

New Jersey Economic Development Authority

School Facilities Construction Bonds, 2017 Series DDD

September 14, 2017



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New Jersey Economic Development Authority

Summary of Transaction



Transaction Summary*

Issue	\$350,000,000 New Jersey Economic Development Authority (“Authority”) School Facilities Construction Bonds 2017 Series DDD
Ratings	Fitch: A- Moody’s: Baa1 S&P: BBB+
Security	<ul style="list-style-type: none">• The bonds are payable solely from payments to be received by the Authority from the Treasurer of the State of New Jersey (the “State”) pursuant to a contract (the “State Contract”) between the Treasurer of the State and the Authority• All amounts payable pursuant to the State Contract are subject to appropriation by the State Legislature
Use of Proceeds	<ul style="list-style-type: none">• Finance K-12 school facilities projects throughout the State• Paying certain costs of issuance
Tax-Status	Federal and State of NJ Tax-Exempt
Preliminary Structure	Serial bonds due 6/15/19 – 6/15-37; Term bond due 6/15/42
Optional Redemption	10-year par call
Pricing	September 27, 2017
Closing	October 5, 2017
Additional Information	www.buynjbonds.gov http://www.state.nj.us/treasury/njletransparency.shtml

* Preliminary, subject to change.

New Jersey Economic Development Authority

Presentation Participants



Firm	Participants
Office of Public Finance	Anthony Longo
Bank of America Merrill Lynch (Senior Managing Underwriter)	Ralph Saggiomo David McCarthy
Acacia Financial Group (Independent Valuation Service Provider)	Peter Nissen

Overview of FY2017 & FY2018



Overview of FY2017 & FY2018

Revenues, Appropriations and Fund Balances (\$ in Millions)



	FY 2017	-----FY 2018-----	
	Revised	GBM	Approp. Act
Opening Budgetary Surplus	\$ 482	\$ 491	\$ 434
Open Space Reserve*	40	115	73
Revenues			
Income	\$ 13,838	\$ 14,435	\$ 14,382
Sales	9,295	9,451	9,705
Corporate	2,203	2,595	2,375
Other	8,843	10,041	9,196 **
Gas Tax Reserve***	(335)	(927)	(940)
Total Revenues	\$ 33,844	\$ 35,595	\$ 34,718
Lapses	820	-	-
Total Resources	\$ 35,186	\$ 36,201	\$ 35,225
Appropriations			
Original	\$ 34,509	\$ 35,514	\$ 34,670 **
Supplemental	170	-	-
Total Appropriations	\$ 34,679	\$ 35,514	\$ 34,670
Open Space Reserve*	(73)	(194)	(146)
Budgetary Fund Balance	\$ 434	\$ 493	\$ 409

* This amount of Open Space funding from the Corporate Business Tax constitutional dedication was not appropriated in the annual Appropriations Act and has been transferred to reserved fund balance until separately appropriated by the New Jersey Legislature. Appropriated amounts will be moved from reserve and reflected as a supplemental appropriation.

** The Fiscal Year 2018 Appropriations Act reflects the State Lottery contribution to certain New Jersey pension systems. Budget impacts pertaining to the Lottery Enterprise Contribution Act were not represented at the time of the Governor's Fiscal Year 2018 Budget Message.

*** Represents the amount of constitutionally dedicated Petroleum Products Gross Receipts Tax in excess of the required TTFA debt service payments deposited into the TTFA subaccount for capital reserves. These amounts will be appropriated separately.

Overview of FY2018

Financing Calendar - State Obligations*



<u>Actual / Estimated Sale Date</u>	<u>Approximate Amount (millions)</u>	<u>Issuer</u>	<u>Series Name/Project</u>	<u>New Money/Refunding</u>
8/31/17	\$900	State	Cash Flow Facility	Working Capital
9/20/17	\$575	EDA	Motor Vehicle Surcharges	Refunding
September 2017	\$350	EDA	School Facilities Construction	New Money
November 2017	\$255	SJPC	Marine Terminal Improvements**	New Money
December 2017	\$650	EDA	State House/State Office Buildings	Refunding/New Money
February 2018	\$600	State	Cash Flow Facility	Working Capital

Issuer Key:

EDA = New Jersey Economic Development Authority
 SJPC = South Jersey Port Corporation

* As of September 1, 2017. All information subject to change.

** Moral Obligation Bonds

Lottery Enterprise Contribution Act



Lottery Enterprise Contribution Act (P.L. 2017, c.98)

Transaction Outcomes



The nature of the Lottery Enterprise's operations and the structure of the Contribution provides both immediate and long-term benefits to the State

- 1 Committed Source of Funding for Pensions
- 2 Immediately Improves Statutory Funded Ratio
- 3 Budget Neutral During First 5 Fiscal Years (FY2018 – FY2022)
- 4 Higher Projected Statutory Funded Ratios throughout the Entire 30 Year Term
- 5 Improves the State's GASB 67 Depletion Date and Net Pension Liability Calculations
- 6 Advances the Timing of Pension Plan Cash Receipts; Reduces Amount of Pension Contributions Subject to Appropriation
- 7 Together with Quarterly Pension Statute, Reduces Amount of Pension Contributions Made in the 4th Quarter

Lottery Enterprise Contribution Act

Description of the Contribution



- The State has contributed its Lottery Enterprise to the Teachers' Pension and Annuity Fund ("TPAF"), to eligible members of the Public Employees' Retirement Systems ("PERS") and to eligible members of the Police & Firemen's Retirement System ("PFRS") (collectively, the "Retirement Systems") for a 30-year term
 - Includes all transferable property, including all intellectual property
 - Eligible members defined by State constitution: Lottery net proceeds dedicated to State aid for education or State institutions
- Transfer has been made pursuant to Lottery Enterprise Contribution Act ("the Act") and Memorandum of Lottery Contribution ("MOLC")
- The Act and MOLC do not contain termination provisions
 - 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
- An Independent Third Party Valuation Service Provider, Acacia Financial Group, has determined the fair market value of the Lottery Enterprise to be \$13.535 billion
- The Act specifies the value of the Lottery Enterprise at \$13.535 billion
- The Retirement Systems' actuaries will add the value of the Lottery Enterprise as an asset to compute the statutory funded ratios
- The statutory funded ratio of the State's Retirement Systems has increased from approximately 45% to approximately 59%⁽¹⁾

Lottery Enterprise Contribution Act

Legislation – Lottery Enterprise Contribution Act & Memorandum of Lottery Contribution



Lottery Enterprise Contribution Act

- Authorizes and directs the Treasurer to make the Lottery Enterprise Contribution (the “Contribution”) pursuant to a MOLC
- Division of State Lottery will continue to operate the Lottery Enterprise under the supervision of the State Lottery Commission for the benefit of the pension plan members
- Amends the State Lottery Commission’s membership to include the Director of the State’s Division of Investment
- Amends various statutory provisions to incorporate Lottery Enterprise into calculation of State’s ARC

Memorandum of Lottery Contribution

- Contains description of all assets and liabilities of the Lottery Enterprise
- Provides that the Division of State Lottery shall operate the Lottery Enterprise with a goal of maximizing net proceeds for the benefit of the Retirement Systems
- Provides an exclusive license to Common Pension Fund L for all intellectual property and assets owned or used in connection with the Lottery Enterprise
- Specifies after 30 years that the rights and assets of the Lottery Enterprise revert back to the State Treasury and the Division of State Lottery – zero residual value to the Retirement Systems at expiration of term

Lottery Enterprise Contribution Act

Lottery Enterprise Contribution Provides Substantial Benefits



1

Committed Source of Funding for Pensions

- In Burgos¹, the State Supreme Court stated that State contributions to the Retirement Systems are subject to annual appropriation – a multi-year, statutory, contractual commitment to a schedule of pension contributions is not enforceable under State law
- In contrast, the Contribution transfers the Lottery Enterprise, including its net proceeds, to the Retirement Systems for a 30-year term
 - No further legislative or executive action is required during that 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 Act thus represents the strongest commitment to pension funding the State can possibly make without a Constitutional amendment
- The Act reduces the amount of annual pension contributions that are subject to State discretion

