Velez, Esq.
Commissioner

ATTEST: NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

By: _____
Mark E. Hopkins
Executive Director

Stephen M. Fillibrown
Assistant Secretary

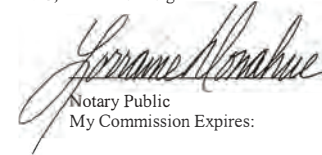
APPROVED AS TO FORM:


Deputy Attorney General of New Jersey

ACKNOWLEDGEMENT

STATE OF NEW JERSEY)
) SS
COUNTY OF MERCER)

On this 15TH day of April, before me personally came Jennifer Velez, Commissioner, to me known, who, being by me duly sworn, did depose and say that she is the Commissioner of the NEW JERSEY DEPARTMENT OF HUMAN SERVICES, and that she signed her name thereto.


Notary Public
My Commission Expires:

LORRAINE DONAHUE
Notary Public of New Jersey
My Commission Expires Aug 6, 2013

[Signature Page to Amendment to Lease]

ACKNOWLEDGEMENT :

STATE OF NEW JERSEY)
) SS
COUNTY OF MERCER)

On this 16TH day of April, 2013, before me personally came Mark E. Hopkins, to me known, who, being by me duly sworn, did depose and say that he is the Executive Director of the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY, and that he signed his name thereto.


Notary Public
My Commission Expires:

LORRAINE DONAHUE
Notary Public of New Jersey
My Commission Expires Aug 6, 2013

EXHIBIT A

Leased Property

Old Campus - Western Portion (90 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County) Block 10, Lot 1.01
WWTP - Eastern Portion (50 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County) Block 10, Lot 1.01

Borough of Morris Plains, NJ (Morris County) Block 39, Lots 35, 36 and 37
New Campus - Far Western Portion (140 acres +/-)

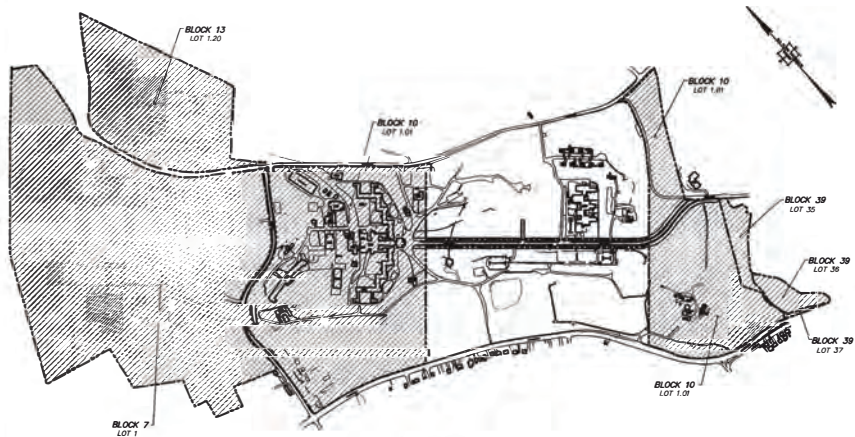
Township of Parsippany-Troy Hills, NJ (Morris County) Block 7, Lot 1

Far North Western Portion (45 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County)

Block 13, Lot 1.20

See attached map.



SITE PLAN

Greystone Park Psychiatric
Hospital

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**SUBLEASE AND AGREEMENT
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT)**

BETWEEN

THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

As Sublessor

AND

THE NEW JERSEY DEPARTMENT OF HUMAN SERVICES

As Sublessee

Dated as of December 1, 2003

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SUBLEASE AND AGREEMENT, dated as of December 1, 2003 (the "Agreement"), by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), as sublessor, and the New Jersey Department of Human Services, an executive department of the State ("DHS"), as sublessee.

BACKGROUND

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State, exercising public and essential governmental functions, organized and existing under the New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29 (N.J.S.A. 26:21-1 *et seq.*, as amended (the "Act"); and

WHEREAS, DHS owns and operates a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey, and wishes to renovate and make additions to the hospital; and

WHEREAS, the Authority is authorized under the Act to undertake the financing of the acquisition, design and construction of facilities for DHS through the issuance of bonds, the debt service on which shall be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "State Legislature"); and

WHEREAS, DHS has requested the Authority to issue bonds to finance the costs of a project (the "Project") consisting of (i) the renovation of and construction of additional facilities at or related to Greystone Park Psychiatric Hospital in Morris County, New Jersey (the "Project Facilities"); and (ii) the payment of the costs of such financing; and

WHEREAS, for the purpose of providing funds for the Project, the Authority has determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the "Bonds") pursuant to the Act and a Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (collectively, the "Indenture") between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee"); and

WHEREAS, in order to effectuate the Project, DHS has leased the Leased Property (as defined in the Indenture), as more fully set forth in Exhibit A attached hereto and made part hereof, to the Authority pursuant to a Lease, dated as of December 1, 2003 (the "Lease"); and

WHEREAS, the Authority is hereby leasing the Leased Property back to DHS pursuant to this Agreement, pursuant to which DHS will pay to the Authority (but only out of monies made available to DHS by the Treasurer of the State from appropriations for such purpose by the State Legislature), in such amounts and at such times as shall be necessary for the payment of the principal of and interest on the Bonds, the Administrative Expenses of the Authority (as defined in the Indenture) and all other payments required to be made under the Agreement; and

WHEREAS, in order to finance the initial costs of the Project, the Authority intends to issue under the Indenture, an initial series of Bonds entitled "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003" (the "2003 Bonds") in an aggregate principal amount not to exceed \$25,000,000; and

WHEREAS, DHS has requested the Authority to authorize the issuance of one or more future series of Bonds (the "Future Series of Bonds"), as Additional Bonds under the Indenture, for the purpose of financing the completion of the Project; and

WHEREAS, for the purpose of managing potential interest rate exposure with respect to the Future Series of Bonds, DHS has requested that the Authority authorize the entry by the Authority into one or more Qualified Swap Agreements (as defined in the Indenture) and related reimbursement or guaranty agreements with one or more Qualified Swap Providers (as defined in the Indenture), and take other certain action in connection therewith, all as more particularly set forth herein; and

WHEREAS, the Authority has assigned its right to receive payments of Basic Rent, as hereinafter defined, under this Agreement to the Trustee pursuant to the Indenture; and

WHEREAS, the Authority has entered into a memorandum of understanding, dated as of December 1, 2003 (the "Development Memorandum") by and among the Authority, DHS and the New Jersey Economic Development Authority (the "Developer") to effectuate the Project;

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby covenant as follows:

ARTICLE I DEFINITIONS AND GENERAL PROVISIONS

SECTION 1.1. Definitions. In addition to the terms defined in the recitals, capitalized terms used but not defined in this Agreement shall have the meanings given such terms in the Indenture, unless the context clearly indicates some other meaning.

"Additional Bonds" shall have the meaning given to that term in the Indenture.

"Additional Rent" shall mean the rental payment specified in Section 4.2(b) hereof.

"Aggregate Debt Service" shall have the meaning given to that term in the Indenture.

"Administrative Expenses" shall have the meaning given to that term in the Indenture.

"Authorized Officer" shall have the meaning given to that term in the Indenture.

"Authorized DHS Representative" shall have the meaning given to that term in the Indenture.

“**Authority Resolution**” shall have the meaning given to that term in the Indenture.

“**Basic Rent**” shall mean the rental payment specified in Section 4.2(a) hereof.

“**Bond**” or “**Bonds**” shall have the meaning given to that term in the Indenture.

“**Bond Counsel**” shall have the meaning given to that term in the Indenture.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended and supplemented.

“**Commissioner**” shall mean the Commissioner of the Department of Human Services of the State.

“**Cost**” or “**Costs**” shall have the meaning given to that term in the Indenture.

“**Debt Service**” shall have the meaning given to that term in the Indenture.

“**Debt Service Fund**” shall have the meaning given to that term in the Indenture.

“**DHS**” shall mean the New Jersey Department of Human Services.

“**Developer**” shall have the meaning given to such term in the Background Section of this Agreement.

“**Development Memorandum**” shall have the meaning given to such term in the Background Section of this Agreement.

“**Event of Default**” shall have the meaning given such term in Section 7.1.

“**Event of Non-Appropriation**” shall have the meaning given to that term in the Indenture.

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

“**Fiscal Year**” shall have the meaning given to that term in the Indenture.

“**Leased Property**” shall have the meaning given to that term in the Background Section of this Agreement.

“**Lease Documents**” shall mean any document or instrument executed in connection with the transactions contemplated by this Agreement, including, but not limited to, this Agreement.

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

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

“**Net Proceeds**” shall mean any insurance proceeds, condemnation award or similar payments with respect to the Leased Property and the Project Facilities, remaining after payment therefrom of all expenses incurred in the collection thereof.

“**Outstanding**” when used with reference to Bonds, shall have the meaning given to that term in the Indenture.

“**Parity Obligations**” shall have the meaning given to that term in the Indenture.

“**Payment Date**” shall have the meaning given to that term in the Indenture.

“**Permitted Encumbrances**” shall mean and include:

(i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance now or hereafter filed on record which are being contested in good faith and have not proceeded to judgment provided;

(ii) the lien of taxes and assessments which are not delinquent;

(iii) the liens of taxes and assessments which are delinquent but the validity of which is being contested in good faith and with respect to which the Authority shall have set aside adequate reserves, such reserves to be reimbursed by DHS in the event that they are expended, unless by the contesting of the validity of such tax or assessment any of the Project Facilities or the interest of the Authority may be in danger of being lost or forfeited;

(iv) minor defects and irregularities in the title to the Leased Property which do not in the aggregate, in the reasonable judgment of an Authorized Officer of the Authority, materially impair the use of the Project Facilities for the purposes for which they are or may reasonably be expected to be held;

(v) easements, exceptions or reservations for the purposes of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not, in the reasonable judgment of an Authorized Officer of the Authority, materially impair the use of such property for the purposes for which it is or may reasonably be expected to be held;

(vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Project Facilities which do not, in the reasonable judgment of an Authorized Officer of the Authority, materially impair the use of the Project Facilities for the purposes for which they are or may reasonably be expected to be held;

(vii) any obligations or duties affecting any portion of the Project Facilities to any municipality or governmental or other public authority with respect to any right, power, franchise grant, license or permit;

(viii) present or future zoning laws and ordinances, if any, applicable to the Project Facilities;

(ix) riparian rights of the United States of America or the State of New Jersey; and

(x) this Agreement, the Indenture and the Development Memorandum.

“**Project**” shall have the meaning given to that term in the Background Section of this Agreement.

“**Project Facilities**” shall have the meaning given to that term in the Background Section of this Agreement.

“**Purchase Option Price**” shall mean (i)(a) in the case of a purchase of the Authority's interest in the Project Facilities, in whole or in part, pursuant to Section 8.1(a), an amount equal to the principal or Redemption Price of the Bonds to be redeemed, together with accrued and unpaid interest thereon, or (b) in the case of a purchase of the Authority's interest in the Project Facilities, in whole or in part, pursuant to Section 8.1(b), the amount required to defease the Bonds to be defeased pursuant to Section 11.1 of the Indenture, plus (ii) in the case of a purchase of the Authority's entire interest in the Project Facilities, all Additional Rent due under this Agreement.

“**Rent**” shall mean the sum of Basic Rent and Additional Rent set forth in Section 4.2 hereof.

“**Series**” shall have the meaning given to that term in the Indenture.

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

“**Subordinated Obligations**” shall have the meaning given to that term in the Indenture.

“**Treasurer**” shall mean the Treasurer of the State.

“**Trustee**” shall mean Wachovia Bank, National Association, and its successor or successors, as Trustee pursuant to the Indenture.

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

ARTICLE II SUBLEASE OF LEASED PROPERTY; TERM OF AGREEMENT

SECTION 2.1. Sublease of Leased Property. The Authority hereby subleases the Leased Property to DHS (as the same shall be designed, acquired and equipped, as herein provided), and DHS hereby accepts and subleases the Leased Property from the Authority upon the terms and conditions set forth herein.

SECTION 2.2. Term of Agreement. This Agreement and the subleasehold term created hereby shall commence as of the date hereof and shall terminate one (1) Business Day following upon the first to occur of the following events, but in any case not later than fifty (50) years from the date hereof (the “Expiration Date”): (a) the date of payment by DHS of all obligations owed by DHS pursuant to this Agreement; or (b) the exercise by DHS of its option to purchase the Authority's entire interest in the Leased Property pursuant to Article VIII hereof and the first date thereafter on which no Bonds are Outstanding and the Authority has no obligations with respect to Parity Obligations and Subordinated Obligations.

SECTION 2.3. Possession And Quiet Enjoyment. Subject to compliance by DHS with the terms hereof and of the Lease, and from and after the effective date hereof, the Authority shall provide DHS during the Lease Term with quiet use and enjoyment of the Leased Property and the Project Facilities, and DHS shall during such Lease Term peaceably and quietly have and hold and enjoy the Leased Property and the Project Facilities and each and every part thereof, without suit, trouble, molestation or hindrance from the Authority or any party claiming under or through the Authority, except for such rights of access and other rights of the Authority as are expressly set forth in this Agreement, the Lease or the Indenture. The Authority shall, at the request of DHS and at the sole cost and expense of DHS, join in any legal action in which DHS asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so.

ARTICLE III CONSTRUCTION OF PROJECT FACILITIES; ADDITIONAL BONDS AND ADVANCES

SECTION 3.1. Development and Construction of Project Facilities.

Pursuant to the Development Memorandum, the Authority has designated the Developer as its agent for the development and construction of the Project Facilities and has delegated all of its rights, duties and obligations in connection therewith to the Developer. Notwithstanding anything to the contrary contained herein or in the Development Memorandum, the Authority and DHS may amend, alter, modify and/or repeal such Development Memorandum at their sole option.

SECTION 3.2. Reserved.

SECTION 3.3. Construction Fund.

(a) The Authority has in the Indenture authorized and established the Construction Fund with the Trustee and authorized and directed the Trustee to make payments from the Construction Fund to pay the Costs of the Project upon receipt of a Requisition in form as set forth in the Indenture. DHS agrees that disbursements shall be made in accordance with Section 5.2 of the Indenture.

(b) Upon completion of the construction of the Project Facilities, any monies remaining in the Construction Fund may be applied in accordance with Section 5.2(d) of the Indenture.

SECTION 3.4. Additional Bonds.

DHS may, from time to time, make written request to the Authority to issue Additional Bonds (i) to pay for the Costs of the Project, (ii) to refund any Bonds as provided in the Indenture, or (iii) to repair, restore, reconstruct or replace the Project Facilities or any part thereof in the event of any damage to or destruction or condemnation of the Project Facilities or any part thereof.

ARTICLE IV
RENT

SECTION 4.1. Nature of Obligations of DHS; Requirements to Request Appropriation. The obligations of DHS under this Agreement, including without limitation its obligations to pay Rent or to pay any other amounts required hereunder or otherwise to observe or perform any of its covenants and agreements hereunder, notwithstanding any other provision hereof or of the Lease, Indenture, or Development Memorandum to the contrary, is not and shall not be a liability or a charge upon the credit of DHS or the State, and shall be subject to and dependent upon appropriations being made from time to time for such purpose by the Legislature, and no failure of the Legislature to appropriate such funds for any Fiscal Year shall constitute a default or a breach by DHS of any covenant or agreement hereunder. The Legislature is under no legal obligation to make appropriations for such purpose.