⁽¹⁾ *Burgos v. State*, 222 N.J. 175 (2015)

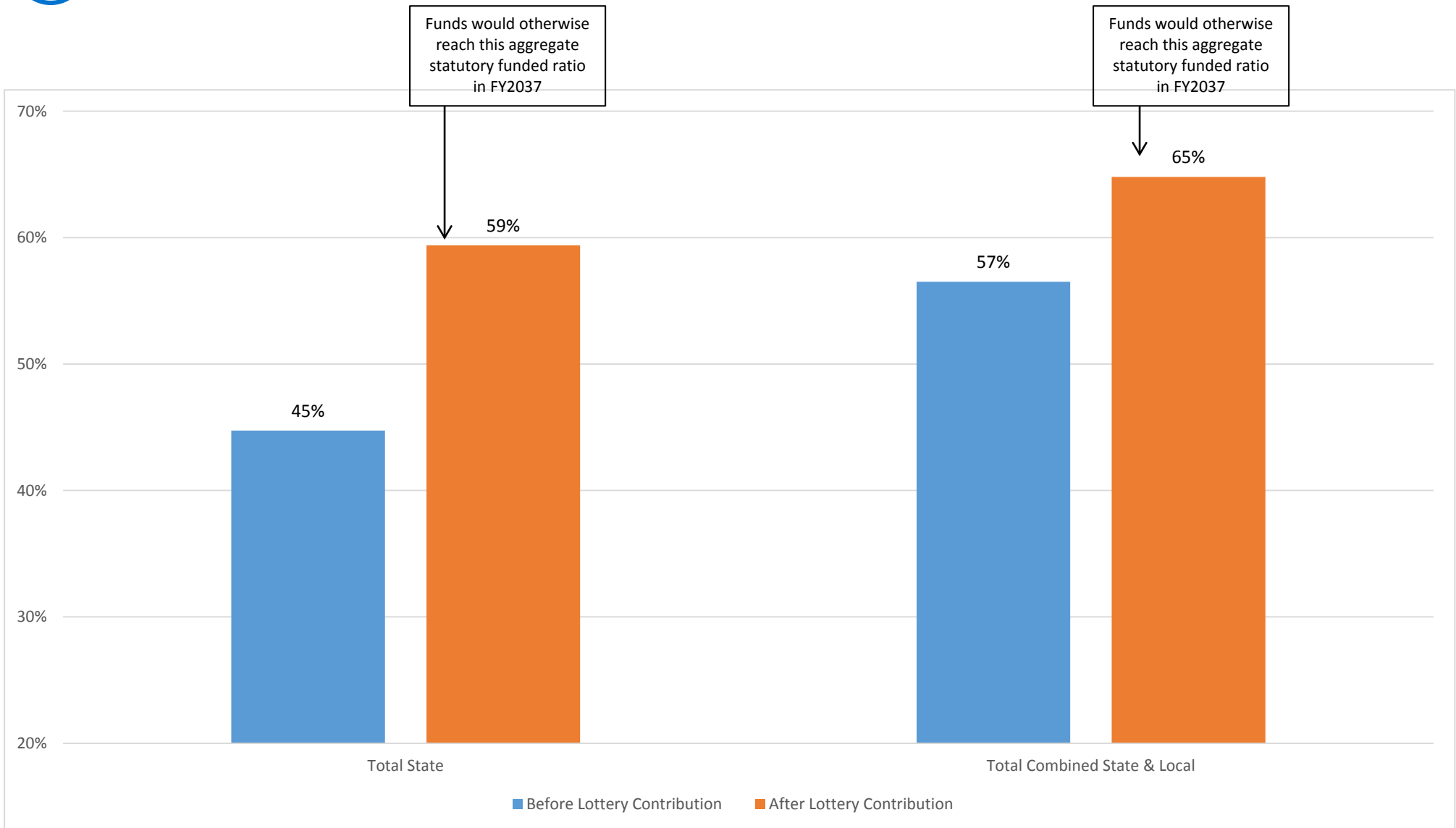
Lottery Enterprise Contribution Act

Statutory Funded Ratios



2

Immediately Improves Statutory Funded Ratio



Lottery Enterprise Contribution Act

Lottery Enterprise Contribution Provides Substantial Benefits



- As shown in the table below, the Contribution increases the statutory funded ratios of TPAF, PERS and PFRS, bringing the State's aggregate statutory funded ratio from 44.7% to 58.9%
- The Lottery Enterprise value will be incorporated in the July 1, 2016 actuarial valuation (used for calculation of State's FY2018 ARC)
 - \$13.535 billion value as of June 30, 2017 discounted back to July 1, 2016 @ 7.65% (\$12.573 billion)

STATUTORY FUNDING STATUS
Actuarial Valuations as of July 1, 2016
(S in Millions)

Retirement System	Before Contribution ⁽¹⁾				After Contribution ⁽¹⁾⁽²⁾			
	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Actuarial Value of Assets ⁽²⁾	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
State								
PERS	\$8,466.9	\$22,411.7	\$13,944.8	37.8%	\$11,109.9	\$22,411.7	\$11,301.8	49.6%
TPAF	27,169.8	57,866.0	30,696.2	47.0%	36,948.6	57,866.0	20,917.4	63.9%
PFRS	1,928.4	4,676.6	2,748.2	41.2%	2,079.8	4,676.6	2,596.8	44.5%
CP&FPF	3.0	3.3	0.3	90.4%	3.0	3.3	0.3	90.9%
SPRS	1,931.1	3,209.4	1,278.3	60.2%	1,931.1	3,209.4	1,278.3	60.2%
JRS	226.3	629.8	403.5	35.9%	226.3	629.8	403.5	35.9%
POPF	6.1	3.5	-2.6	176.6%	6.1	3.5	-2.6	176.6%
Subtotal	\$39,731.6	\$88,800.3	\$49,068.7	44.7%	\$52,304.8	\$88,800.3	\$36,495.5	58.9%
Local								
PERS	\$21,900.4	\$30,673.9	\$8,773.5	71.4%	\$21,900.4	\$30,673.9	\$8,773.5	71.4%
PFRS	24,420.1	32,793.4	8,373.3	74.5%	24,420.1	32,793.4	8,373.3	74.5%
Subtotal	\$46,320.5	\$63,467.3	\$17,146.8	73.0%	\$46,320.5	\$63,467.3	\$17,146.8	73.0%
Total	\$86,052.1	\$152,267.6	\$66,215.5	56.5%	\$98,625.3	\$152,267.6	\$53,642.3	64.8%

(1) Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2016.

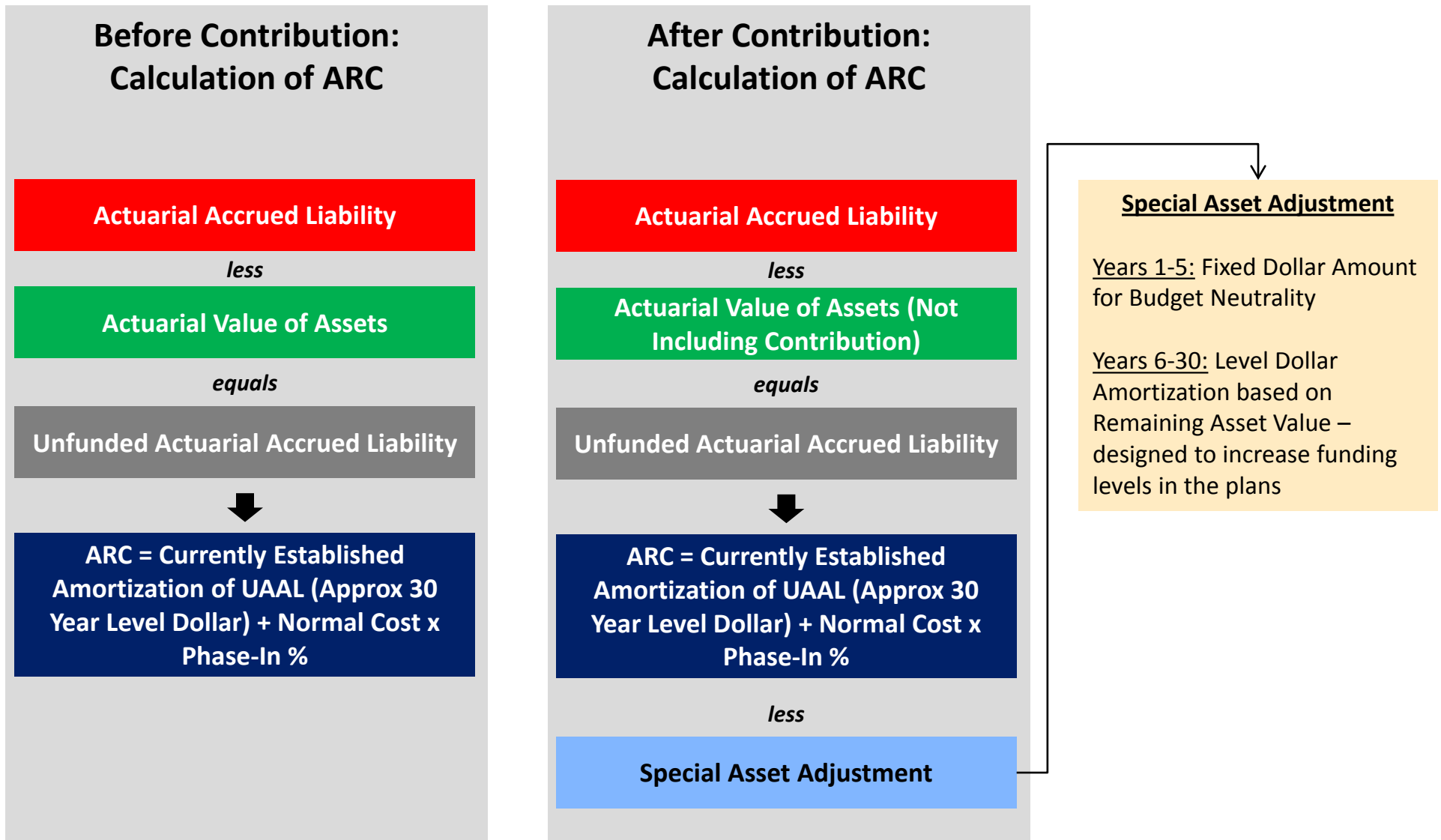
(2) Information was modified to include value of the Lottery Enterprise Contribution.

Lottery Enterprise Contribution Act

Calculation of the State's ARC



Act provides budgetary neutrality for first five fiscal years AND increases annual pension funding levels during the term of the Contribution



Lottery Enterprise Contribution Act

Projected Annual Pension Funding – Before Contribution vs. After Contribution



Contribution is structured to increase pension funding by over \$5.7 billion during the 30-year term

Fiscal Year	Before Contribution		After Contribution					
	Total Pension Contribution ⁽¹⁾⁽²⁾⁽³⁾	Statutory Funded Ratio ⁽³⁾	Statutory Pension Contribution ⁽³⁾	Special Asset Adjustment	Net GF Pension Contribution ⁽¹⁾⁽²⁾	Lottery Net Proceeds	Total Pension Contribution ⁽¹⁾	Statutory Funded Ratio
	A	B	C	D	E (C+D)	F	G (E+F)	H
2018	\$2,388.05	44.7%	\$2,388.05	(\$1,000.98)	\$1,387.08	\$1,000.98	\$2,388.05	58.9%
2019	3,018.44	42.4%	3,017.98	(1,037.15)	1,980.84	1,037.60	3,018.44	56.3%
2020	3,679.18	40.7%	3,678.06	(1,070.45)	2,607.61	1,071.58	3,679.18	54.4%
2021	4,382.08	39.6%	4,380.03	(1,084.35)	3,295.67	1,086.40	4,382.08	53.0%
2022	5,098.56	39.3%	5,095.30	(1,095.87)	3,999.43	1,099.13	5,098.56	52.3%
2023	5,811.39	39.6%	5,806.58	(871.68)	4,934.90	1,111.94	6,046.83	52.3%
2024	5,896.60	40.6%	5,870.43	(871.68)	4,998.74	1,125.43	6,124.17	53.3%
2025	5,976.83	41.6%	5,927.74	(871.68)	5,056.05	1,139.15	6,195.20	54.3%
2026	6,053.53	42.8%	5,979.90	(871.68)	5,108.21	1,153.02	6,261.24	55.3%
2027	6,129.75	44.1%	6,029.84	(871.68)	5,158.16	1,167.12	6,325.28	56.5%
2028	6,188.63	45.4%	6,060.60	(871.68)	5,188.92	1,180.40	6,369.32	57.7%
2029	6,246.25	46.8%	6,088.21	(871.68)	5,216.53	1,189.56	6,406.09	59.0%
2030	6,301.91	48.2%	6,112.25	(871.68)	5,240.56	1,201.58	6,442.14	60.3%
2031	6,307.43	49.8%	6,105.62	(871.68)	5,233.93	1,213.72	6,447.65	61.7%
2032	6,295.24	51.3%	6,093.43	(871.68)	5,221.74	1,225.99	6,447.73	63.1%
2033	6,288.26	52.9%	6,086.45	(871.68)	5,214.77	1,238.37	6,453.14	64.5%
2034	6,271.71	54.5%	6,069.90	(871.68)	5,198.21	1,250.88	6,449.09	66.0%
2035	6,256.35	56.1%	6,054.54	(871.68)	5,182.85	1,263.51	6,446.36	67.5%
2036	6,241.35	57.8%	6,039.54	(871.68)	5,167.86	1,276.27	6,444.13	69.0%
2037	6,224.32	59.5%	6,022.51	(871.68)	5,150.83	1,289.16	6,439.99	70.6%
2038	6,209.93	61.2%	6,008.12	(871.68)	5,136.44	1,302.18	6,438.62	72.2%
2039	6,197.54	63.0%	5,995.73	(871.68)	5,124.05	1,315.32	6,439.37	73.9%
2040	6,184.03	64.9%	5,982.22	(871.68)	5,110.53	1,328.60	6,439.13	75.7%
2041	6,174.10	66.8%	5,972.29	(871.68)	5,100.61	1,342.01	6,442.62	77.5%
2042	6,166.98	68.8%	5,965.17	(871.68)	5,093.49	1,355.56	6,449.04	79.4%
2043	6,168.08	70.9%	5,966.27	(871.68)	5,094.59	1,369.24	6,463.83	81.4%
2044	6,163.40	73.1%	5,961.59	(871.68)	5,089.91	1,383.05	6,472.96	83.4%
2045	6,168.95	75.3%	5,967.14	(871.68)	5,095.45	1,397.01	6,492.46	85.5%
2046	6,170.96	77.6%	5,969.15	(871.68)	5,097.46	1,411.11	6,508.57	87.7%
2047	6,179.24	80.0%	5,977.43	(871.68)	5,105.75	1,425.34	6,531.09	90.0%
Total	172,839.07		168,672.07	(27,080.92)	141,591.15	36,951.22	178,542.38	

Projected statutory funded ratio after Contribution never falls below 50% and is at least 10 percentage points higher than before Contribution

(1) Does not include portion of local pension contribution paid by the State.

(2) Subject to annual appropriation by the State Legislature.

(3) Projections based on actuarial reports and information as of 7/1/2016.