No obligation of DHS hereunder shall be deemed or construed to be a debt, liability, loan of credit or pledge of credit of the Authority or of the State.

For each Fiscal Year in which any Bonds remain Outstanding, the Commissioner shall, in his or her capacity as request officer under Title 52 of the New Jersey Revised Statutes or applicable successor legislation, include in the DHS annual request for appropriation to be made to the Treasurer, an amount equal to the Rent payable hereunder in the next succeeding Fiscal Year, which at the time of such submission are able to be stated as a determinate amount. Such aggregate amount of Rent shall be requested by the Commissioner to be included as a separate line item, which, pursuant to Title 52 of the New Jersey Revised Statutes or applicable successor legislation, is submitted by the Treasurer to the Governor. In connection with the first such submission, the Commissioner shall supply the Treasurer with a schedule of the Debt Service payable on the Bonds during the term thereof.

Notwithstanding the above requirement to request appropriations annually, neither the entry by DHS and the Authority into this Agreement nor the making of any one annual appropriation in respect hereof by the Legislature is in any way intended to nor shall it legally obligate, commit or bind the Legislature to make any future such appropriation, in any future annual general appropriations law or otherwise.

SECTION 4.2. Payment of Rent.

(a) (i) One Business Day before each Payment Date for the Bonds or Parity Obligations, DHS shall pay to the Trustee on behalf of the Authority as Basic Rent a sum sufficient, together with the monies, if any, on deposit in the Debt Service Fund and available therefor, to pay the Aggregate Debt Service on all Bonds and all payments in respect to Parity Obligations that are due on such Payment Date.

(ii) One Business Day before each Payment Date for Subordinated Obligations, DHS shall pay to the Trustee on behalf of the Authority as Basic Rent a sum sufficient, together with the monies, if any, on deposit in the Subordinated Obligations Fund and available therefor, to pay the amount due on Subordinated Obligations on such Payment Date.

(b) DHS shall pay to the Authority as Additional Rent on the due date therefore Administrative Expenses and any other expenses characterized as Additional Rent in this Agreement. Such payments of Additional Rent shall be made on the due dates of such payments.

SECTION 4.3. Prepayment of Basic Rent.

DHS shall have the right from time to time to prepay all or any portion of the Basic Rent for the purpose of providing funds for the purpose of redemption of Bonds in accordance with the Indenture. Upon the written direction of DHS given by an Authorized DHS Representative, the Authority shall call for redemption or purchase the Bonds specified by DHS in such written direction and apply such prepaid Basic Rent to the redemption or purchase of such Bonds in accordance with the Indenture. DHS shall be entitled to a credit against the Basic Rent due hereunder for the Principal Amount, purchase or Redemption Price of and interest on any Bonds redeemed or purchased by the Authority at the direction of DHS or otherwise acquired by or delivered to DHS or the Authority for cancellation.

SECTION 4.4. Indemnification of Authority.

(a) DHS shall indemnify and hold the Authority harmless against, and shall pay any and all liability (including, without limitation, environmental liabilities of every kind and nature), loss, cost, damage, claims, judgment or expense, including reasonable attorney's fees and expenses, which the Authority may sustain, be subject to or incur by reason of any claim, suit or action arising out of the issuance of the Bonds, the development, construction, pre-construction, leasing and subleasing of the Project Facilities, but subject to the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

(b) DHS shall indemnify and hold the Authority harmless against, and DHS shall pay any and all liability, loss, cost, damage, claims, judgment or expense, including reasonable

attorneys' fees of any and all kinds or nature and however arising, imposed by law, which the Authority may sustain, be subject to or incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed arising out of the negligence of DHS, its officers, employees or officials but subject to the provisions of the New Jersey Tort Claims Act (N.J.S.A. 59: 2-1 et seq.) including but not limited to N.J.S.A. 59:2-10; provided, however, that the Authority will not be indemnified for its own negligence or willful misconduct.

(c) The Authority agrees as follows:

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

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

(iii) The Authority shall permit DHS, if DHS so chooses, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

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

SECTION 4.5. Nature of Obligations of DHS.

(a) Except as provided in this Section 4.5, the obligation of DHS to pay Rent and to perform its obligations under this Agreement shall be absolute and unconditional, and such Rent shall be payable without any rights of set-off, recoupment or counterclaim it might have against the Authority, the Trustee or any other Person and whether or not the Project Facilities are completed, used or occupied by DHS or are available for use or occupancy by DHS; provided however, that the provisions of this Section 4.5(a) shall not limit DHS' rights to pursue any other remedy it might have against any other Person at law or equity.

(b) Notwithstanding anything in this Agreement to the contrary, the performance by DHS of its obligations under this Agreement and the incurring of any liabilities of DHS under this Agreement, including without limitation, the payment of all Rent, shall be subject to and dependent upon appropriations being made from time to time by Legislature for such purpose. The Authority acknowledges and agrees that the Legislature has no legal obligation to make such appropriation.

(c) DHS' obligations to pay Rent will not terminate for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration, failure of title, or frustration of purpose, or any

damage to or destruction of the Project Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of the Project Facilities, or the failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

SECTION 4.6. Nature of Obligations of the Authority. The liability of the Authority with respect to its obligations under this Agreement shall be limited to the proceeds of the Bonds and any funds received by the Authority under this Agreement and the Indenture and available for such purposes. The Authority shall not be otherwise legally required hereunder to meet any such obligations from any other moneys of the Authority.

SECTION 4.7. Assignment of Payments by Authority.

(a) It is understood that all payments of Basic Rent pursuant to Section 4.2(a) by DHS to the Authority under this Agreement are to be assigned by the Authority to the Trustee pursuant to the Indenture.

(b) The Authority agrees to notify DHS, by the execution of an appropriate instrument making such assignment to the Trustee, and DHS agrees, upon receipt of such notification, to pay to the Trustee at the corporate trust office indicated in Section 9.1 of the Indenture all Basic Rent payable by DHS to the Authority pursuant to Section 4.2(a) of this Agreement. Except as provided in this Section 4.7, the Authority shall not assign its right to receive Basic Rent and, except for the Permitted Encumbrances, the Authority shall not sell or otherwise encumber its interest in the Project Facilities.

SECTION 4.8. Agreement as Absolute Net Lease. This Agreement is a "net lease", the intention of the parties being that this Agreement shall yield to the Authority the net annual Rent specified herein during the Lease Term, and that all costs, expenses and obligations of every kind and nature whatsoever relating to or arising out of the Leased Property shall be paid by DHS.

ARTICLE V OPERATION AND MAINTENANCE; INSURANCE; DAMAGE; DESTRUCTION AND CONDEMNATION

SECTION 5.1. Operation, Maintenance and Repair.

(a) During the Lease Term, DHS shall maintain the Project Facilities in good condition; and make all necessary repairs and replacements, interior and exterior, structural and non-structural. DHS may contract with any responsible and experienced private entity to operate, manage or maintain the Project Facilities to the extent that such contract does not impair the tax-exempt status of the Bonds, but notwithstanding any such third-party contract, DHS shall remain primarily liable to the Authority for the operation, management and maintenance of the Project Facilities.

(b) The Project Facilities shall be designed, acquired, constructed and equipped as set forth in the Development Memorandum, and the Authority shall have no additional responsibilities therefor, except as set forth in the Development Memorandum.

SECTION 5.2. Utilities, Taxes and Governmental Charges.

(a) DHS shall be responsible for the payment of all charges for water, electricity, light, heat or power, sewage, telephone and other utility service rendered or supplied to or in connection with the Leased Property and the Project Facilities during the Lease Term, and the Authority shall not be responsible for any such payments.

(b) In the event that the Leased Property or the Project Facilities shall at any time in the future be or become subject to any such taxes or assessments, DHS shall be responsible for the payment thereof; provided, however, that DHS shall at all times have the right to contest by appropriate legal proceedings the imposition of any such taxes or assessments, and nothing contained herein shall constitute an admission by DHS that it may be or become subject to any such taxes or assessments.

(c) The Authority shall cooperate fully with DHS in the payment of taxes or assessments voluntarily or payments in lieu of taxes and in the handling and conduct of any prospective or pending litigation with respect to the levying of taxes or assessments on the Project Facilities, subject to Section 5.2(b) above.

SECTION 5.3. Additions and Enlargements. (a) During the Lease Term, DHS shall have the right at any time and from time to time, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, the Project Facilities, as DHS shall deem necessary or desirable in connection with the use of the Project Facilities. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of the Project Facilities shall be and become a part of the Project Facilities and be leased to the Authority pursuant to the Lease.

(b) DHS may, if it so elects, finance such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations by means of the issuance of Additional Bonds by the Authority or by other means.

SECTION 5.4. Reserved.

SECTION 5.5. Insurance. DHS shall at all times, at its own expense, cause property damage insurance and liability insurance to be carried and maintained in amounts and covering such risks as set forth in Exhibit B, in respect of the Leased Property and the Project Facilities and the conduct and operation of business therein, to protect against loss or damage to the Leased Property and the Project Facilities during and after the period of construction and to protect the Authority, the Trustee and any additional insured(s) from liability to the extent indemnified hereunder or from the suits of third parties. DHS agrees to maintain and the Authority agree to accept evidence of blanket insurance coverage which applies to the Leased Property and the Project Facilities and which does not require the Authority or the Trustee or any additional insured(s) to be specifically named by endorsement. DHS will provide a copy of any such blanket insurance policy or policies to the Authority and the Trustee and any additional insured(s) as evidence of such coverage with respect to

the Leased Property and the Project Facilities. Any insurance policy maintained pursuant to this Section 5.5 shall be so written or endorsed as to make losses, if any, payable to DHS and the Authority as their respective interests may appear. All such policies shall be issued by companies of recognized responsibility licensed to do business in New Jersey, and all such policies shall contain a provision whereby the same cannot be canceled unless the Authority and any additional insured(s) are given at least twenty (20) days' prior written notice of such cancellation.

SECTION 5.6. Damage, Destruction and Condemnation. If (1) the Leased Property and the Project Facilities or any portion thereof is destroyed or damaged by fire or other casualty or (2) title to or the temporary use of the Leased Property and the Project Facilities or any part thereof, or the interest of the Authority or DHS in the Leased Property and the Project Facilities or any part thereof, shall be taken under a valid exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, any Net Proceeds which DHS receives shall be promptly paid over to the Trustee for deposit to the Construction Fund. Thereafter, DHS shall have the right to (a) apply the Net Proceeds to the prompt repair, restoration, modification or improvement of the Project Facilities; or (b) in accordance with Section 5.2 of the Indenture, apply the Net Proceeds to the payment of the cost of any other lawful purpose of DHS or the Authority for which bonds may be issued pursuant to the Act, provided that DHS or the Authority shall deliver to the Trustee an Opinion of Bond Counsel stating that such proposed use of the remaining Net Proceeds shall not cause interest on the Bonds to be includable in the gross income of any holder thereof for Federal income tax purposes and shall not cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; or (c) exercise its option to purchase the Leased Property and the Project Facilities in whole or in part, by paying all or a portion, as applicable, of the then-applicable Purchase Option Price, and shall apply the Net Proceeds thereto. Alternatives (a), (b) and (c) above shall not be mutually exclusive, and DHS shall have the right to partially restore the Leased Property and the Project Facilities, to apply a portion of the Net Proceeds to one or more projects described in subsection (b) above, and/or to partially pay the Purchase Option Price from any such Net Proceeds. Other than upon the payment of the entire Purchase Option Price, DHS shall continue to be obligated to pay all Rent due under this Agreement, notwithstanding the occurrence of any damage to, or destruction or condemnation of, the Leased Property and the Project Facilities.

SECTION 5.7. Reserved.

SECTION 5.8. Cooperation of Authority. The Authority shall cooperate fully with DHS at the sole cost and expense of DHS in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 5.6 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property and the Project Facilities or any part thereof and shall, to the extent it may lawfully do so, permit DHS to litigate in any proceeding resulting therefrom in the name of and on behalf of the Authority. In no event shall the Authority voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Project Facilities or any part thereof without the prior written consent of DHS.

SECTION 5.9. Application of Unspent Proceeds. Any unspent proceeds in the Construction Fund shall be applied in accordance with the provisions of Section 5.3(d) of the Indenture.

ARTICLE VI SPECIAL COVENANTS

SECTION 6.1. Reserved.

SECTION 6.2. Quiet Enjoyment. The Authority covenants and agrees with DHS that upon DHS' paying the Rent and observing and performing all the terms, covenants and conditions on DHS' part to be observed and performed, DHS may peaceably and quietly have, hold and enjoy the Project Facilities and the Leased Property during the Lease Term.

SECTION 6.3. Covenant Against Waste. DHS covenants not to cause or suffer or permit to exist or occur any waste, damage, disfigurement or injury to, or public or private nuisance upon, the Leased Property and the Project Facilities.

SECTION 6.4. Right of Inspection. DHS covenants and agrees to permit the Authority and its authorized agents and representatives to enter the Leased Property and the Project Facilities at all times during usual business hours for the purpose of inspecting the same.

SECTION 6.5. No Disposition of Interest. DHS will not sell, sublease or otherwise dispose of or encumber its interest in the Project Facilities except as provided in Section 6.6 hereof. This Agreement may be assigned in whole or in part by DHS upon written consent of the Authority (which consent shall not be unreasonably withheld) but no assignment shall relieve DHS from primary liability for any of its obligations hereunder, and in the event of any such assignment DHS shall continue to remain primarily liable for the payments specified in this Agreement and for performance and observance of the other agreements on its part herein provided.

SECTION 6.6. Subletting.

(a) Subject to the provisions of Section 6.9 hereof, DHS may rent or sublease space in the Project Facilities, as determined by the Authorized DHS Representative, with the consent of an Authorized Officer of the Authority (which consent shall not be unreasonably withheld); provided, that, such sublease shall not have any materially adverse effect upon this Agreement, the Bonds or the Parity Obligations. Furthermore, DHS shall not rent, sublease or otherwise dispose of all or any portion of the Project Facilities if such rental, sublease or disposition would, based upon an Opinion of Bond Counsel (a copy of which shall be delivered by DHS to the Trustee and the Authority), cause interest on the Bonds to be includable in the gross income of any holder thereof for Federal income tax purposes or would cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code.

(b) Any sublease agreement entered into by DHS for space at the Project Facilities shall provide that the sub-tenant shall: (i) assume all of the tenant obligations of this Agreement; (ii) indemnify the Authority for any loss or damage caused by sub-tenant's occupancy or use of

the Project Facilities; and (iii) provide insurance naming the Authority and the Trustee as additional insureds.

SECTION 6.7. Consultation with Authorized DHS Representative. The Authority agrees to obtain the approval, which approval shall not be unreasonably withheld and if not received within 14 days of a written request therefor such approval will be deemed to have been given, of the Authorized DHS Representative concerning the terms and timing of proposed sales of all Bonds and the contents of all resolutions, certificates, applications, contracts, official statements, notices of sale, advertisements and other documents relating to financing the construction of the Project Facilities that have not been executed and delivered as of the date hereof.