Lottery Enterprise Contribution Act

Special Asset Adjustment Safeguards



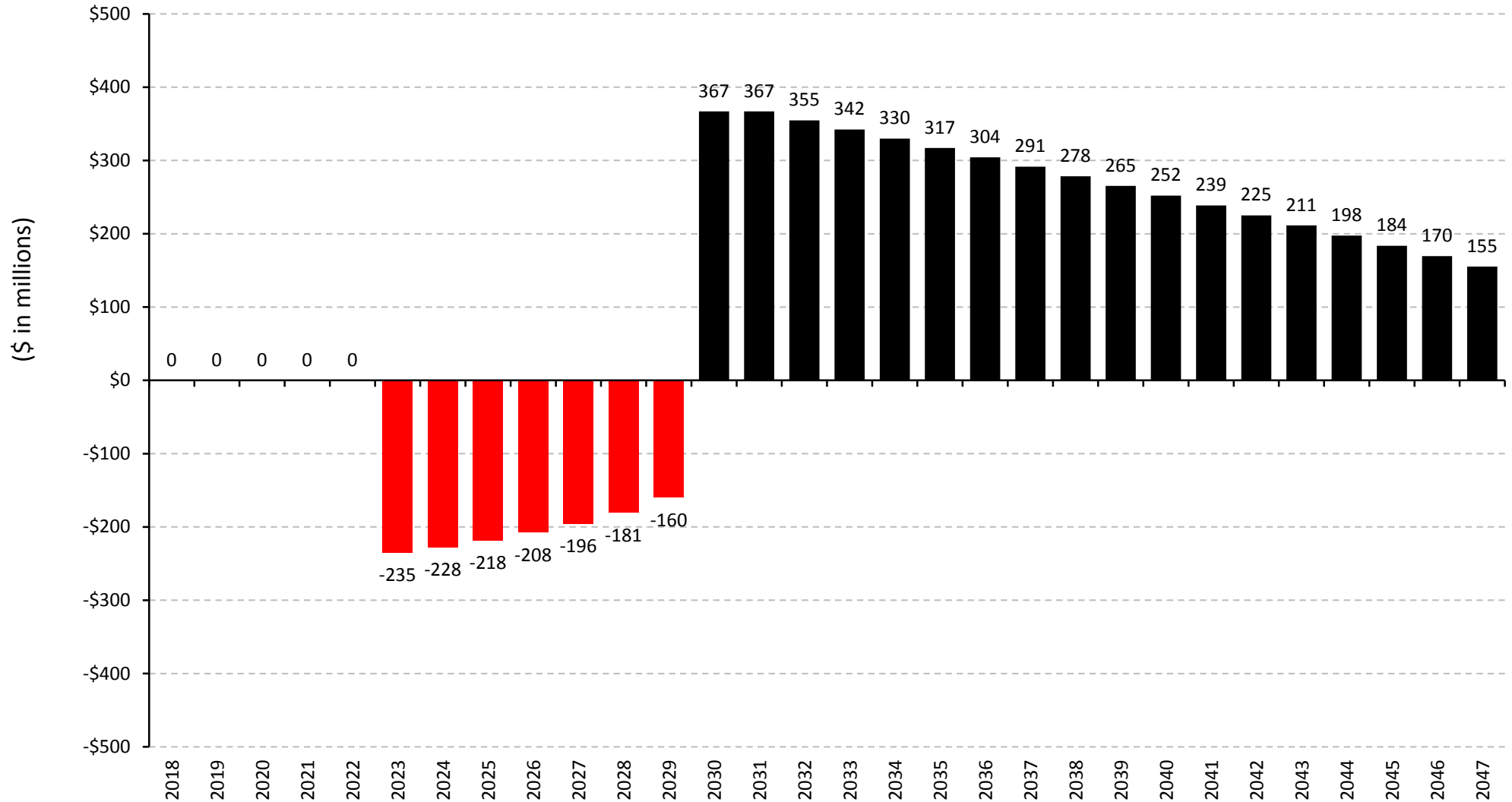
- The Act provides for a revaluation of the Lottery Enterprise at least every five years or earlier if directed by the Treasurer
 - If the Lottery Enterprise generates lower net proceeds than projected, then the Lottery Enterprise value will be lowered thereby reducing the credit against the ARC
 - If the Lottery Enterprise generates higher net proceeds than projected, the Lottery Enterprise value will increase, but the State's annual credit against the ARC cannot increase above the maximum level calculated initially, thereby providing the Retirement Systems with the upside
- Absent a revaluation in a particular year, the Lottery Enterprise value will be depreciated on a straight line basis over the remaining term
- As an additional enhancement, the Act contains an automatic trigger. If, for any reason and at any time, the level of funding in any of TPAF, PERS or PFRS falls below 50%, the credit to be applied against the ARC will automatically decrease and thereby increase the State's funding to the Retirement Systems

Lottery Enterprise Contribution Act

Lottery Enterprise Contribution Provides Substantial Benefits



3 Budget Neutral During First 5 Fiscal Years (FY2018 – FY2022)



- Post FY2029 assumes an amount equal to the last Pension Bond debt service payment is available and used for General Fund expenditures for pensions.
- Incorporates Lottery Enterprise value of \$13.535 billion.

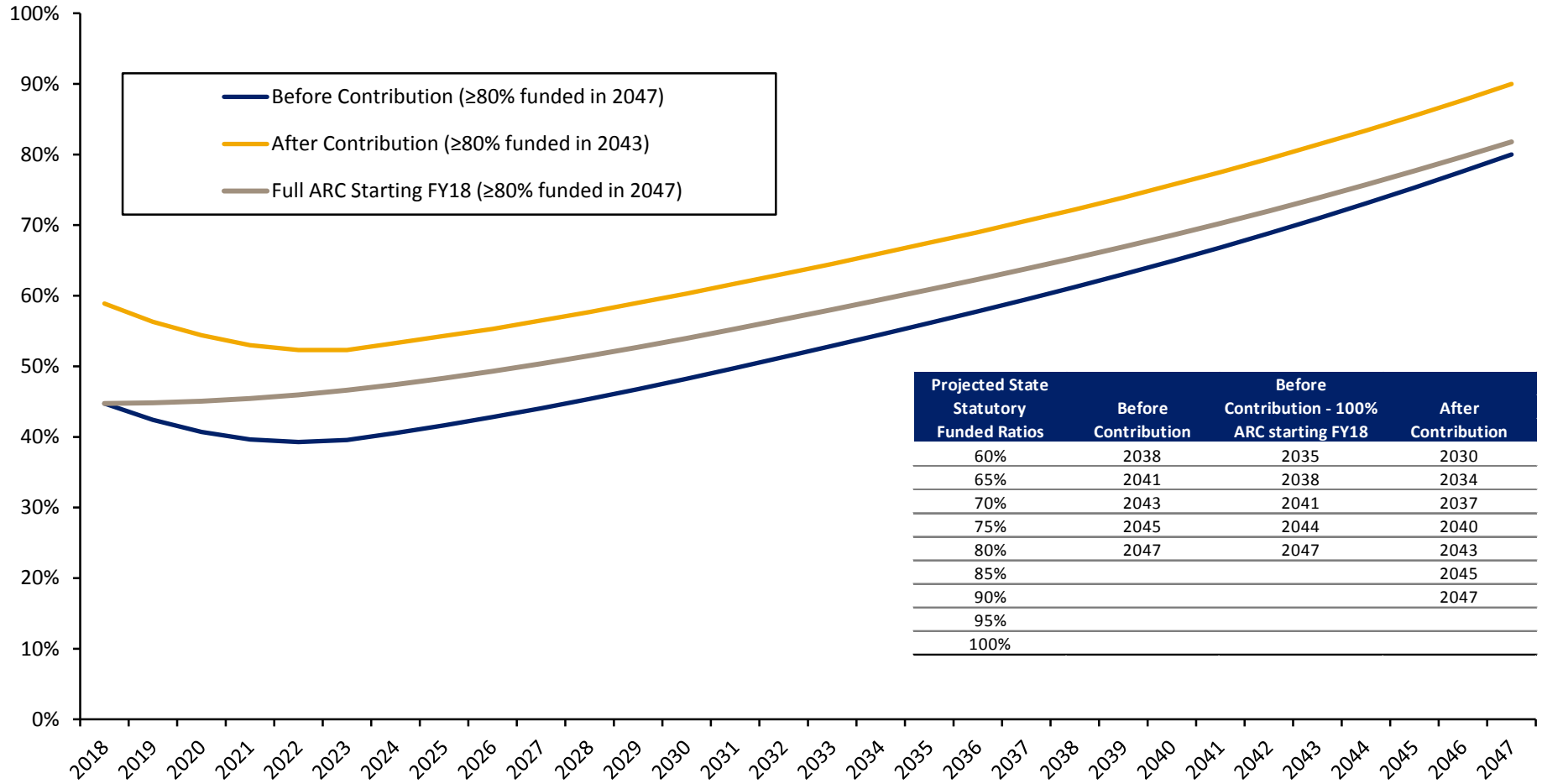
Lottery Enterprise Contribution Act

Lottery Enterprise Contribution Provides Substantial Benefits



4

Higher Projected Statutory Funded Ratios throughout the Entire 30 Year Term



Achieves 90% projected statutory funded ratio by FY2047 – Higher than if the State started making 100% of ARC today