SECTION 6.8. Compliance with Laws. The parties to this Agreement agree to comply with all laws of the State applicable to the performance of this Agreement and all agreements supplemental thereto or amendatory thereof.

SECTION 6.9. Covenant Not to Affect the Tax-Exempt Status of the Bonds. Notwithstanding any other provision of this Agreement, DHS and the Authority agree not to take any action or fail to take any action the result of which action or inaction would cause the interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. DHS will not directly or indirectly use or permit the use (including the making of any investment) of any proceeds of the Bonds or any other funds of the Authority or DHS, or take or omit to take any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Code Section 148(a).

SECTION 6.10. Operation of the Project Facilities. DHS shall operate or cause the Project Facilities to be operated as an authorized project for a purpose and use as provided for under the Act until the expiration or earlier termination of this Agreement.

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1. Events of Default.

(a) Any one or more of the following events shall constitute an Event of Default ("Event of Default") hereunder:

(i) Failure by DHS to pay or cause to be paid when due the payments to be paid under Section 4.2(a) hereof, except if such failure is caused by an Event of Non-Appropriation; or

(ii) Failure by DHS to pay when due any payment to be made under this Agreement other than payments under Section 4.2(a) hereof which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to DHS by the Authority or the Trustee except if such failure is caused by an Event of Non-Appropriation; or

(iii) Failure by DHS to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement, other than as referred to in subsection (i) and (ii) of this Section 7.1, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to DHS by the Authority or the Trustee (to the extent the Trustee has received written notice from the Authority of such failure), unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by DHS within the applicable period and diligently pursued until the default is remedied.

(b) Notwithstanding anything contained in this Agreement to the contrary, a failure by DHS to pay when due any payment required to be made under this Agreement or a failure by DHS to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement, resulting from a failure by the State Legislature to appropriate moneys for such purposes shall not constitute an Event of Default under this Section 7.1.

SECTION 7.2. Remedies.

(a) Except as provided in Section 7.5, whenever any Event of Default referred to in Section 7.1 hereof shall have happened and be subsisting, provided that written notice of the default has been given to DHS by the Authority or by the Trustee and the default has not been cured, the Authority shall have the right to take any and all actions available to it at law or in equity to collect the payments then due and thereafter to become due, including the right to seek a judgment and to enforce performance and observance of any obligation, agreement or covenant of DHS under this Agreement. In addition, whenever an Event of Default relating to the payment of Rent shall have occurred and be continuing, the Trustee shall have the right, but not the obligation, at its option, without further demands or notice, to take whatever action at law or equity appears necessary or desirable to collect the Rent then due.

(b) Any amounts collected pursuant to action taken under this Section 7.2 shall be applied as set forth in Section 8.3 of the Indenture.

SECTION 7.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 7.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 7.5. Event of Non-Appropriation.

(a) An Event of Non-Appropriation with respect to the Bonds shall be deemed to have occurred under this Agreement if the Legislature shall fail to appropriate funds for any Fiscal Year in an amount sufficient to pay when due the Rent under this Agreement coming due in such Fiscal Year; provided, however, that an Event of Non-Appropriation shall not be deemed to have occurred so long as an Event of Default has occurred and is continuing under Section 7.1(a)(i) of this Agreement prior to the occurrence of the events that may give rise to an Event of Non-Appropriation.

(b) Upon the occurrence of an Event of Non-Appropriation, the Trustee, on behalf of the Authority, may not seek to terminate this Agreement or to accelerate the Bonds and has no rights to the Project Facilities; provided however, that this Agreement shall not terminate, and DHS will remain obligated to pay such Rent, with interest thereon at the rate then in effect with respect to the Bonds, and all future Rent from State appropriations to the Project.

(c) From and after the occurrence of an Event of Non-Appropriation, and provided that there shall not have occurred and then be continuing any Event of Default under the Indenture, all applicable Rent received by the Trustee shall be applied as set forth in Section 8.9 of the Indenture:

(d) NOTWITHSTANDING ANYTHING CONTAINED IN SECTION 7.5 TO THE CONTRARY, A FAILURE BY DHS TO PAY WHEN DUE ANY RENT OR OTHER PAYMENT OBLIGATIONS REQUIRED TO BE MADE UNDER THIS AGREEMENT OR A FAILURE BY DHS TO OBSERVE AND PERFORM ANY COVENANT, CONDITION OR AGREEMENT ON ITS PART TO BE OBSERVED OR PERFORMED UNDER THIS AGREEMENT RESULTING FROM THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER SECTION 7.5 HEREOF.

ARTICLE VIII TERMINATION PRIOR TO THE EXPIRATION DATE

SECTION 8.1. Options to Purchase Project Facilities; When Exercisable; Payment Sources. DHS shall have the option to purchase the Authority's interest in the Project Facilities, in whole or in part, at any time, from moneys it may have or receive (which may be derived from the issuance of Refunding Bonds), and from moneys at the time held in the funds and accounts established by the Indenture, to the extent permitted to be applied to the purpose by the Indenture. Such monies shall be applied:

(a) to the redemption of the Bonds that are subject to redemption at the option of an Authorized Officer of the Authority; or

(b) to the defeasance of the Bonds, pursuant to the provisions of Article XI of the Indenture.

SECTION 8.2. Purchase Price; Exercise of Option.

(a) The purchase price shall be the then-applicable Purchase Option Price.

(b) DHS shall exercise its option set forth in Section 8.1 hereof by providing written notice thereof to the Authority and the Trustee not less than forty-five (45) days prior to the date on which the payment is to be made, and stating the payment date and whether the payment is a full or partial payment of the then-applicable Purchase Option Price.

The foregoing notwithstanding, the timely deposit by DHS of the final scheduled payment of Rent hereunder, together with all other sums at the time owing hereunder and under the Indenture, shall constitute the full and complete exercise of DHS' option to purchase the Project Facilities as of such date if at the time the term hereof shall not have been extended by reason of the issuance of Additional Bonds.

SECTION 8.3. Release of the Authority's Interest.

(a) On exercising its option to purchase the Authority's entire interest in the Project Facilities as hereinabove provided and the first date on which no Bonds shall be Outstanding and no Parity Obligations or Subordinated Obligations, if any, shall be due and payable, DHS shall have no further obligations under this Agreement (other than obligations which are expressly stated to survive the termination of this Agreement), and the Authority and the Authorized Officers of the Authority shall take all actions necessary to authorize, execute and deliver to DHS any and all documents and instruments necessary to vest in DHS all of the Authority's interest in and to the Project Facilities, free and clear of all liens, leasehold interests and encumbrances, including, if necessary, a release of any and all liens or interests created under the provisions of this Agreement or the Lease; provided, however, that the foregoing shall be subject to the provisions of any supplement to this Agreement delivered in connection with the issuance of any Additional Bonds pursuant to the Indenture.

(b) On any exercise by DHS of its option to purchase a portion of the Authority's interest in the Project Facilities as hereinabove provided, all of DHS' covenants, obligations and agreements hereunder shall remain in full force and effect and shall not be modified, altered or otherwise changed.

ARTICLE IX Reserved.

ARTICLE X REPRESENTATIONS AND WARRANTIES

SECTION 10.1. Limitation of Representations and Warranties by Authority.

(a) The Authority has the full legal right, power and authority to enter into this Agreement.

(b) The execution, delivery and performance by the Authority of this Agreement does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority is a party or by which the Authority may be bound.

(c) This Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

(d) The Authority makes no representations or warranties with respect to (i) the environmental condition of the Leased Property, (ii) the suitability of the Project Facilities for any particular use, including without limitation DHS' intended use thereof, or (iii) the likelihood

of zoning board or any other local or State governmental regulatory approval with respect to the Project Facilities or the Project.

SECTION 10.2. Representations and Warranties by DHS. DHS represents and warrants as follows:

(a) The Project Facilities are in each and every particular essential for DHS to perform its governmental purpose of providing for essential governmental services for the inhabitants of the State. DHS shall use the Project Facilities during the Lease Term only to perform its essential governmental functions.

(b) DHS has the full legal right, power and authority to enter into this Agreement.

(c) The execution, delivery and performance by DHS of this Agreement does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which DHS is a party or by which DHS or any of its properties is or may be bound.

(d) This Agreement has been duly authorized, executed and delivered by DHS and constitutes a legal, valid and binding obligation of DHS, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

ARTICLE XI MISCELLANEOUS

SECTION 11.1. Surrender of Possession. Except as otherwise expressly provided in this Agreement and except in the event of conveyance to or purchase of the Project Facilities by DHS, at the expiration or sooner termination of the Lease Term, DHS agrees to surrender possession of the Project Facilities peacefully and promptly to the Authority in as good condition as at the commencement of the Lease Term, loss by fire or other casualty covered by insurance, condemnation and ordinary wear, tear and obsolescence only excepted.

SECTION 11.2. Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon DHS, the Authority and their respective successors and assigns.

SECTION 11.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 11.4. Amendments, Changes and Modifications. This Agreement may be amended in writing by the parties, provided that the parties comply with the provisions of Articles X and XI of the Indenture and the Authority has received an Opinion of Bond Counsel that such amendment shall not cause the interest on the Bonds to be includible in the gross

income under Section 103 of the Code or cause the interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

SECTION 11.5. Rebate Calculation. The parties agree that the Authority shall prepare and file with the Trustee reports setting forth the amount required to be rebated to the United States determined in accordance with, and at the times required by, the Tax Compliance Certificate and the Indenture. DHS will cooperate with the Authority and any Rebate Consultant retained by the Authority in the preparation and filing of said reports.

SECTION 11.6. Notices. All notices or other communications provided for in this Agreement shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority to the care of Executive Director, New Jersey Health Care Facilities Financing Authority, P.O. Box 366, Trenton, N.J. 08625-0366 or for Overnight and Hand Deliveries only at Station Plaza, Bldg. #4, 22 South Clinton Avenue, Trenton, N.J. 08609, and (b) for DHS to the care of the Director, Division of Mental Health Services, Department of Human Services, Capital Center, 50 East State Street, P.O. Box 727, Trenton, N.J. 08625-0727 or to such other representatives as the Authority or DHS may from time to time designate in writing. Copies of all notices shall also be given to the Trustee at Wachovia Bank, N.A., Corporate Trust Bond Administration, 21 South St., 3rd Floor, Morristown, NJ 07960 and to the Insurer, if any.

SECTION 11.7. Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 11.8. Non-Waiver. It is understood and agreed that nothing contained in this Agreement shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Agreement.

SECTION 11.9. Headings. The Article and section headings in this Agreement are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

SECTION 11.10. Applicable Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State.

SECTION 11.11 Replacement of Exhibit A. The parties agree that the Leased Property will be surveyed by a surveyor licensed in the State as part of the Project. The description of the Leased Property prepared by said surveyor upon completion of the survey shall replace Exhibit A to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

ATTEST:

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

Carole Conover

By: *Dennis Hancock*
Dennis Hancock
Deputy Executive Director

ATTEST:

DEPARTMENT OF HUMAN SERVICES

By: _____
GWENDOLYN L. HARRIS
Commissioner

APPROVED AS TO FORM:

Deputy Attorney General of New Jersey

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

ATTEST:

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: _____
Dennis Hancock
Deputy Executive Director

ATTEST:

DEPARTMENT OF HUMAN SERVICES

By: *Gwendolyn L. Harris*
GWENDOLYN L. HARRIS
Commissioner

APPROVED AS TO FORM:

Clifford T. Ross
Deputy Attorney General of New Jersey

EXHIBIT A

Description of the Leased Property

All that property as shown on the attached Project Facility Map located in the Borough of Morris Plains, Morris County, New Jersey, covering all or certain portions of the following blocks and lots:

Block 7, Lot 1;

Block 10, Lot 1 (except for the portion of said land conveyed to the County of Morris by Deed dated July 7, 2003);

Block 13, Lot 1 (except for the portion of said land conveyed to the County of Morris by Deed dated July 7, 2003); and

Block 39, Lots 35, 36 and 37

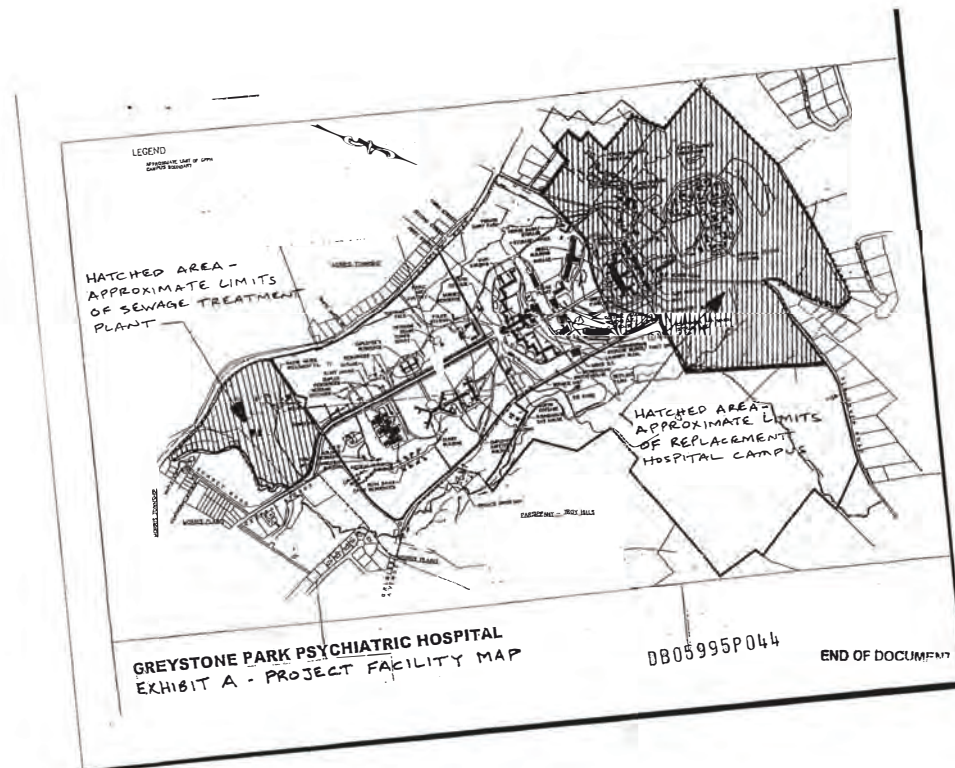


EXHIBIT B
INSURANCE REQUIREMENT

A. At all times during the Lease Term, DHS, as a Cost of the Project shall maintain or cause the Developer to maintain, with insurance companies approved by the Authority, the following kinds and the following amounts of insurance with respect to the Improvements, with such variations as shall reasonably be required to conform to customary insurance practice:

(i) Builder's Risk Insurance for the benefit of DHS and the Authority during the term of construction which will protect against all risk of direct physical loss or damage, including flood and earthquake, resulting from any external cause; except as excluded under the standard all risk policy form. The limits of liability will be equal to 100 percent of the replacement value for the Project Facilities, including items of labor and materials connected therewith whether in or adjacent to the structure insured, or while in transit and while temporarily located away from the Project Facilities and materials in place or to be used as part of the permanent construction. The Net Proceeds of any insurance recovery for a loss shall be deposited in the Construction Fund and applied as set forth in Section 5.6 of the Agreement.

(ii) Commercial General Liability insurance written on an occurrence form, which shall not be circumscribed by any endorsements limiting the breadth of coverage, to cover any liability of DHS or the Authority with respect to the Project Facilities. Said policy or policies shall provide for indemnification of DHS and the Authority against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by the operation or ownership of the Project Facilities. The general liability policy or policies shall provide coverage in the minimum liability limits of (i) \$15,000,000 for each occurrence for bodily injury and property damage liability; and (ii) an annual aggregate of \$15,000,000 with a deductible amount of not more than \$25,000 per occurrence and in the aggregate. The above limits shall pertain to a per job site aggregate containing only the Project Facilities. The policies of insurance shall reflect this contractual limitation. Subject to the reasonable approval of the Authority, the foregoing limits may be obtained through the general liability policy or any combination of general liability policies. All policies shall name the Authority and the Trustee as additional insureds and be primary to any other insurance available.

B. Upon completion of the Project Facilities and thereafter during the Lease Term, DHS agrees to provide, without cost or expense to the Authority, either with responsible insurers or through self-insurance for the Project Facilities:

(i) Property Insurance in an amount equal to 100 percent of the full replacement cost of the Project Facilities and providing for all risk protection, including flood and earthquake, with a deductible amount of not more than \$5,000. All such policies required by this subparagraph shall name DHS, the Authority, and the Trustee as their respective interests may appear and shall contain standard clauses which provide for the net proceeds of any loss which is \$250,000 or less to be made payable directly to DHS and the net proceeds of any loss in excess of \$250,000 to be made

payable directly to the Trustee or the Authority, as their interests may appear. Any coinsurance requirement in the policy shall be eliminated through the attachment of an agreed amount endorsement, the activation of an agreed value option, or as is otherwise appropriate under the particular policy form.

(ii) Commercial general liability insurance written on an occurrence form, which shall not be circumscribed by any endorsements limiting the breadth of coverage, to cover any liability of DHS or the Authority with respect to the Project Facilities. Said policy or policies shall provide for indemnification of DHS and the Authority against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by the operation or ownership of the Project Facilities. The general liability policy or policies shall provide coverage in the minimum liability limits of (i) \$15,000,000 for each occurrence for bodily injury and property damage liability; and (ii) an annual aggregate of \$15,000,000 with a deductible amount of not more than \$25,000 per occurrence and in the aggregate. The above limits shall pertain to a per location aggregate containing only the Project Facilities. The policies of insurance shall reflect this contractual limitation. Subject to the reasonable approval of the Authority, the foregoing limits may be obtained through the general liability policy or any combination of general liability insurance policies. The policy shall name the Authority and the Trustee as additional insureds and be primary to any other insurance available.

(c) During the Lease Term, DHS shall obtain and maintain with responsible insurers authorized to do business in DHS or in such other manner as may be required by DHS and the Authority, any other insurance agreed to by DHS and the Authority.

**AMENDMENT TO SUBLEASE AND AGREEMENT
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT)**

BETWEEN

THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

As Sublessor

AND

THE NEW JERSEY DEPARTMENT OF HUMAN SERVICES

As Sublessee

Dated as of April 1, 2013

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AMENDMENT TO SUBLEASE AND AGREEMENT, dated as of April 1, 2013 (the "Amendment"), by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), as sublessor, and the New Jersey Department of Human Services, an executive department of the State ("DHS"), as sublessee.

BACKGROUND

WHEREAS, the Authority, is a public body corporate and politic, constituting a political subdivision and instrumentality of the State, exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29 (N.J.S.A. 26:2I-1, *et seq.*, as amended) (the "Act"); and

WHEREAS, DHS owns and operates a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey ("Greystone"); and

WHEREAS, from 2003 to the present, the Authority and DHS determined to undertake various components of a project (the "Greystone Project") consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "Legislature"); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and for the purpose of providing funds for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the "Bonds") pursuant to the Act and a Trust Indenture, dated as of December 1, 2003, as supplemented from time to time (the "Original Indenture"), between the Authority and Wachovia Bank, National Association, the original Bond trustee (the "Original Trustee"); and

WHEREAS, in order to effectuate the Greystone Project, DHS leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the "Original Lease"); and

WHEREAS, the Authority leased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the "Agreement"), pursuant to which DHS pays to the Authority, but only out of monies appropriated to DHS for such purpose by the Legislature, monies in such amounts and at such times as shall be necessary for the payment of the principal of and interest on Bonds, the Administrative Expenses of the Authority (as defined in the Original Indenture) and all other payments required to be made under the Agreement; and

WHEREAS, in 2003, DHS undertook a portion of the Greystone Project (the "2003 Project") consisting of (i) the renovation and construction of facilities at or related to Greystone (the "2003 Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of financing the 2003 Project; and

WHEREAS, in order to finance the costs of the 2003 Project, at the request of DHS, the Authority issued under the Original Indenture, an initial series of Bonds entitled "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2003" (the "2003 Bonds") in an aggregate principal amount of \$19,125,000; and

WHEREAS, in 2005, DHS requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the renovation of existing facilities and construction of additional facilities on the Leased Property (the "2005 Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2005 Project"); and

WHEREAS, for the purpose of providing funds for the 2005 Project, the Authority issued its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2005" (the "2005 Bonds") in an aggregate principal amount of \$186,565,000 under the Original Indenture, as supplemented by the First Supplemental Trust Indenture, dated as of December 1, 2005, between the Authority and the Original Trustee (the "First Supplemental Indenture"); and

WHEREAS, DHS has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the "2013 Project Facilities", and together with the 2003 Project Facilities and the 2005 Project Facilities, the "Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2013 Project"); and

WHEREAS, DHS also has requested the Authority to authorize and issue an additional series of bonds under the Original Indenture for the purpose of financing the costs of (i) the refunding and defeasance of all or a portion of the 2003 Bonds (the "2003 Bonds to be Refunded") and all or a portion of the 2005 Bonds (the "2005 Bonds to be Refunded" and together with the 2003 Bonds to be Refunded, the "Bonds to be Refunded"); and (ii) the payment of the costs of such financing (collectively, the "Refunding"); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority has determined to issue its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A" (the "2013A Bonds") in an aggregate principal amount of \$50,730,000 under a Resolution of the Authority adopted on March 21, 2013 entitled "RESOLUTION AUTHORIZING THE ISSUANCE OF DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013 AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH" (the "Resolution") and the Original Indenture, as supplemented, including by a Second Supplemental Trust Indenture, dated as of April 1, 2013 (the "Second Supplemental Indenture") between the Authority and U.S. Bank, National Association, as successor in interest to the Original Trustee (the "Trustee") (the Original Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture is referred to as the "Indenture"); and

WHEREAS, for the purpose of providing funds for the Refunding, the Authority has determined to issue its "Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B" (the "2013B Bonds" and, together with the 2013A Bonds, the "2013 Bonds") in an aggregate principal amount of \$160,110,000 under the Resolution and the Indenture; and

WHEREAS, in order to effectuate the 2013 Project and the Refunding, DHS and the Authority are amending the Original Lease pursuant to an Amendment to Lease dated as of April 1, 2013 (the "Amendment to Lease" and, together with the Original lease, the "Lease"), in order to redefine the Leased Property (as so redefined the "Leased Property"); and

WHEREAS, in order to effectuate the 2013 Project and the Refunding, DHS and the Authority are hereby amending the Agreement pursuant to this Amendment to Sublease and Agreement (the "Amendment"); and

WHEREAS, pursuant to the Agreement, as amended hereby, the Authority is designating DHS as its agent for the demolition of the existing facilities and the remediation of the Leased Property (collectively, the "Development Work"); and

WHEREAS, pursuant to statute, the Division of Property Management and Construction ("DPMC"), in the New Jersey Department of the Treasury, is the agent of DHS for the purpose of undertaking the Development Work;

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby covenant as follows:

ARTICLE I DEFINITIONS AND GENERAL PROVISIONS

SECTION 1.1. Definitions. In addition to the terms defined in the recitals, capitalized terms used but not defined in this Amendment shall have the meanings given such terms in the Indenture, unless the context clearly indicates some other meaning.

ARTICLE II ISSUANCE OF 2013 BONDS

SECTION 2.1. Request and Acknowledgement. In accordance with Section 3.4 of the Agreement, DHS hereby requests that the Authority issue (i) the 2013A Bonds for the purpose of financing the Costs of the 2013 Project, and (ii) the 2013B Bonds for the purpose of financing the refunding and defeasance of the Bonds to be Refunded and paying the Costs of Issuance associated therewith. The parties hereto acknowledge the issuance of the 2013 Bonds on the Issue Date and that the 2013 Bonds constitute "Bonds" within the meaning of the Indenture.

SECTION 2.2. Obligation to Pay Rent. The obligation of DHS to pay rent under Article IV of the Agreement shall extend to the payment of the 2013 Bonds.

ARTICLE III AMENDMENTS

SECTION 3.1. Amendments. The Agreement is hereby amended as follows:

(a) Section 3.2 of the Agreement is hereby amended and restated in its entirety to be and read as follows:

SECTION 3.2. Demolition and Remediation of 2013 Project Facilities.

(a) The Authority hereby designates DHS as its agent for the purpose of undertaking the Development Work and hereby delegates all of its rights, duties and obligations in connection therewith to DHS.

(b) DPMC, pursuant to statute, is the agent for DHS for the purpose of undertaking the Development Work, and the Authority hereby acknowledges that DPMC shall serve as DHS's agent in this regard.

(c) DHS, through DPMC and the services of contractors or subcontractors hired by DPMC, will: perform all necessary design services, demolition, remediation, development and construction in connection with the Project. It is agreed that DHS and DPMC on behalf of DHS may select and engage consultants and contractors for the Project and further authorize such consultants and contractors to perform work under the direction of DHS or DPMC on behalf of DHS. The Authority hereby acknowledges that work has already commenced in connection with the Project."

(b) Section 3.3A is hereby added to the Agreement as follows:

SECTION 3.3A. 2013 Construction Account within Construction Fund.

(a) The Authority has in the Second Supplemental Indenture authorized and established the 2013 Construction Account in the Construction Fund with the Trustee and authorized and directed the Trustee to make payments from the 2013 Construction Account in the Construction Fund to pay Costs of the 2013 Project Facilities upon receipt of a Requisition in the form as set forth in the Second Supplemental Indenture. DHS agrees that disbursements shall be made in accordance with Section 5.3A(c) of the Original Indenture, as added by the Second Supplemental Indenture.

(b) Upon completion of the demolition and remediation of the 2013 Project Facilities, any monies remaining in the 2013 Construction Account in the Construction Fund shall be applied in accordance with Section 5.3A(d) of the Original Indenture, as added by the Second Supplemental Indenture.

(c) Section 4.4 of the Agreement is hereby amended and restated in its entirety to be and read as follows:

“SECTION 4.4. Liability for Claims.

(a) DHS shall be responsible for any and all liability, loss, cost, damage, claims, judgment or expense, including reasonable attorneys’ fees of any and all kinds or nature and however arising, imposed by law, which the Authority may sustain, be subject to or incur by reason of any claim, suit or action arising out of any action or inaction of DHS, its officers, employees or officials but subject to the provisions of the New Jersey Tort Claims Act (N.J.S.A. 59: 2-1 et seq.) including but not limited to N.J.S.A. 59:2-10, the New Jersey Contractual Liability Act (N.J.S.A. 59:13-1 et. seq.).

(b) The Authority agrees as follows:

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

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

(iii) The Authority shall permit DHS, if DHS so chooses, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

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

(d) The first sentence of Section 5.1(a) of the Agreement is hereby amended in its entirety to be and read as follows: “During the Lease Term, DHS shall maintain the Project Facilities or cause the Project Facilities to be maintained in good condition; and make all necessary repairs and replacements, interior and exterior, structural and non-structural.”

(e) Section 5.1(b) of the Agreement is hereby deemed to apply only to the 2003 Project and the 2005 Project.

(f) With respect to the 2013A Bonds and the 2013 Project only, Section 5.5 of the Agreement is hereby amended and restated in its entirety to be and read as follows:

“SECTION 5.5. Insurance. DHS shall at all times from and after the effective date of the Amendment or as otherwise stated on Exhibit B, at its own expense, cause property damage

insurance and environmental insurance, as applicable, to be carried and maintained in amounts and covering such risks as set forth in Exhibit B, in respect of the Leased Property and the Project Facilities and the conduct and operation of business therein, to protect against loss or damage to the Leased Property and the Project Facilities during and after the period of construction. DHS agrees to maintain and the Authority agree to accept evidence of blanket insurance coverage which applies to the Leased Property and the Project Facilities and which does not require the Authority or the Trustee or any additional insured(s) to be specifically named by endorsement. DHS will provide a copy of any such blanket insurance policy or policies to the Authority and the Trustee and any additional insured(s) as evidence of such coverage with respect to the Leased Property and the Project Facilities. Any insurance policy maintained pursuant to this Section 5.5 shall be so written or endorsed as to make losses, if any, payable to DHS and the Authority as their respective interests may appear. All such policies shall be issued by companies of recognized responsibility licensed to do business in New Jersey, and all such policies shall contain a provision whereby the same cannot be canceled unless the Authority and any additional insured(s) are given at least twenty (20) days’ prior written notice of such cancellation. The Authority and DHS acknowledge and agree that, as between the Authority and DHS, DHS shall be deemed the “occupying agency” for purposes of insurance coverage.”

(g) Section 5.6 of the Agreement is hereby amended and restated in its entirety to be and read as follows:

“SECTION 5.6. Damage, Destruction and Condemnation. If (1) the Leased Property and the Project Facilities or any portion thereof is destroyed or damaged by fire or other casualty or (2) title to or the temporary use of the Leased Property and the Project Facilities or any part thereof, or the interest of the Authority or DHS in the Leased Property and the Project Facilities or any part thereof, shall be taken under a valid exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, any Net Proceeds which DHS receives shall be promptly paid over to the Trustee for deposit to the Construction Fund. Thereafter, DHS shall have the right to (a) apply the Net Proceeds to the prompt repair, restoration, modification or improvement of the Project Facilities; or (b) in accordance with Section 5.3 or Section 5.3A, as applicable, of the Indenture, apply the Net Proceeds to the payment of the cost of any other lawful purpose of DHS or the Authority for which bonds may be issued pursuant to the Act, provided that DHS or the Authority shall deliver to the Trustee, with a copy to the Authority or DHS, as applicable, written approval of an Authorized State Representative of such proposed use, an Opinion of Bond Counsel stating that such proposed use of the remaining Net Proceeds shall not cause interest on the Bonds to be includible in gross income of any holder thereof for Federal income tax purposes and shall not cause such interest to be treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code; or (c) exercise its option to purchase the Leased Property and the Project Facilities in whole or in part, by paying all or a portion, as applicable, of the then-applicable Purchase Option Price, and shall apply the Net Proceeds thereto. Alternatives (a), (b) and (c) above shall not be mutually exclusive, and DHS shall have the right to partially restore the Leased Property and the Project Facilities, to apply a portion of the Net Proceeds to one or more projects described in subsection (b) above, and/or to partially pay the Purchase Option Price from any such Net Proceeds. Other than upon the

payment of the entire Purchase Option Price, DHS shall continue to be obligated to pay all Rent due under this Agreement, notwithstanding the occurrence of any damage to, or destruction or condemnation of, the Leased Property and the Project Facilities.”