Lottery Enterprise Contribution Act

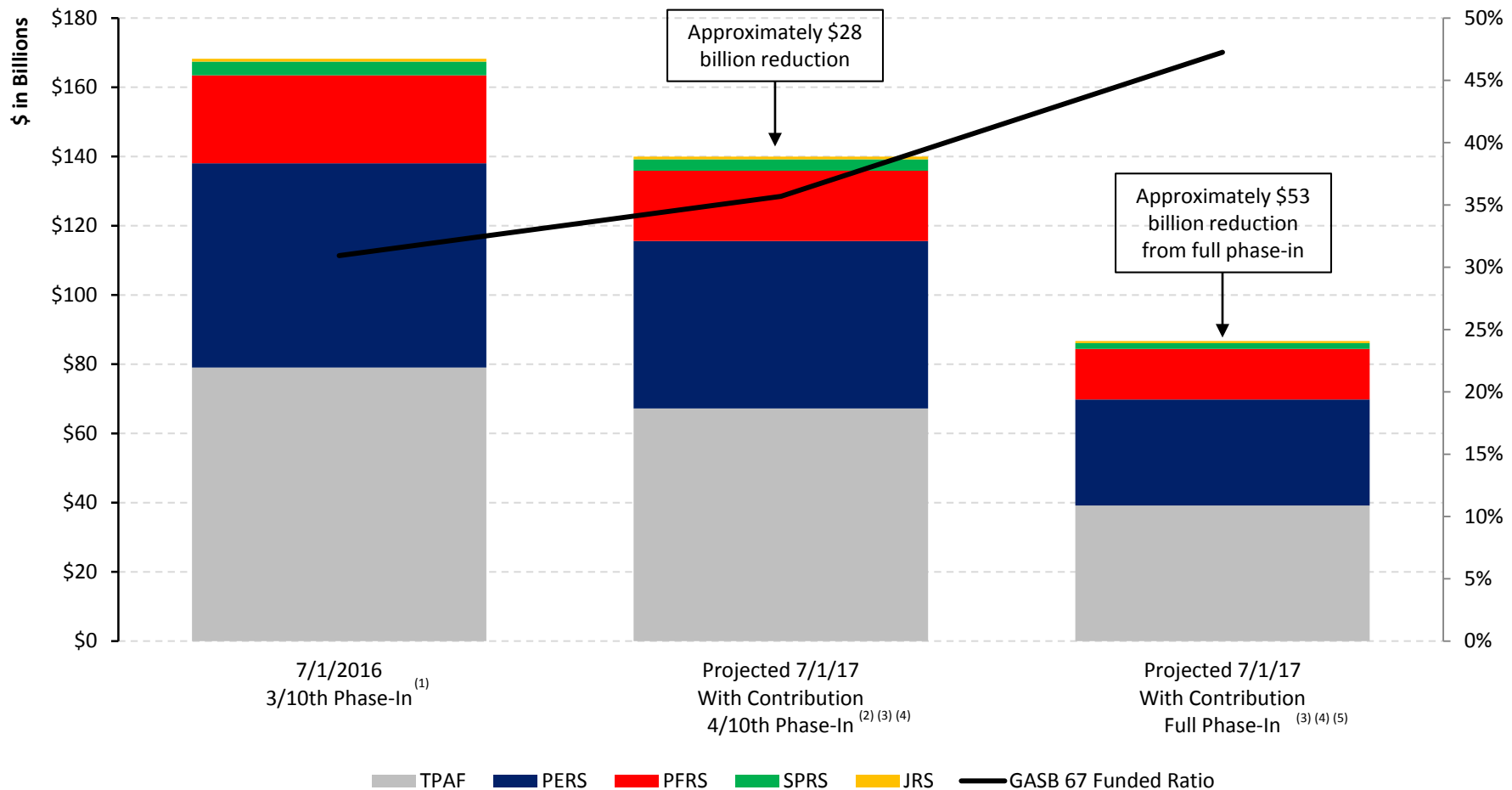
Lottery Enterprise Contribution Provides Substantial Benefits



5

Improves the State's GASB 67 Depletion Date and Net Pension Liability Calculations

Net Pension Liability and GASB 67 Funded Ratio



(1) Source: New Jersey Department of the Treasury, Division of Pensions and Benefits. Information was derived from the actuarial valuation reports as of July 1, 2016—Assumes 3/10 phase-in.

(2) Estimated July 1, 2017 State & Local depletion date and Plan NPL calculations based on actuarial information, discount factor and estimated asset values as of 6/30/2017—Assumes 4/10 phase-in. Results may vary from final 7/1/17 GASB 67 reports issued after plan financial statements are produced.

(3) NPL calculated using estimated 6/30 asset values and 3.58% (Bond Buyer 20-bond GO index as of June 29, 2017) as discount factor for pension liabilities after depletion date calculated pursuant to GASB 67.

(4) Projected analysis modified to include impact of Lottery Enterprise contribution.

(5) Estimated July 1, 2017 State & Local depletion date and Plan NPL calculations based on actuarial information, discount factor and estimated asset values as of 6/30/2017—Assumes phase-in ramp up is followed. Results may vary from final 7/1/17 GASB 67 reports issued after plan financial statements are produced.

Lottery Enterprise Contribution Act

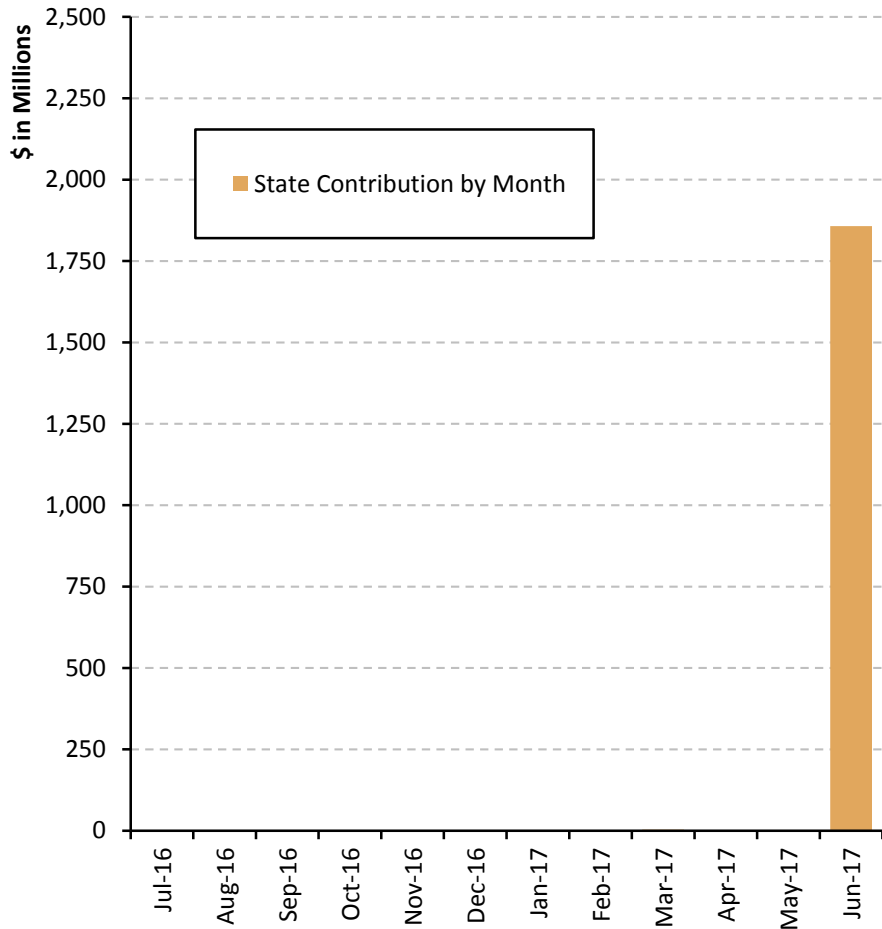
Lottery Enterprise Contribution Provides Substantial Benefits