(h) Exhibit A to the Agreement shall be replaced in its entirety with Exhibit A attached hereto and incorporated herein.

(i) With respect to the 2013A Bonds and the 2013 Project only, Exhibit B to the Agreement shall be replaced in its entirety with Exhibit B attached hereto and incorporated herein.

SECTION 3.2. Reaffirmation. DHS covenants and agrees to comply with all of the terms, covenants and provisions contained in the Agreement, as the same has been amended by this Amendment. DHS hereby reaffirms the Agreement in its entirety and each term thereunder, as the same has been amended by this Amendment. Except as specifically amended by this Amendment, the provisions of the Agreement shall otherwise remain unchanged and such provisions are reaffirmed in their entirety and remain in full force and effect.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Limitation of Representations and Warranties by Authority.

(a) The Authority has the full legal right, power and authority to enter into this Amendment.

(b) The execution, delivery and performance by the Authority of this Amendment does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority is a party or by which the Authority may be bound.

(c) This Amendment has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors’ rights and general principles of equity.

(d) The Authority makes no representations or warranties with respect to (i) the environmental condition of the Leased Property, (ii) the suitability of the Project Facilities for any particular use, including without limitation DHS’ intended use thereof, or (iii) the likelihood of zoning board or any other local or State governmental regulatory approval with respect to the Project Facilities or the Project.

SECTION 4.2. Representations and Warranties by DHS. DHS represents and warrants as follows:

(a) DHS has the full legal right, power and authority to enter into this Amendment.

(b) The execution, delivery and performance by DHS of this Amendment does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which DHS is a party or by which DHS or any of its properties is or may be bound.

(c) This Amendment has been duly authorized, executed and delivered by DHS and constitutes a legal, valid and binding obligation of DHS, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors’ rights and general principles of equity.

ARTICLE V MISCELLANEOUS

SECTION 5.1. Successors and Assigns. This Amendment shall inure to the benefit of and shall be binding upon DHS, the Authority and their respective successors and assigns.

SECTION 5.2. Severability. In the event any provision of this Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 5.3. Amendments, Changes and Modifications. (a) This Amendment may be amended in writing by the parties, provided that the parties comply with the provisions of Articles X and XI of the Indenture and the Authority has received an Opinion of Bond Counsel that such amendment shall not cause the interest on the Bonds to be includible in gross income under Section 103 of the Code or cause the interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

(b) All of the terms and conditions of the Agreement shall remain in full force and effect as specifically amended herein. In the event of a conflict between the original terms of the Agreement and this Amendment, the terms of this Amendment shall control. Nothing herein shall be construed to otherwise modify or amend the original terms of the Agreement. Only the explicit amendments set forth herein shall be deemed to have been made in the original terms of the Agreement.

SECTION 5.4. Notices. All notices or other communications provided for in this Amendment shall be in writing and shall be delivered personally to, or sent by certified or registered mail or overnight delivery service providing receipt against delivery (such as Federal Express), to the respective offices of: (a) the Authority to the care of Executive Director, New Jersey Health Care Facilities Financing Authority, P.O. Box 366, Trenton, N.J. 08625-0366 or

for Overnight and Hand Deliveries only at Station Plaza, Bldg. #4, 22 South Clinton Avenue, Trenton, N.J. 08609, and (b) for DHS to the care of the Director, Division of Mental Health Services, Department of Human Services, Capital Center, 50 East State Street, P.O. Box 727, Trenton, N.J. 08625-0727 or to such other representatives as the Authority or DHS may from time to time designate in writing. Copies of all notices shall also be given to the Trustee at U.S. Bank, National Association, Corporate Trust Bond Administration, 21 South St., 3rd Floor, Morristown, NJ 07960 and to the Insurer, if any.

SECTION 5.5. Counterparts. This Amendment may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 5.6. Non-Waiver. It is understood and agreed that nothing contained in this Amendment shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Amendment.

SECTION 5.7. Headings. The Article and section headings in this Amendment are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Amendment.

SECTION 5.8. Applicable Law. This Amendment shall be governed by and interpreted in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Amendment the day and year first above written.


ATTEST:


Stephen M. Fillebrown
Assistant Secretary

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: 
Mark E. Hopkins
Executive Director


ATTEST:



DEPARTMENT OF HUMAN SERVICES

By: 
Jennifer Velez, Esq.
Commissioner

APPROVED AS TO FORM:


Anne Marie Leo Mason
Deputy Attorney General
of New Jersey

[Signature Page to Amendment to Sublease and Agreement]

Exhibit A

Old Campus - Western Portion (90 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County) Block 10, Lot 1.01

WWTP - Eastern Portion (50 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County) Block 10, Lot 1.01

Borough of Morris Plains, NJ (Morris County) Block 39, Lots 35, 36 and 37

New Campus - Far Western Portion (140 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County) Block 7, Lot 1

Far North Western Portion (45 acres +/-)

Township of Parsippany-Troy Hills, NJ (Morris County)

Block 13, Lot 1.20

See attached map.

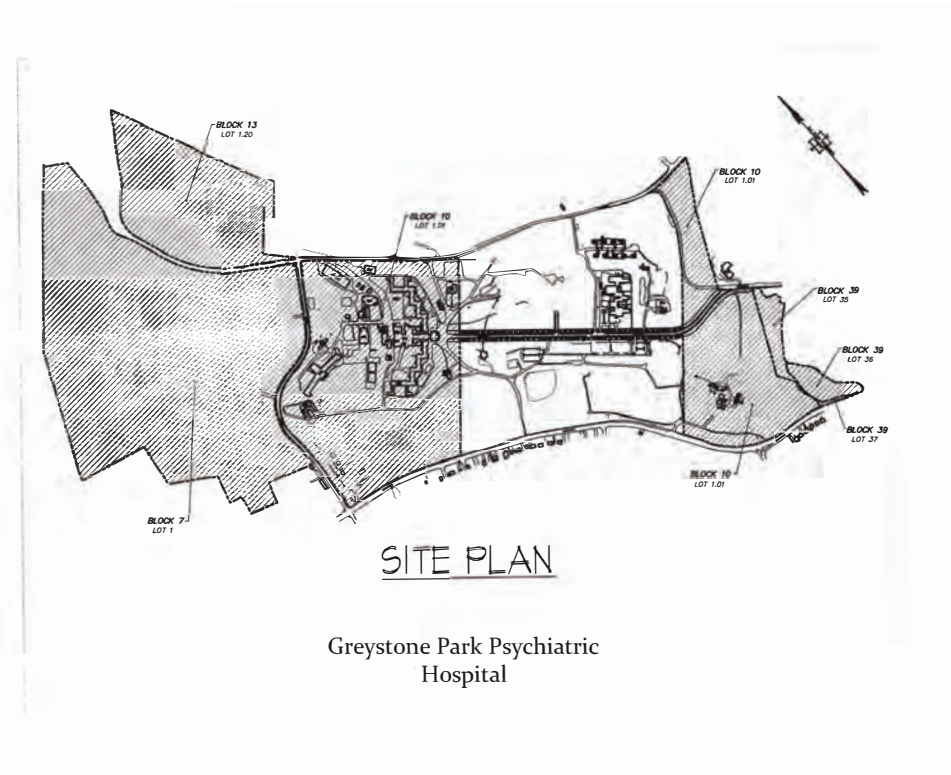


Exhibit A-1

Exhibit B

INSURANCE REQUIREMENTS

A. At all times during the Lease Term following the effective date of the Amendment, DHS, as a Cost of the 2013 Project shall maintain or cause to be maintained the following kinds and the following amounts of insurance with respect to the improvements, with such variations as shall reasonably be required to conform to customary insurance practice:

(i) Builder's Risk Insurance for the benefit of DHS and the Authority during the term of construction which will protect against all risk of direct physical loss or damage, including flood and earthquake, resulting from any external cause; except as excluded under the standard all risk policy form. The limits of liability will be equal to 100 percent of the replacement value for the 2013 Project Facilities, including items of labor and materials connected therewith whether in or adjacent to the structure insured, or while in transit and while temporarily located away from the 2013 Project Facilities and materials in place or to be used as part of the permanent construction. The Net Proceeds of any insurance recovery for a loss shall be deposited in the applicable account in the Construction Fund and applied as set forth in Section 5.6 of the Agreement.

B. During the Lease Term, DHS, as a Cost of the 2013 Project, and, at its expense, shall procure or cause to be procured the following insurance with respect to the 2013 Project Facilities, with such variations as shall reasonably be required to conform to customary insurance practice:

(i) Contractors Pollution Liability Insurance for the benefit of DHS and the Authority, with minimum limits of liability of \$10,000,000 per occurrence and \$10,000,000 in the aggregate, for cleanup, third-party claims and legal defense of claims inclusive of defense costs, for third party claims of bodily injury and/or property damages caused by associated with pollution conditions on the 2013 Project Facilities arising out of a contractor's activities or operations or emanating from the 2013 Project Facilities, with a self-insured retention of not more than \$500,000. All such policies required by this subparagraph shall name DHS, the Authority, and the Trustee as their respective interests may appear.

(ii) Site Pollution Liability Insurance, with minimum limits of liability of \$10,000,000 per occurrence and \$10,000,000 in the aggregate, for cleanup, third-party claims and legal defense of claims associated with site-related pollution conditions or alleged exposure to site pollution on the 2013 Project Facilities or emanating from the 2013 Project Facilities, with a self-insured retention of not more than \$500,000, and covering claims brought within ten (10) years of the effective date of the policy. All such policies required by this subparagraph shall name DHS, the Authority, and the Trustee as their respective interests may appear.

C. Upon completion of the 2013 Project Facilities and thereafter during the Lease Term, DHS agrees to provide, without cost or expense to the Authority, either with responsible insurers or through self-insurance for the 2013 Project Facilities:

(i) Property Insurance in an amount equal to 100 percent of the full replacement cost of the 2013 Project Facilities and providing for all risk protection, including flood and earthquake, with a deductible amount of not more than \$500,000. All such policies required by this subparagraph shall name DHS, the Authority, and the Trustee as their respective interests may appear and shall contain standard clauses which provide for the net proceeds of any loss which is \$250,000 or less to be made payable directly to DHS and the net proceeds of any loss in excess of \$250,000 to be made payable directly to the Trustee or the Authority, as their interests may appear. Any coinsurance requirement in the policy shall be eliminated through the attachment of an agreed amount endorsement, the activation of an agreed value option, or as is otherwise appropriate under the particular policy form.

D. During the Lease Term, DHS shall obtain and maintain with responsible insurers authorized to do business in DHS or in such other manner as may be required by DHS and the Authority, any other insurance agreed to by DHS and the Authority and to the extent permitted by law.

**SECOND AMENDMENT TO SUBLEASE AND AGREEMENT
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT)**

BETWEEN

THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

As Sublessor

AND

THE NEW JERSEY DEPARTMENT OF HUMAN SERVICES

As Sublessee

Dated as of April 1, 2016

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SECOND AMENDMENT TO SUBLEASE AND AGREEMENT, dated as of April 1, 2016 (the "Second Amendment"), by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), as sublessor, and the New Jersey Department of Human Services, an executive department of the State ("DHS"), as sublessee.

BACKGROUND

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the "State"), exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29, as amended (N.J.S.A. 26:21-1, et seq., as amended) (the "Act"); and

WHEREAS, DHS owns and operates various health care facilities, including but not limited to the property and facilities comprising a psychiatric hospital known as the "Greystone Park Psychiatric Hospital" located in Morris County, New Jersey ("Greystone"); and

WHEREAS, from 2003 to the present, the Authority and DHS determined to undertake various components of a project (the "Greystone Project") consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the "Legislature"); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and

WHEREAS, for the purpose of providing funds to DHS for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the "Bonds") pursuant to the Act and a Trust Indenture, dated as of December 1, 2003 (the "Original Indenture"), between the Authority and Wachovia Bank, National Association, the original Bond trustee (the "Original Trustee"), as supplemented, including by a First Supplemental Trust Indenture, dated as of December 1, 2005 (the "First Supplemental Indenture"), between the Authority and the Original Trustee, by a Second Supplemental Trust Indenture, dated as of April 1, 2013 (the "Second Supplemental Indenture"), between the Authority and U.S. Bank National Association, as successor in interest to the Original Trustee (the "Trustee"), and by a Third Supplemental Trust Indenture, dated as of April 1, 2016 (the "Third Supplemental Indenture") between the Authority and the Trustee (the Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, is referred to herein as the "Indenture"); and

WHEREAS, in order to effectuate the financing of the Greystone Project, DHS leased the Leased Property (as defined in the Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the "Original Lease"), as amended by an Amendment to Lease dated as of April 1, 2013 (the "Amendment to Lease" and, together with the Original Lease, the "Lease"),

and the Authority subleased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the "Original Sublease and Agreement"), as amended by an Amendment to Sublease and Agreement, dated as of April 1, 2013 (the "Amendment to Sublease and Agreement" and, together with the Original Sublease and Agreement, the "Agreement") (the Indenture, the Lease and the Agreement are referred to herein as the "Bond Documents"); and

WHEREAS, in 2013, DHS requested the Authority to authorize and issue a series of bonds for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the "2013 Project Facilities"); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the "2013 Project"); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority issued its "Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A" (the "2013A Bonds") in an aggregate principal amount \$50,730,000 under the Indenture; and

WHEREAS, the Authority and DHS have determined based on information provided to them that the remaining cost to complete the 2013 Project is less than the remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, DHS has requested and the Authority has agreed to make certain amendments to the Bond Documents to authorize the expenditure of proceeds of the 2013A Bonds for certain other capital improvement projects of DHS, as described on Schedule I attached hereto (the "Additional Projects"), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted on February 25, 2016 entitled "A SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A (THE "2013A BONDS") AUTHORIZING AMENDMENTS TO THE INDENTURE AND THE AGREEMENT AND APPROVING A MEMORANDUM OF AGREEMENT BETWEEN THE AUTHORITY AND THE DEPARTMENT OF HUMAN SERVICES" (the "Supplemental Resolution"), the Indenture, and the Agreement, as amended by this Second Amendment; and

WHEREAS, the Authority and DHS have agreed to enter into that certain Memorandum of Agreement, dated as of April 1, 2016 (the "Memorandum of Agreement"), to set forth certain terms of their agreement with respect to the use of proceeds of the 2013A Bonds for Costs of Additional Projects.

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby covenant as follows:

**ARTICLE I
DEFINITIONS**

SECTION 1.1. Definitions. Capitalized terms used but not defined in the recitals hereto or elsewhere herein shall have the respective meanings given such terms in the Indenture, unless the context otherwise requires.

**ARTICLE II
AMENDMENTS**

SECTION 2.1. Amendments. The Agreement is hereby amended as follows:

(a) Section 3.3A of the Agreement, as added to the Original Sublease and Agreement by the Amendment to Sublease and Agreement, is hereby amended and restated in its entirety to be and read as follows:

“SECTION 3.3A. 2013 Construction Account within Construction Fund.

(a) (i) The Authority has in the Indenture authorized and established the 2013 Construction Account in the Construction Fund with the Trustee and authorized and directed the Trustee to make payments from the 2013 Construction Account in the Construction Fund to pay Costs of the 2013 Project Facilities upon receipt of a Requisition in the appropriate form as set forth in and pursuant to the Indenture. DHS agrees that disbursements from the 2013 Construction Account in the Construction Fund to pay Costs of the 2013 Project Facilities shall be made pursuant to the Requisition process set forth in Section 5.3A(c) of the Indenture.

(ii) The Authority has in the Indenture authorized and established the Additional Projects Subaccount within the 2013 Construction Account in the Construction Fund with the Trustee and authorized and directed the Trustee to make payments from the Additional Projects Subaccount within the 2013 Construction Account in the Construction Fund to pay Costs of Additional Projects upon receipt of a Requisition in the appropriate form as set forth in and pursuant to the Indenture. DHS agrees that disbursements from the Additional Projects Subaccount within the 2013 Construction Account in the Construction Fund to pay Costs of Additional Projects shall be made pursuant to the Requisition process set forth in Section 5.3A(c) of the Indenture.

(b) (i) DHS agrees that, upon completion of the 2013 Project Facilities, any monies remaining in the 2013 Construction Account in the Construction Fund shall be applied in accordance with Section 5.3A(d) of the Indenture.

(ii) DHS agrees that, upon completion of the Additional Projects, any monies remaining in the Additional Projects Subaccount within the 2013 Construction Account in the Construction Fund shall be transferred to the

Debt Service Fund to be applied to pay Debt Service on the 2013A Bonds, pursuant to written directions from an Authorized Officer of the Authority to the Trustee.”

(b) Section 5.9 of the Original Sublease and Agreement is hereby amended and restated in its entirety to be and read as follows:

“SECTION 5.9. Application of Unspent Proceeds. Any unspent proceeds in the 2013 Construction Account in the Construction Fund shall be applied in accordance with the provisions of Section 5.3A(d) of the Indenture, and any unspent proceeds in the Additional Projects Subaccount within the 2013 Construction Account in the Construction Fund shall be transferred to the Debt Service Fund to be applied to pay Debt Service on the 2013A Bonds, pursuant to written directions from an Authorized Officer of the Authority to the Trustee, and, other than the foregoing amounts, any unspent proceeds in the Construction Fund shall be applied in accordance with the provisions of Section 5.3(d) of the Indenture.”

SECTION 2.2. Reaffirmation. DHS covenants and agrees to comply with all of the terms, covenants and provisions contained in the Agreement, as the same has been amended by this Second Amendment. DHS hereby reaffirms the Agreement in its entirety and each term thereunder, as the same has been amended by this Second Amendment. Except as specifically amended by this Second Amendment, the provisions of the Agreement shall otherwise remain unchanged and such provisions are reaffirmed in their entirety and remain in full force and effect.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES**

SECTION 3.1. Limitation of Representations and Warranties by Authority.

(a) The Authority has the full legal right, power and authority to enter into this Second Amendment.

(b) The execution, delivery and performance by the Authority of this Second Amendment does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority is a party or by which the Authority may be bound.

(c) This Second Amendment has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

(d) The Authority makes no representations or warranties with respect to the suitability of any of the Additional Projects for any particular use, including without limitation DHS' intended use thereof.

SECTION 3.2. Representations and Warranties by DHS. DHS represents and warrants as follows:

(a) DHS has the full legal right, power and authority to enter into this Second Amendment.

(b) The execution, delivery and performance by DHS of this Second Amendment does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which DHS is a party or by which DHS or any of its properties is or may be bound.

(c) This Second Amendment has been duly authorized, executed and delivered by DHS and constitutes a legal, valid and binding obligation of DHS, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

ARTICLE IV MISCELLANEOUS

SECTION 4.1. Successors and Assigns. This Second Amendment shall inure to the benefit of and shall be binding upon DHS, the Authority and their respective successors and assigns.

SECTION 4.2. Severability. In the event any provision of this Second Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 4.3. Amendments, Changes and Modifications.

(a) This Second Amendment may be amended in writing by the parties, provided that the parties comply with the provisions of Articles X and XI of the Indenture and the Authority has received an Opinion of Bond Counsel that such amendment shall not cause the interest on the Bonds to be includible in gross income under Section 103 of the Code or cause the interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

(b) All of the terms and conditions of the Agreement shall remain in full force and effect except as specifically amended herein. In the event of a conflict between the original terms of the Agreement and this Second Amendment, the terms of this Second Amendment shall control. Only the explicit amendments set forth herein shall be deemed to have been made in the terms of the Agreement and nothing herein shall be construed to otherwise modify or amend the terms of the Agreement.

SECTION 4.4. Counterparts. This Second Amendment may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 4.5. Non-Waiver. It is understood and agreed that nothing contained in this Second Amendment shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Second Amendment.

SECTION 4.6. Headings. The Article and section headings in this Second Amendment are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Second Amendment.

SECTION 4.7. Applicable Law. This Second Amendment shall be governed by and interpreted in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the day and year first above written.

ATTEST:

Carole Conover
Carole Conover
Assistant Secretary

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: [Signature]
Mark E. Hopkins
Executive Director

ATTEST:

Bonnie E. Fraser
Director, Office of Legal and
Regulatory Affairs

NEW JERSEY DEPARTMENT OF
HUMAN SERVICES

By: _____
Elizabeth Connolly
Acting Commissioner

[Signature Page to Second Amendment to Sublease and Agreement]

5718736.3

IN WITNESS WHEREOF, the parties have executed this Second Amendment as of the day and year first above written.

ATTEST:

Carole Conover
Assistant Secretary

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

By: _____
Mark E. Hopkins
Executive Director

ATTEST:

[Signature]
Bonnie E. Fraser
Director, Office of Legal and
Regulatory Affairs

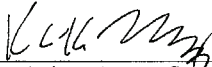
NEW JERSEY DEPARTMENT OF
HUMAN SERVICES

By: [Signature]
Elizabeth Connolly
Acting Commissioner

[Signature Page to Second Amendment to Sublease and Agreement]

5718736.3

APPROVED AS TO FORM ONLY:
ROBERT LOUGY, ACTING
ATTORNEY GENERAL OF NEW JERSEY



Assistant Attorney General
State of New Jersey

Schedule I

Description of Additional Projects

[Signature Page to Second Amendment to Sublease and Agreement]

**SCHEDULE I
ADDITIONAL PROJECTS**

Project (see Note 1 below)	Facility (see Notes 2 & 3 below)
Anti-ligature hardware and fixture installation in all patient areas	All psychiatric hospitals
Fireproofing installation, building penetration sealing and other building envelope issues	Greystone Psychiatric Hospital
Smoke and fire door replacement and upgrade	Hunterdon Developmental Center
Wastewater treatment plant decommissioning, replacement and upgrade	Woodbine Developmental Center, Trenton Psychiatric Hospital
Powerhouse repairs	Woodbine Developmental Center
Emergency generator purchase and installation	Woodbine Developmental Center, Ann Klein Forensic Center
Electrical system and component replacement and upgrade	Trenton Psychiatric Hospital
HVAC system and component replacement and upgrade, including but not limited to steam lines, chillers and boilers	Hunterdon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center, Ann Klein Forensic Center, Trenton Psychiatric Hospital
Energy efficiency replacements and upgrades	Hunterdon Developmental Center
Food service area renovation and food preparation equipment replacement	Trenton Psychiatric Hospital
Patient building elevator replacement and upgrade	All developmental centers and all psychiatric hospitals
Patient building roof replacement and building envelope repairs	All developmental centers and all psychiatric hospitals
Vacant building demolition and remediation	New Lisbon Developmental Center
Electronic Medical Records implementation to meet CMS meaningful use requirements	All developmental centers and all psychiatric hospitals
Electronic scheduling and timekeeping system implementation	All developmental centers and all psychiatric hospitals

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NOTES:

- Eligible costs do not include working capital.
- "All psychiatric hospitals" means one or more of the following facilities:
Ancora Psychiatric Hospital, Ann Klein Forensic Center, Greystone Psychiatric Hospital, Trenton Psychiatric Hospital
- "All developmental centers" means one or more of the following facilities:
Hunterdon Developmental Center, Green Brook Regional Center, New Lisbon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center

**THIRD AMENDMENT TO SUBLEASE AND AGREEMENT
(GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT)**

BETWEEN

THE NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY

As Sublessor

AND

THE NEW JERSEY DEPARTMENT OF HUMAN SERVICES

As Sublessee

Dated as of January 15, 2020

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THIRD AMENDMENT TO SUBLEASE AND AGREEMENT, dated as of January 15, 2020 (the “Third Amendment”), by and between the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), as sublessor, and the New Jersey Department of Human Services, an executive department of the State (“DHS”), as sublessee.

BACKGROUND

WHEREAS, the Authority is a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey (the “State”), exercising public and essential governmental functions, and organized and existing under the New Jersey Health Care Facilities Financing Authority Law, L. 1972, c. 29, as amended (N.J.S.A. 26:21-1, et seq., as amended) (the “Act”); and

WHEREAS, DHS owns and operates various health care facilities, including but not limited to the property and facilities comprising a psychiatric hospital known as the “Greystone Park Psychiatric Hospital” located in Morris County, New Jersey (“Greystone”); and

WHEREAS, commencing in 2003, the Authority and DHS determined to undertake various components of a project (the “Greystone Project”) consisting of the demolition, remediation, design and construction of facilities for the continued operation of Greystone on certain property located in Morris County, New Jersey, for which DHS determined to seek financing from time to time from the Authority, through the issuance of bonds, the debt service on which is to be paid by DHS, subject to appropriation by the New Jersey State Legislature (the “Legislature”); and

WHEREAS, the Authority is authorized under the Act to issue such bonds; and

WHEREAS, for the purpose of providing funds to DHS for the Greystone Project, the Authority determined to issue, from time to time, its Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) (the “Bonds”) pursuant to the Act and a Trust Indenture, dated as of December 1, 2003 (the “Original Indenture”), between the Authority and Wachovia Bank, National Association, the original Bond trustee (the “Original Trustee”), as supplemented, including by a First Supplemental Trust Indenture, dated as of December 1, 2005 (the “First Supplemental Indenture”), between the Authority and the Original Trustee, and by a Second Supplemental Trust Indenture, dated as of April 1, 2013 (the “Second Supplemental Indenture”), between the Authority and U.S. Bank National Association, as successor in interest to the Original Trustee (the “Trustee”) (the Original Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, is referred to herein as the “2013 Indenture”); and

WHEREAS, in order to effectuate the financing of the Greystone Project, DHS leased the Leased Property (as defined in the Original Indenture) to the Authority pursuant to a Lease, dated as of December 1, 2003 (the “Original Lease”), as amended by an Amendment to Lease dated as of April 1, 2013 (the “Amendment to Lease” and, together with the Original Lease, the “Lease”), and the Authority subleased the Leased Property back to DHS pursuant to a Sublease and Agreement, dated as of December 1, 2003 (the “Original Sublease and Agreement”), as

amended by an Amendment to Sublease and Agreement, dated as of April 1, 2013 (the “Amendment to Sublease and Agreement” and, together with the Original Sublease and Agreement, the “2013 Agreement”) (the 2013 Indenture, the Lease and the 2013 Agreement are referred to herein as the “2013 Bond Documents”); and

WHEREAS, in 2013, DHS requested the Authority to authorize and issue a series of bonds for the purpose of financing the costs of (i) the completion of the demolition and remediation of the psychiatric facilities formerly used by Greystone (the “2013 Project Facilities”); (ii) the funding of capitalized interest, if necessary; and (iii) the payment of the costs of such financing (collectively, the “2013 Project”); and

WHEREAS, for the purpose of providing funds for the 2013 Project, the Authority issued its “Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A” (the “2013A Bonds”) in an aggregate principal amount \$50,730,000 under the 2013 Indenture; and

WHEREAS, in February 2016, the Authority and DHS determined, based on information provided to them, that the remaining cost to complete the 2013 Project was less than the remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, in 2016, DHS requested and the Authority agreed to make certain amendments to the 2013 Bond Documents to authorize the expenditure of proceeds of the 2013A Bonds for certain other capital improvement projects of DHS (the “2016 Additional Projects”), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted on February 25, 2016 entitled “A SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A (THE “2013A BONDS”) AUTHORIZING AMENDMENTS TO THE INDENTURE AND THE AGREEMENT AND APPROVING A MEMORANDUM OF AGREEMENT BETWEEN THE AUTHORITY AND THE DEPARTMENT OF HUMAN SERVICES” (the “First Supplemental Resolution”), the 2013 Indenture, as amended and supplemented by a Third Supplemental Trust Indenture, dated as of April 1, 2016 (the “Third Supplemental Indenture”; the 2013 Indenture, as amended and supplemented by the Third Supplemental Indenture, is referred to herein as the “2016 Indenture”), and the 2013 Agreement, as amended by a Second Amendment to Sublease and Agreement dated as of April 1, 2016 (the “Second Amendment to Sublease and Agreement”; the 2013 Agreement, as amended by the Second Amendment to Sublease and Agreement, is referred to herein as the “2016 Agreement”; the 2016 Indenture, the Lease, and the 2016 Agreement are collectively referred to herein as the “2016 Bond Documents”), such 2016 Additional Projects being described on that certain Schedule I (“Schedule I (2016)”) attached to each of the First Supplemental Resolution, the Third Supplemental Indenture, and the Second Amendment to Sublease and Agreement, and referred to in each of such documents as the “Additional Projects”; and

WHEREAS, the Authority and DHS entered into that certain Memorandum of Agreement, dated and effective as of April 1, 2016 (the “2016 Memorandum of Agreement”), to set forth certain terms of their agreement with respect to the use of proceeds of the 2013A Bonds for Costs of Additional Projects (as such term was heretofore defined in the 2016 Indenture); and

WHEREAS, work on the 2013 Project and the 2016 Additional Projects has proceeded and the Authority and DHS have determined, based on information provided to them, that the remaining cost to complete the 2013 Project and the 2016 Additional Projects is less than the currently remaining amount of unspent proceeds of the 2013A Bonds; and

WHEREAS, DHS has requested and the Authority has agreed to make certain amendments to the 2016 Bond Documents to authorize the expenditure of available proceeds of the 2013A Bonds for certain additional capital improvement projects of DHS, as described on Schedule I (2019) (“Schedule I (2019)”) attached hereto (the “2019 Additional Projects”), subject and pursuant to the terms of a Supplemental Resolution of the Authority adopted on December 19, 2019 entitled “A SECOND SUPPLEMENTAL RESOLUTION WITH RESPECT TO DEPARTMENT OF HUMAN SERVICES LEASE REVENUE BONDS (GREYSTONE PARK PSYCHIATRIC HOSPITAL PROJECT) SERIES 2013A (THE “2013A BONDS”) AUTHORIZING AMENDMENTS TO THE INDENTURE, THE AGREEMENT, AND THE MEMORANDUM OF AGREEMENT AND APPROVING THE 2019 ADDITIONAL PROJECTS” (the “Second Supplemental Resolution”), the 2016 Indenture, as amended and supplemented by a Fourth Supplemental Trust Indenture dated as of January 15, 2020 (the “Fourth Supplemental Indenture”; the 2016 Indenture, as amended and supplemented by the Fourth Supplemental Indenture, is referred to herein as the “Indenture”), and the 2016 Agreement, as amended by this Third Amendment (the 2016 Agreement, as amended by this Third Amendment, is referred to herein as the “Agreement”); and

WHEREAS, the Authority and DHS have agreed to amend the 2016 Memorandum of Agreement to make conforming changes to reflect the addition of the 2019 Additional Projects, subject and pursuant to the terms of the Second Supplemental Resolution.