6

Advances the Timing of Pension Plan Cash Receipts; Reduces Amount of Pension Contributions Subject to Appropriation

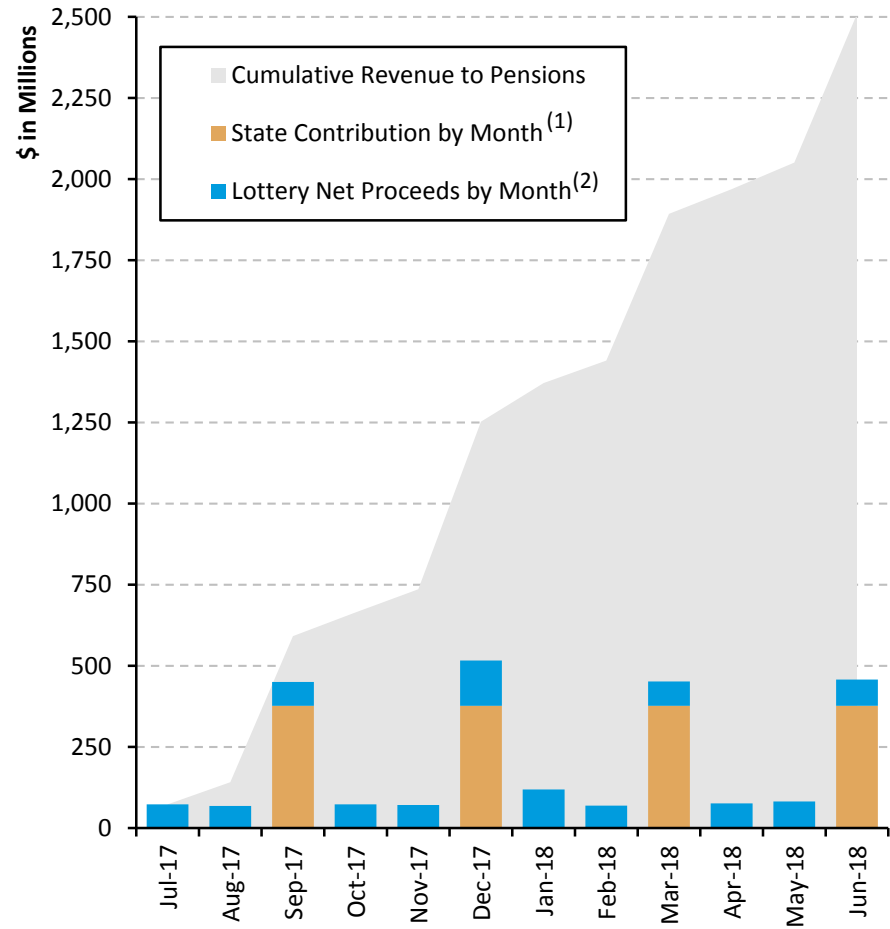
FY2017 – State Payment



FY2017

Total State Contributions to Pensions	\$1,861,608,000
Subject to State Appropriation (\$)	\$1,861,608,000
Subject to State Appropriation (%)	100.000%

FY2018 – Lottery Net Proceeds and Quarterly State Payments



FY2018

Total State Contributions and Lottery Net Proceeds to Pensions	\$2,509,061,000
Subject to State Appropriation (\$)	\$1,508,123,126
Subject to State Appropriation (%)	60.106%

(1) Reflects impact of legislation enacted to require quarterly payments of State Pension Contributions starting in FY2018

(2) Monthly estimates for projected full year FY2018 Lottery net proceeds assume same percentage allocations of net proceeds realized in FY2017

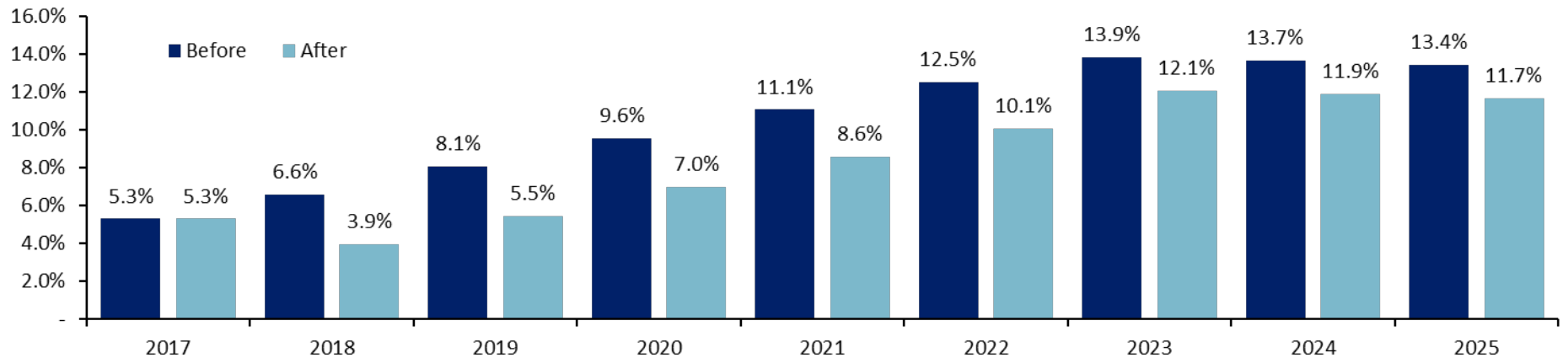
Lottery Enterprise Contribution Act

Lottery Enterprise Contribution Provides Substantial Benefits

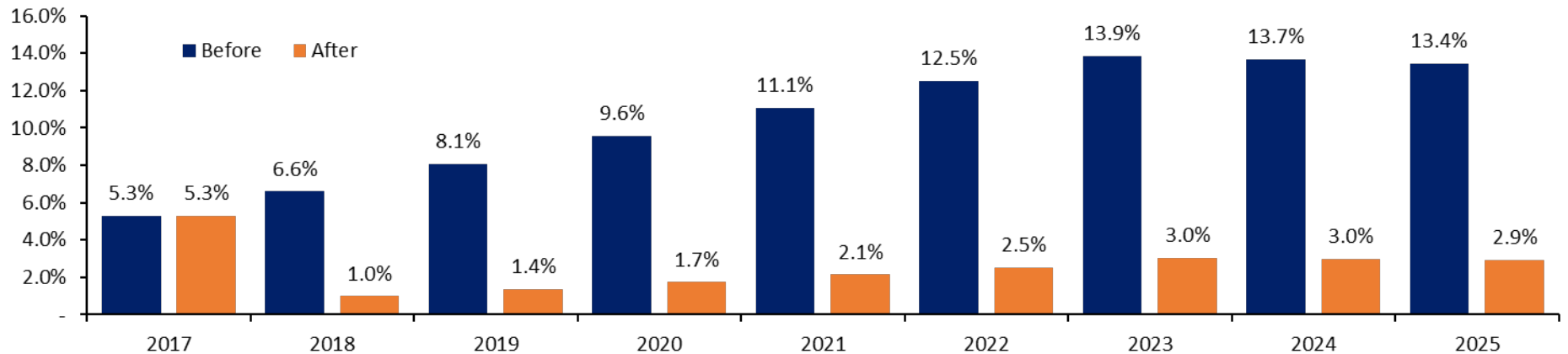


7 Together with Quarterly Pension Statute, Reduces Amount of Pension Contributions Made in the 4th Quarter

Pension Contributions as % of General Fund Budget



4th Quarter Pension Contributions as % of General Fund Budget



(1) Reflects impact of legislation enacted to require quarterly payments of State Pension Contributions starting in FY2018
 (2) Monthly estimates for projected full year FY2018 Lottery net proceeds assume same percentage allocations of net proceeds realized in FY2017