NOW THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto hereby covenant as follows:

ARTICLE I DEFINITIONS

SECTION 1.1. Definitions. Capitalized terms used but not defined in the recitals hereto or elsewhere herein shall have the respective meanings given such terms in the Agreement, unless the context otherwise requires.

ARTICLE II AMENDMENTS

SECTION 2.1. Amendments.

(a) All references to “Additional Project”, “Additional Projects”, “Additional Projects Subaccount”, “Cost or Costs of Additional Projects”, and all like terms contained in the Agreement shall refer to and include both the Additional Projects authorized pursuant to the First Supplemental Resolution as set forth on Schedule I (2016) and the 2019 Additional Projects authorized pursuant to the Second Supplemental Resolution as set forth on Schedule I (2019).

(b) All provisions of the Agreement, as supplemented and amended to and including the date hereof, shall be understood, interpreted, and applied to give effect to the amendment set forth in subsection (a) of this Section 2.1.

SECTION 2.2. Reaffirmation. DHS covenants and agrees to comply with all of the terms, covenants and provisions contained in the Agreement, as the same has been amended by this Third Amendment. DHS hereby reaffirms the Agreement in its entirety and each term thereunder, as the same has been amended by this Third Amendment. Except as specifically amended by this Third Amendment, the provisions of the Agreement shall otherwise remain unchanged and such provisions are reaffirmed in their entirety and remain in full force and effect.

ARTICLE III REPRESENTATIONS AND WARRANTIES

SECTION 3.1. Limitation of Representations and Warranties by Authority.

(a) The Authority has the full legal right, power and authority to enter into this Third Amendment.

(b) The execution, delivery and performance by the Authority of this Third Amendment does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or constitute a default under, any agreement or instrument to which the Authority is a party or by which the Authority may be bound.

(c) This Third Amendment has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors’ rights and general principles of equity.

(d) The Authority makes no representations or warranties with respect to the suitability of any of the Additional Projects for any particular use, including without limitation DHS’s intended use thereof.

SECTION 3.2. Representations and Warranties by DHS. DHS represents and warrants as follows:

(a) DHS has the full legal right, power and authority to enter into this Third Amendment.

(b) The execution, delivery and performance by DHS of this Third Amendment does not and will not violate any provision of any law of the State or any applicable judgment, order or regulation of any court or any public or governmental agency or authority of the State and does not and will not conflict with or result in any breach of any of the provisions of, or

constitute a default under, any agreement or instrument to which DHS is a party or by which DHS or any of its properties is or may be bound.

(c) This Third Amendment has been duly authorized, executed and delivered by DHS and constitutes a legal, valid and binding obligation of DHS, enforceable in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws relating to the enforcement of creditors' rights and general principles of equity.

ARTICLE IV MISCELLANEOUS

SECTION 4.1. Successors and Assigns. This Third Amendment shall inure to the benefit of and shall be binding upon DHS, the Authority and their respective successors and assigns.

SECTION 4.2. Severability. In the event any provision of this Third Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 4.3. Amendments, Changes and Modifications.

(a) This Third Amendment may be amended in writing by the parties, provided that the parties comply with the provisions of Articles X and XI of the Indenture and the Authority has received an Opinion of Bond Counsel that such amendment shall not cause the interest on the Bonds to be includible in gross income under Section 103 of the Code or cause the interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

(b) All of the terms and conditions of the Agreement shall remain in full force and effect except as specifically amended herein. In the event of a conflict between the original terms of the Agreement and this Third Amendment, the terms of this Third Amendment shall control. Only the explicit amendments set forth herein shall be deemed to have been made in the terms of the Agreement and nothing herein shall be construed to otherwise modify or amend the terms of the Agreement.

SECTION 4.4. Counterparts. This Third Amendment may be simultaneously executed in several counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

SECTION 4.5. Non-Waiver. It is understood and agreed that nothing contained in this Third Amendment shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Third Amendment.

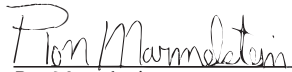
SECTION 4.6. Headings. The Article and section headings in this Third Amendment are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Third Amendment.

SECTION 4.7. Applicable Law. This Third Amendment shall be governed by and interpreted in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Third Amendment as of the day and year first above written.

ATTEST:

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY



Ron Marmelstein
Assistant Secretary

By: 

Mark E. Hopkins
Executive Director

ATTEST:

NEW JERSEY DEPARTMENT OF
HUMAN SERVICES

Gerard Hughes
Director, Office of Legal and
Regulatory Affairs

By: _____

Carole Johnson
Commissioner

IN WITNESS WHEREOF, the parties have executed this Third Amendment as of the day and year first above written.

ATTEST:

NEW JERSEY HEALTH CARE
FACILITIES FINANCING AUTHORITY

Ron Marmelstein
Assistant Secretary

By: _____


Mark E. Hopkins
Executive Director

ATTEST:

NEW JERSEY DEPARTMENT OF
HUMAN SERVICES



Gerard Hughes
Director, Office of Legal and
Regulatory Affairs

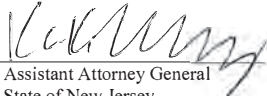
By: 

Carole Johnson
Commissioner

[Signature Page to Third Amendment to Sublease and Agreement]

[Signature Page to Third Amendment to Sublease and Agreement]

APPROVED AS TO FORM ONLY:
GURBIR S. GREWAL
ATTORNEY GENERAL OF NEW JERSEY


Assistant Attorney General
State of New Jersey

SCHEDULE I

Description of Additional Projects

(Consisting of Schedule I (2016) and Schedule I (2019))

[Signature Page to Third Amendment to Sublease and Agreement]

SCHEDULE I (2016)
ADDITIONAL PROJECTS

Project (see Note 1 below)	Facility (see Notes 2 & 3 below)
Anti-ligature hardware and fixture installation in all patient areas	All psychiatric hospitals
Fireproofing installation, building penetration sealing and other building envelope issues	Greystone Psychiatric Hospital
Smoke and fire door replacement and upgrade	Hunterdon Developmental Center
Wastewater treatment plant decommissioning, replacement and upgrade	Woodbine Developmental Center, Trenton Psychiatric Hospital
Powerhouse repairs	Woodbine Developmental Center
Emergency generator purchase and installation	Woodbine Developmental Center, Ann Klein Forensic Center
Electrical system and component replacement and upgrade	Trenton Psychiatric Hospital
HVAC system and component replacement and upgrade, including but not limited to steam lines, chillers and boilers	Hunterdon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center, Ann Klein Forensic Center, Trenton Psychiatric Hospital
Energy efficiency replacements and upgrades	Hunterdon Developmental Center
Food service area renovation and food preparation equipment replacement	Trenton Psychiatric Hospital
Patient building elevator replacement and upgrade	All developmental centers and all psychiatric hospitals
Patient building roof replacement and building envelope repairs	All developmental centers and all psychiatric hospitals
Vacant building demolition and remediation	New Lisbon Developmental Center
Electronic Medical Records implementation to meet CMS meaningful use requirements	All developmental centers and all psychiatric hospitals
Electronic scheduling and timekeeping system implementation	All developmental centers and all psychiatric hospitals

NOTES:

1. Eligible costs do not include working capital.
2. "All psychiatric hospitals" means one or more of the following facilities:
Ancora Psychiatric Hospital, Ann Klein Forensic Center, Greystone Psychiatric Hospital, Trenton Psychiatric Hospital
3. "All developmental centers" means one or more of the following facilities:
Hunterdon Developmental Center, Green Brook Regional Center, New Lisbon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center

SCHEDULE I (2019)
ADDITIONAL PROJECTS

Project (see Note 1 below)	Facility (see Notes 2 & 3 below)
Wastewater treatment plant decommissioning, replacement and upgrade	New Lisbon Developmental Center
Emergency generator purchase and installation	Trenton Psychiatric Hospital
Electrical system and component replacement and upgrade	All developmental centers and all psychiatric hospitals
HVAC system and component replacement and upgrade (e.g., steam lines, chillers, boilers)	All developmental centers and all psychiatric hospitals
Energy efficiency replacements and upgrades (e.g., lighting fixtures, insulation)	All developmental centers and all psychiatric hospitals
Vacant building demolition and remediation	All developmental centers and all psychiatric hospitals
Installation of security camera system for monitoring patient safety	All developmental centers and all psychiatric hospitals
Installation of HWAT system for the maintenance of domestic hot water temperatures	Greystone Psychiatric Hospital
Correction of building water infiltration	Greystone Psychiatric Hospital
Greenhouse construction	Greystone Psychiatric Hospital, Hunterdon Developmental Center
Mechanical, electrical, and plumbing upgrades, including but not limited to: the installation of water softening systems, reconfiguration of emergency generator bus to accommodate non-critical loads, boiler burner retrofits, and corrections to cooling tower deficiencies	Greystone Psychiatric Hospital
Construct trailers or modular buildings to relocate the central regional office of the Human Services Police Department	All developmental centers and all psychiatric hospitals
Renovate buildings to be code compliant to house the Human Services Police Department	All developmental centers and all psychiatric hospitals

NOTES:

1. Eligible costs do not include working capital.
2. "All psychiatric hospitals" means one or more of the following facilities:
Ancora Psychiatric Hospital, Ann Klein Forensic Center, Greystone Psychiatric Hospital, Trenton Psychiatric Hospital
3. "All developmental centers" means one or more of the following facilities:
Hunterdon Developmental Center, Green Brook Regional Center, New Lisbon Developmental Center, Vineland Developmental Center, Woodbine Developmental Center

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APPENDIX III — FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is made as of the ___ day of May, 2024, by and among the TREASURER OF THE STATE OF NEW JERSEY (the “Treasurer”), the NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Dissemination Agent (the “Dissemination Agent”), in its capacity as trustee under a Trust Indenture (the “Original Indenture”), dated as of December 1, 2003, between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as supplemented from time to time, including by a Fifth Supplemental Trust Indenture, dated as of May 1, 2024, between the Authority and the Trustee (the “Fifth Supplemental Indenture”; the Original Indenture, as supplemented, including by the Fifth Supplemental Indenture, is referred to herein as the “Indenture”). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority’s \$_____ Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project), Series 2024 (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 “Holders”) and in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”), as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Continuing Disclosure Information” shall mean, collectively, (i) each Treasurer’s Annual Report, (ii) any notice required to be filed with the MSRB pursuant to Section 3(c) of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed with the MSRB pursuant to Section 5(c) of this Disclosure Agreement.

“Listed Event” or “Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Obligated Person” shall have the meaning given to such term in the Rule.

“Opinion of Counsel” shall mean a written opinion of counsel expert in federal securities law acceptable to the Treasurer and the Authority, which may be counsel or bond counsel to the Authority.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds.

“Treasurer’s Annual Report” shall mean the Treasurer’s Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

SECTION 3. Provision of the Treasurer’s Annual Report.

(a) The Treasurer shall, no later than March 15, 2025 and March 15 of each year during which any of the Bonds remain Outstanding, provide to the Dissemination Agent the Treasurer’s Annual Report prepared for the fiscal year of the State ending the immediately preceding June 30 (or if the fiscal year of the State shall end on any date other than June 30, the Treasurer shall provide the Treasurer’s Annual Report to the Dissemination Agent not later than the fifteenth day of the ninth month next following the end of such other fiscal year); provided, however, that the audited financial statements of the State may be submitted separately from the Treasurer’s Annual Report and later than the date required herein for the filing of the Treasurer’s Annual Report if such audited financial statements are not available by such date, but only if the unaudited financial statements are included in such respective Treasurer’s Annual Report. Each Treasurer’s Annual Report provided to the Dissemination Agent by the Treasurer shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package. Each Treasurer’s Annual Report may cross-reference other information which is available to the public on the MSRB’s internet website or which has been filed with the SEC and, if the document incorporated by reference is a final official statement, it must be available from the MSRB. Unless otherwise required by law, any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in an electronic format as shall be prescribed by MSRB Rule G-32 and shall be accompanied by such identifying information as shall be prescribed by MSRB Rule G-32.

(b) The Dissemination Agent, promptly on receiving the Treasurer’s Annual Report, and, in any event, not later than April 1 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the first day of the tenth month next following the end of such other fiscal year), shall submit such Treasurer’s Annual Report received by it to the MSRB in accordance with the Rule.

(c) If the Treasurer fails to submit the Treasurer’s Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Treasurer and the Authority advising of such failure. Whether or not such notice is given or received, if the Treasurer thereafter fails to submit the Treasurer’s Annual Report to the Dissemination Agent or to submit it directly to the MSRB as provided in subsection (d) of this Section 3 by the last Business Day of the month in which such Treasurer’s Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) (i) Notwithstanding anything to the contrary contained in this Disclosure Agreement, in order to expedite the transmission of the Treasurer’s Annual Report to the MSRB, as set forth in subsections (a), (b) and (c) of this Section 3, the Treasurer shall have the option, but shall not be obligated, to submit the Treasurer’s Annual Report directly to the MSRB

no later than March 15 in each year (or if the fiscal year of the State shall end on any date other than June 30, not later than the fifteenth day of the ninth month next following the end of such other fiscal year). In the event that the Treasurer elects to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall, at the same time, submit the Treasurer's Annual Report to the Dissemination Agent together with evidence that such Treasurer's Annual Report has been forwarded by the Treasurer to the MSRB, upon which evidence the Dissemination Agent may rely. In the event that the Treasurer elects not to submit the Treasurer's Annual Report directly to the MSRB, the Treasurer shall provide the Treasurer's Annual Report to the Dissemination Agent within the time period specified in subsection (a) of this Section 3.

(ii) If the Dissemination Agent does not receive notice that the Treasurer has submitted the Treasurer's Annual Report directly to the MSRB as provided in subsection (d)(i) of this Section 3 by the last Business Day of the month in which such Treasurer's Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in substantially the form attached as Exhibit A hereto.

SECTION 4. Contents of the Treasurer's Annual Report.

(a) Treasurer's Annual Report means (i) information pertaining to the finances and operating data of the State substantially of the type captioned as follows in Appendix I to the Official Statement of the Authority circulated in connection with the issuance of the Bonds: "STATE FINANCES", "FINANCIAL RESULTS AND ESTIMATES", "CASH MANAGEMENT," "TAX AND REVENUE ANTICIPATION NOTES", "LONG-TERM OBLIGATIONS", "MORAL OBLIGATIONS", "STATE EMPLOYEES", "STATE FUNDING OF PENSIONS PLANS", "FUNDING POST-RETIREMENT MEDICAL BENEFITS" and "LITIGATION" and (ii) the State's Annual Comprehensive Financial Report, being the audit report prepared annually by the Office of the State Auditor with respect to the State's general purpose financial statements for each year, all such financial information included in clause (ii) above being prepared using the accounting standards set forth in subsection (b) of this Section 4.

(b) The State prepares its financial statements in accordance with the provisions of Statements No. 34 and No. 35 of the Governmental Accounting Standards Board.

SECTION 5. Reporting of Listed Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasance of the Bonds;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes relating to the Bonds;
- (12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person¹;
- (13) The consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;

¹ For the purposes of the event identified in paragraph (a)(12) of this Section 5, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

- (15) Incurrence of a Financial Obligation (as defined below) of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Obligated Person, any of which affect Holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

With respect to events (15) and (16), "Financial Obligation" means (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee or (A) or (B), but shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Treasurer shall in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. The Authority shall promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events notify the Treasurer in writing of the occurrence of such event but shall not be required to give any such notice to the Dissemination Agent. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Treasurer and the Authority may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by the Treasurer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Listed Event. In addition, notice of Listed Events described in subsections (a)(8) and (9) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the affected Bonds pursuant to the Indenture.

(d) Notwithstanding anything to the contrary in this Disclosure Agreement, in order to expedite the transmission of the occurrence of Listed Events as set forth in this Section 5, the Treasurer shall have the option, but shall not be obligated to, file timely notice (which notice, if filed, shall not be filed in excess of ten (10) Business Days after the occurrence of any Listed Event), directly with the MSRB, copying the Dissemination Agent on any such notice.

(e) Each notice of a Listed Event relating to the Bonds shall include the CUSIP numbers of the Bonds to which such notice relates or, if the notice relates to all bond issues of the Authority, including the Bonds, such notice need only include the base CUSIP number of the Authority.

SECTION 6. Termination of Reporting Obligation. The respective obligations of the Treasurer and the Authority under this Disclosure Agreement shall terminate upon the defeasance or payment in full of all of the Bonds at maturity or upon redemption prior to maturity.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Authority and the Treasurer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Treasurer, the Authority and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Treasurer or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Treasurer's Annual Report or notice of occurrence of a Listed Event, as the case may be, in addition to that which is required by this Disclosure Agreement. If the Treasurer or the Authority chooses to include any information in any Treasurer's Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update or continue to provide such information or include it in any future Treasurer's Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default.

(a) In the event of a failure of the Treasurer or the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the written request of the Holders of at least 25% in aggregate principal amount of Outstanding Bonds affected by such failure shall), or any Holder may take such actions as may be necessary and appropriate to cause the Treasurer or the Authority to comply with its obligations under this Disclosure Agreement; provided, however, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Notwithstanding the foregoing, the right of any Holder to challenge the adequacy of information provided pursuant to this Disclosure Agreement shall be limited in the same manner as enforcement rights are limited under Section 8.5 of the Original Indenture. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Treasurer or the Authority to comply with this Disclosure Agreement shall be an action to compel performance.

(b) For purposes of this Disclosure Agreement, in making determinations under applicable securities law, the Treasurer or the Authority may, but shall not be required to, rely on an Opinion of Counsel with respect to matters of a legal nature.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent and the Holders, and each Holder is hereby declared to be a third-party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

SECTION 11. Compensation of the Dissemination Agent. The provisions of Section 9.5 of the Original Indenture, as supplemented and amended by Section 3.1 of the Fifth Supplemental Indenture, relating to compensation of fiduciaries, shall apply to the performance by the Dissemination Agent of its obligations as Dissemination Agent under this Disclosure Agreement.

SECTION 12. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

New Jersey Health Care Facilities Financing Authority
22 South Clinton Avenue
P.O. Box 366
Trenton, New Jersey 08609
Attention: Executive Director

(ii) If to the Treasurer:

New Jersey Department of the Treasury
c/o Office of Public Finance
50 West State Street
5th Floor, P. O. Box 005
Trenton, New Jersey 08625
Attention: Director, Office of Public Finance

(iii) If to the Dissemination Agent:

U.S. Bank Trust Company, National Association
333 Thornall Street, 4th Floor
Edison, New Jersey 08837
Attention: Corporate Trust Department

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 12 for the giving of notice.

SECTION 13. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Treasurer, the Authority or the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 17. Governing Law and Venue. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State. The parties hereto agree that the Authority, the Treasurer or the State may be sued, pursuant to Section 9 hereof, only in a State court in the County of Mercer in the State.

SECTION 18. Compliance with L. 2005, c. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Disclosure Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 19. Compliance with L. 2005, c. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Disclosure Agreement, or any subcontract awarded under this Disclosure Agreement shall be performed within the United States of America.

IN WITNESS WHEREOF, the parties hereto have caused this Disclosure Agreement to be executed and delivered by their proper and duly authorized officers as of the day and year first above written.

TREASURER, STATE OF NEW JERSEY

By: _____
Elizabeth Maher Muoio
Treasurer, State of New Jersey

NEW JERSEY HEALTH CARE FACILITIES
FINANCING AUTHORITY

By: _____
Frank Troy
Executive Director

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Dissemination Agent

By: _____
Authorized Officer

[SIGNATURE PAGE TO SERIES 2024 DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: New Jersey Health Care Facilities Financing Authority

Name of affected Bond issue: Department of Human Services Lease Revenue
Refunding Bonds (Greystone Park Psychiatric
Hospital Project), Series 2024

Date of Issuance of affected Bonds: May __, 2024

NOTICE IS HEREBY GIVEN that the Treasurer of the State of New Jersey has not provided the Treasurer's Annual Report with respect to the above-named issue as required by Section 3 of the Continuing Disclosure Agreement dated as of May __, 2024, among the Treasurer, the Authority and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE – The Treasurer anticipates that the specified Treasurer's Annual Report will be filed by _____.]

Dated:

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Dissemination Agent

By: _____

Name:

Title:

cc: Treasurer
Authority

APPENDIX IV — FORM OF BOND COUNSEL OPINION

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[UPON DELIVERY OF THE SERIES 2024 BONDS, M. JEREMY OSTOW, ESQ., BOND COUNSEL, IS EXPECTED TO RENDER HIS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[Closing Date]

New Jersey Health Care Facilities Financing Authority
P.O. Box 366
Trenton, New Jersey 08625

The Honorable Elizabeth Maher Muoio
Treasurer, State of New Jersey
Trenton, New Jersey

Re: New Jersey Health Care Facilities Financing Authority
Department of Human Services Lease Revenue Refunding Bonds
(Greystone Park Psychiatric Hospital Project) Series 2024

Ladies and Gentlemen:

I have acted as Bond Counsel in connection with the issuance by the New Jersey Health Care Facilities Financing Authority (the "Authority") of its \$_____ Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024 (the "Series 2024 Bonds"). The Series 2024 Bonds are being issued pursuant to the New Jersey Health Care Facilities Financing Authority Law, constituting Chapter 29 of the New Jersey Laws of 1972 (N.J.S.A. 26:2I-1, et seq.), as amended and supplemented (the "Act"), a Resolution adopted by the Authority on March 28, 2024 (the "Resolution") entitled "Resolution Authorizing the Issuance of Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2024 and Determining Other Matters in Connection Therewith," and a Trust Indenture, dated as of April 1, 2003, as supplemented by a First Supplemental Trust Indenture, dated as of December 1, 2005, a Second Supplemental Trust Indenture, dated as of April 1, 2013, a Third Supplemental Trust Indenture, dated as of April 1, 2016, a Fourth Supplemental Trust Indenture, dated as of January 15, 2020, and a Fifth Supplemental Trust Indenture, dated as of May 1, 2024 (collectively, the "Indenture"), each by and between the Authority and U.S. Bank Trust Company, National Association, as trustee. Capitalized terms used but not defined herein have the meanings given such terms in the Indenture.

The Series 2024 Bonds are being issued for the purpose of (i) refunding and defeasing all of the Authority's Department of Human Services Lease Revenue Bonds (Greystone Park Psychiatric Hospital Project) Series 2013A, and the Authority's Department of Human Services Lease Revenue Refunding Bonds (Greystone Park Psychiatric Hospital Project) Series 2013B and (ii) paying the costs of issuing the Series 2024 Bonds.

The Authority and the New Jersey Department of Human Services (“DHS”) entered into a Lease dated as of December 1, 2003, as amended by an Amendment to Lease, dated as of April 1, 2013, by and between DHS and the Authority (together, the “Lease”), and a Sublease and Agreement, dated as of December 1, 2003, as amended and supplemented by a First Amendment to Sublease and Agreement, dated as of April 1, 2013, a Second Amendment to Sublease and Agreement, dated as of April 1, 2016 and a Third Amendment to Sublease and Agreement, dated as of January 15, 2020 (collectively, the “Sublease”) pursuant to which DHS has leased its possessory rights to certain lands of which it holds fee title interest (the “Leased Property”) to the Authority, and the Authority subleased the Leased Property to DHS. Pursuant to the Agreement, DHS is required to pay as Basic Rent on or before each Payment Date a sum which, together with monies on deposit in the Funds and Accounts established under the Indenture and available for such purpose, and taking into account interest earnings on such Basic Rent payments until the same are disbursed, if any, will be sufficient to pay the Debt Service on all Bonds issued under the Indenture, including the Series 2024 Bonds. DHS is also obligated to pay to the Authority, as Additional Rent, Administrative Expenses and certain other amounts characterized as Additional Rent under the Agreement. (The Basic Rent and Additional Rent are referred to herein collectively as “Rent”). The obligation of DHS to pay Rent under the Agreement in any Fiscal Year is subject to and dependent upon appropriations being made by the New Jersey State Legislature (the “Legislature”) in such Fiscal Year in an amount sufficient to pay such Rent (“State Appropriations”). The Legislature has no legal obligation to make any such State Appropriations.

In connection with the opinions set forth below, I have examined copies, certified or otherwise identified to my satisfaction, of the Resolution, the Indenture, the Lease and the Agreement. I also have examined such other documents, records of the Authority and other instruments, including the original counterparts or certified copies of the other documents listed in the closing memorandum related to the Series 2024 Bonds, and such other matters of law and other proofs, as I deemed necessary to enable me to express the opinions set forth below. I have further relied upon such instruments, certificates and documents as to any facts material to my opinion. In my examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, and the conformity to original documents of all documents submitted to me as copies.

Based upon the foregoing and the assumptions and qualifications set forth below, I am of the opinion that:

1. The Authority is duly created and validly existing as a public body corporate and politic, constituting a political subdivision and instrumentality of the State of New Jersey pursuant to the Act, and has the right and power to adopt the Resolution, to execute and deliver the Indenture, the Lease and the Agreement and to perform its obligations thereunder, and to issue and sell the Series 2024 Bonds. The Resolution has been duly and lawfully adopted by the Authority, and the Indenture has been duly authorized, executed and delivered by the Authority.

The Resolution and Indenture are in full force and effect and are valid and binding upon the Authority. The Indenture is enforceable against the Authority in accordance with its terms, and no other authorization for the Resolution or Indenture is required.

2. The Indenture creates the valid pledge which it purports to create of the Pledged Property held or set aside under the Indenture as security for the Series 2024 Bonds.

3. The Lease and the Agreement have been duly authorized, executed and delivered by the Authority and DHS, are in full force and effect and are valid and binding upon the Authority and DHS and enforceable against the Authority and DHS in accordance with their respective terms.

4. The Series 2024 Bonds have been duly and validly authorized, executed, issued and delivered by the Authority in accordance with the Act, the Resolution and the Indenture, and are valid and binding special limited obligations of the Authority payable solely from the Pledged Property as set forth in the Indenture, are entitled to the benefits of the Act and the Indenture, and are enforceable in accordance with their terms.

5. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 2024 Bonds in order that interest on the Series 2024 Bonds be and remain excludable from the gross income of the owners thereof for Federal income tax purposes. In the Tax Regulatory Agreement (the "Tax Certificate") executed by the Authority and DHS in connection with the issuance of the Series 2024 Bonds (but which does not constitute a covenant under the Resolution), the Authority and DHS represent that the Authority and DHS expect and intend to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Tax Certificate and do and perform all acts and things necessary or desirable in order to assure that, under the Code as presently in effect, interest on the Series 2024 Bonds will, for purposes of Federal income taxation, be and remain excludable from the gross income of the owners thereof. In rendering the opinion set forth in this Paragraph 5, I have assumed the Authority's and DHS's compliance with the applicable provisions of the Tax Certificate.

Pursuant to the applicable provisions of the Code and related rulings, regulations and judicial decisions, interest on the Series 2024 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference under Section 57 of the Code for purposes of calculating the federal alternative minimum tax imposed on individuals. However, such interest is taken into account in determining the "adjusted financial statement income" (as defined in Section 56A of the Code) of "applicable corporations" (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022.

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the Series 2024 Bonds may otherwise affect the federal income tax liability of, or other consequences

to, the recipients thereof, which will depend on each recipient's particular tax status and other items of income or deduction.

6. Interest on and any gain realized on the sale of any Series 2024 Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

I have examined a specimen of a Series 2024 Bond and have determined that its form is as prescribed in the Indenture.

My opinions set forth above are subject, as to the enforceability of the Series 2024 Bonds, the Indenture, the Lease and the Agreement, to applicable bankruptcy, reorganization, moratorium, insolvency or other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

This opinion is issued as of the date hereof, and I assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to my attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Very truly yours,

APPENDIX V — SUMMARY OF BONDS TO BE REFUNDED*

SERIES 2013A BONDS

<u>Maturity Date</u>	<u>Outstanding Par Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP No. †</u>
9/15/2029	\$9,385,000	5.000%	8/12/2024	100%	64579XDM3
9/15/2030	9,795,000	3.500	8/12/2024	100	64579XDN1
9/15/2031	10,140,000	3.500	8/12/2024	100	64579XDP6
9/15/2032	10,510,000	3.625	8/12/2024	100	64579XDQ4
9/15/2033	10,900,000	3.625	8/12/2024	100	64579XDR2

SERIES 2013B BONDS

<u>Maturity Date</u>	<u>Outstanding Par Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP No. †</u>
9/15/2024	\$12,665,000	5.000%	8/12/2024	100%	64579XCL6
9/15/2025	13,315,000	5.000	8/12/2024	100	64579XCM4
9/15/2026	12,520,000	5.000	8/12/2024	100	64579XCN2
9/15/2027	13,165,000	5.000	8/12/2024	100	64579XCP7
9/15/2028	13,835,000	5.000	8/12/2024	100	64579XCQ5

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds to be Refunded or as included herein.

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APPENDIX VI — BOOK-ENTRY ONLY SYSTEM

The information in this APPENDIX VI concerning The Depository Trust Company (“DTC”) and DTC’s book-entry only system has been provided by DTC. Accordingly, the Authority takes no responsibility for the accuracy or completeness of such information and neither the Direct Participants (as defined herein) nor the Beneficial Owners should rely on such information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.

DTC will act as securities depository for the Series 2024 Bonds. The Series 2024 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 Series 2024 Bond certificate will be issued for each maturity of the Series 2024 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 is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participants or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2024 Bonds are to be accomplished by entries made on the books of Direct

Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2024 Bonds documents. For example, Beneficial Owners of Series 2024 Bonds may wish to ascertain that the nominee holding the Series 2024 Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Series 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any matter related to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or redemption price, if any, and interest payments on the Series 2024 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be

in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee; disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2024 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2024 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2024 Bond certificates will be printed and delivered to DTC.

NONE OF THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE SERIES 2024 BONDS UNDER THE INDENTURE; (III) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE SERIES 2024 BONDS; (IV) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2024 BONDS; OR (VI) ANY OTHER MATTER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2024 BONDS, REFERENCES IN THIS APPENDIX VI TO THE OWNERS, HOLDERS, OR REGISTERED OWNERS OF THE SERIES 2024 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2024 BONDS.

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