Lottery Enterprise Contribution Act

Conclusion



Lottery Enterprise Contribution Addresses Key Credit Concerns

- The State has contributed its Lottery Enterprise to the Retirement Systems for a 30-year term
 - The Act and MOLC do not contain termination provisions
 - 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 Contribution has been structured to provide the strongest long-term pension funding commitment the State is able to make without a constitutional amendment
- This Contribution will immediately improve the statutory funded ratio of the Retirement Systems with a liquid, reliable source of income over the 30-year term and ease the path toward full funding
 - The Contribution not only increases the overall projected amount going to fund pensions but the Act, by means of the special adjustment, also limits the amount of pension funding subject to appropriation
- Projected statutory funded ratios after the Contribution are even higher than the statutory funded ratios projected to be achieved if the State started making 100% of the ARC in FY2018
- The fiscal impact on the State's General Fund following the Contribution of the Lottery and its associated proceeds is manageable
- Lottery Enterprise Contribution Act's transparency page: <http://www.state.nj.us/treasury/njletransparency.shtml>

Lottery Enterprise Valuation Process



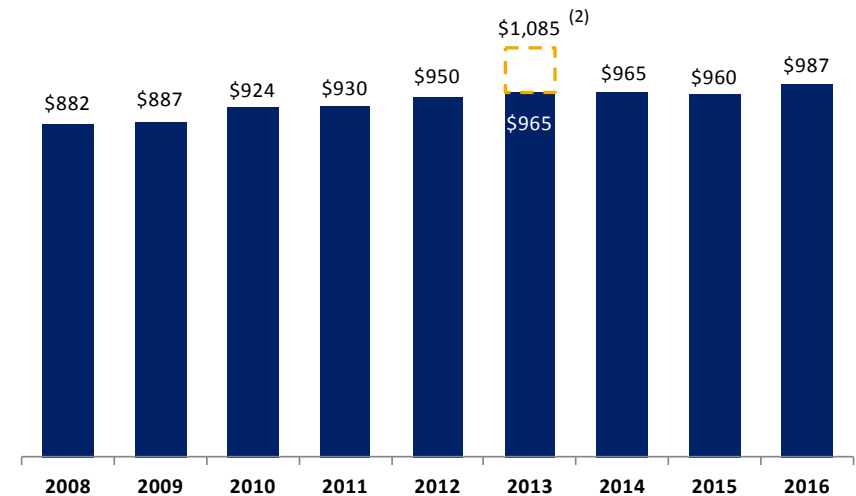
Lottery Enterprise Valuation Process

State Lottery Overview

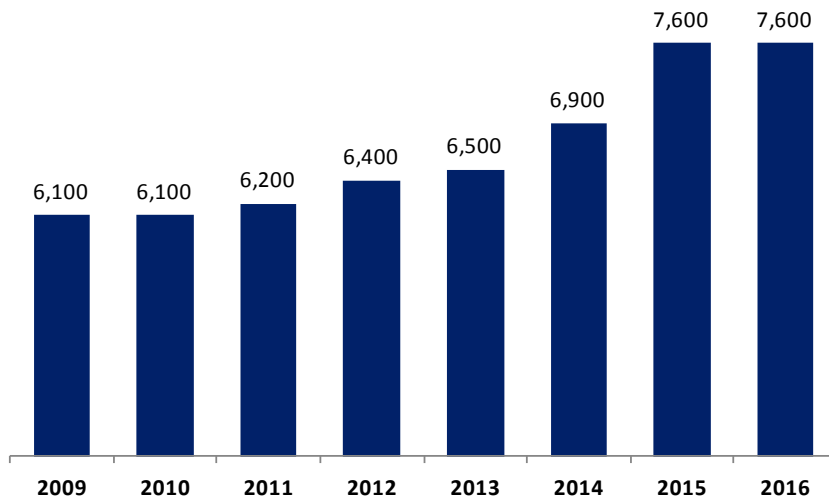


- Division of State Lottery was established in 1970 pursuant to the “State Lottery Law”
 - Operates within the New Jersey Department of the Treasury
- New Jersey Lottery Commission is a seven-member board, appointed by the Governor with the Director of DOI now a member of the board
- “State Lottery Law” mandates that no less than 30% of total revenues accruing from the sale of lottery tickets or shares be dedicated for intended purposes
- Over 7,600 licenses are issued to retailers to sell New Jersey Lottery tickets
 - Retailers receive compensation in the form of commissions on tickets sold or validated, bonuses and other incentive programs
 - Under the terms of the management agreement with Northstar NJ, IGT Corporation (formerly known as GTECH Corporation) is subcontracted to operate the gaming network
- 15 year contract with Northstar for Lottery sales and marketing services that provides certain "corralling" of net proceeds

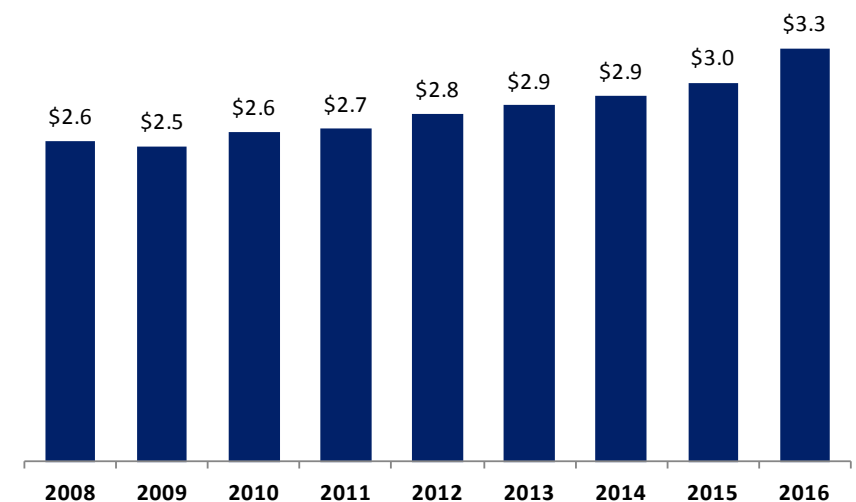
Total Net Proceeds (\$ in millions) (1)



Number of Licenses Issued to Retailers



Total Ticket Sales (\$ in billions)



21 Source: Division of State Lottery Annual Reports.
 (1) Represents contributions for State aid for education or State institutions.
 (2) Includes one-time \$120 million payment from Northstar.

Lottery Enterprise Valuation Process

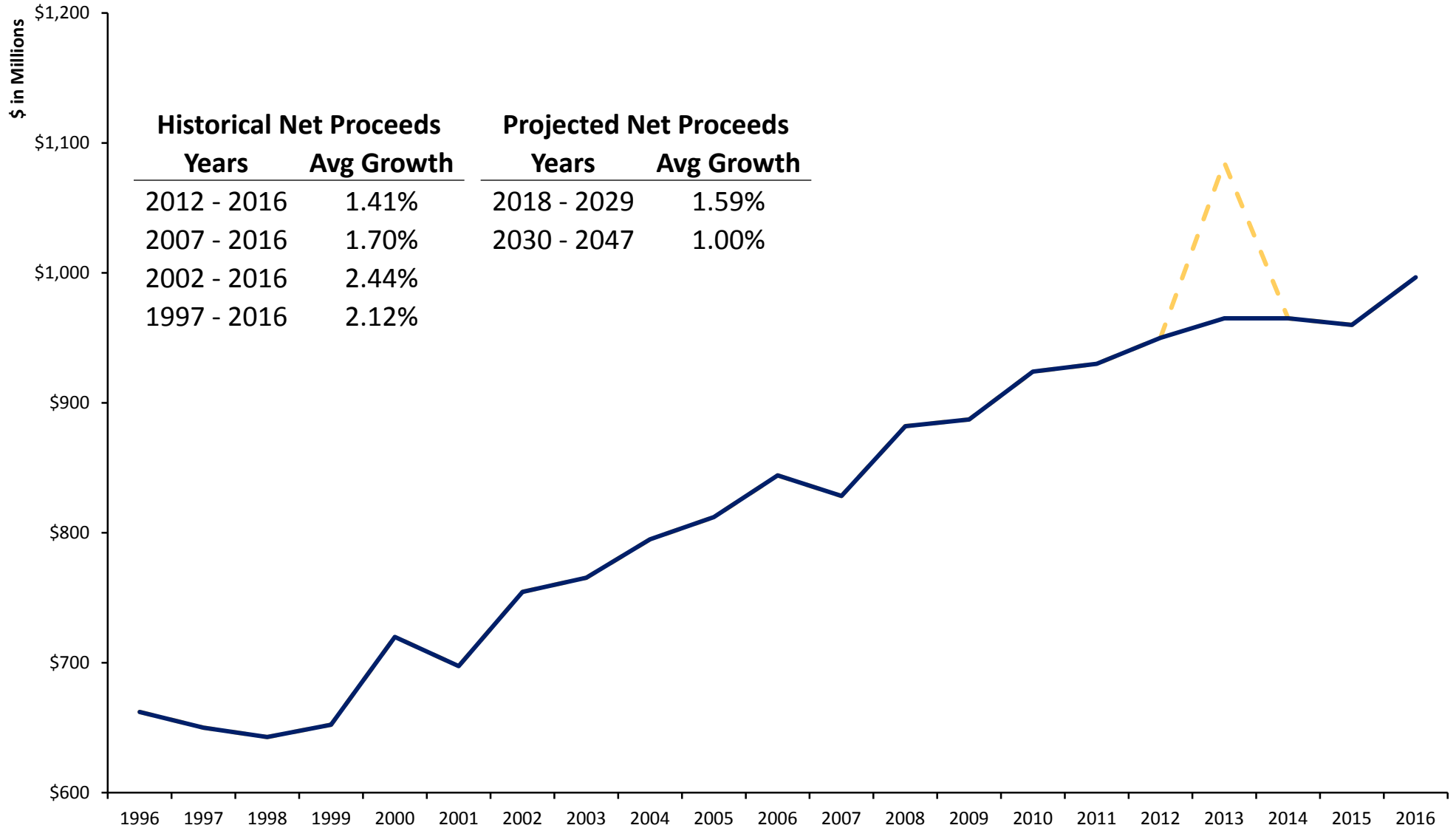
Lottery Enterprise Valuation – Comprehensive Process for a Unique Asset



Reference Purposes Only	1	Book Value	<ul style="list-style-type: none"> ■ NJ Lottery Net Position as of June 30, 2016 Audited Financial Statement is \$11.4 million ■ This is not a reasonable proxy for an enterprise that produces approximately \$1 billion per year of net income
	2	Market Valuation (Selected Publicly Traded Companies Analysis)	<ul style="list-style-type: none"> ■ Selected international lottery companies <ul style="list-style-type: none"> ▪ Review of enterprise value as a multiple of 2014, 2015 and 2016 EBITDA ■ Selected multiple range applied to the NJ Lottery projected FY 2018E EBITDA ■ Range of valuations between \$3.7 billion and \$21.6 billion ■ Given the finite nature of the Memorandum of Lottery Contribution, the monopolistic nature of the NJ Lottery and disparity in results when compared to the selected publicly traded companies, this analysis is not considered meaningful to achieving a singular valuation
	3	Potential Sale Value (Selected Precedent Transaction Analysis)	<ul style="list-style-type: none"> ■ Selected precedent lottery related transactions since 2001 <ul style="list-style-type: none"> ▪ Review of transaction values as a multiple of LTM EBITDA ■ Selected precedent pension fund investments in concession-based assets since 2004 <ul style="list-style-type: none"> ▪ Review of transaction values as a multiple of EBITDA ■ Selected multiple range applied to the NJ Lottery projected FY2017E EBITDA <ul style="list-style-type: none"> ▪ Range of valuations between \$3.6 billion and \$10.3 billion ■ Given the finite nature of the Memorandum of Lottery Contribution, the monopolistic nature of the NJ Lottery and disparity in results when compared to the selected transactions, this analysis is not considered meaningful to achieving a singular valuation
Financial Analysis Intrinsic	4	Discounted Cash Flow Analysis	<ul style="list-style-type: none"> ■ Actuarial Standard of Practice No. 44 (ASOP-44) directs use of “present value of reasonably expected future cash flow” as appropriate method if other methods are inappropriate ■ Given the inapplicability and disparity of valuations from the other valuation methodologies, pursuant to ASOP-44, the discounted value of projected cash flow method has been used ■ Present value of projected free cash flows from FY 2018 through FY 2047 for the NJ Lottery as per the Division of State Lottery provided financial projections until FY 2029 and provided growth rate of 1% from FY 2030 through FY 2047 <ul style="list-style-type: none"> ▪ Discounted to 6/30/2017 <ul style="list-style-type: none"> ▪ Risk adjusted discount rate computed from “risk free rate” and “risk premium” ▪ Risk free rate drawn from US Treasuries ▪ Risk premium drawn from (a) “beta” on various significant domestic and foreign gaming/lottery related public companies and (b) “market rate of return” on the same public companies ▪ Risk adjusted discount rate of 7.65% utilized ■ Discounted cashflow methodology yields \$13.535 billion valuation

Lottery Enterprise Valuation Process

Historical Net Lottery Proceeds



Includes one-time \$120 million payment from Northstar

Conclusion



Conclusion

Transaction Summary



Preliminary Financing Structure*

- \$350 million par amount of bonds
- Fixed-rate
- Federally and New Jersey Tax-Exempt
- June 15, 2027 par call option for all bonds maturing on or after June 15, 2028
- Amortization structured to generate level debt service

Maturity*	Principal Amount*
6/15/2019	\$7,940,000
6/15/2020	8,255,000
6/15/2021	8,670,000
6/15/2022	9,105,000
6/15/2023	9,560,000
6/15/2024	10,035,000
6/15/2025	10,535,000
6/15/2026	11,065,000
6/15/2027	11,615,000
6/15/2028	12,200,000
6/15/2029	12,810,000
6/15/2030	13,450,000
6/15/2031	14,120,000
6/15/2032	14,825,000
6/15/2033	15,570,000
6/15/2034	16,345,000
6/15/2035	17,165,000
6/15/2036	18,020,000
6/15/2037	18,925,000
6/15/2038	19,870,000
6/15/2039	20,865,000
6/15/2040	21,905,000
6/15/2041	23,000,000
6/15/2042	24,150,000

* Preliminary, subject to change.

Conclusion

Transaction Summary



Transaction Summary*

Issue	\$350,000,000 New Jersey Economic Development Authority (“Authority”) School Facilities Construction Bonds 2017 Series DDD
Ratings	Fitch: A- Moody’s: Baa1 S&P: BBB+
Security	<ul style="list-style-type: none">• The bonds are payable solely from payments to be received by the Authority from the Treasurer of the State of New Jersey (the “State”) pursuant to a contract (the “State Contract”) between the Treasurer of the State and the Authority• All amounts payable pursuant to the State Contract are subject to appropriation by the State Legislature
Use of Proceeds	<ul style="list-style-type: none">• Finance K-12 school facilities projects throughout the State• Paying certain costs of issuance
Tax-Status	Federal and State of NJ Tax-Exempt
Preliminary Structure	Serial bonds due 6/15/19 – 6/15-37; Term bond due 6/15/42
Optional Redemption	10-year par call
Pricing	September 27, 2017
Closing	October 5, 2017
Additional Information	www.buynjbonds.gov http://www.state.nj.us/treasury/njletransparency.shtml

* Preliminary, subject to change.

Conclusion

Issuance Timeline*



September 2017						
S	M	T	W	T	F	S
						1 2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October 2017						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Pricing	9/27
Closing Date	10/5

- Additional Information and Preliminary Official Statement available at
 - www.buynjbonds.gov
 - <http://www.state.nj.us/treasury/njletransparency.shtml>

* Preliminary, subject to change

Conclusion

Contact Information



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