FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

NEW JERSEY RESOURCES CORP

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1996 Commission file number 1-8359

NEW JERSEY RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

NEW JERSEY	22-2376465
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1415 WYCKOFF ROAD, WALL, NEW JERSEY - 07719	908-938-1480
(Address of principal executive offices)	(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act:

COMMON STOCK - $2.50 PAR VALUE	NEW YORK STOCK EXCHANGE
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Act:

NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES: X NO:

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

YES: X NO:

The aggregate market value of the Registrant's Common Stock held by non-affiliates was $510,740,027 based on the closing price of $28.375 per share on December 13, 1996.

The number of shares outstanding of $2.50 par value Common Stock as of December 13, 1996 was 18,084,162.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's 1996 Annual Report to Stockholders are incorporated by reference into Part I and Part II of this report.

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held January 29, 1997, are incorporated by reference into Part I and Part III of this report.

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PART I

ITEM 1. BUSINESS

New Jersey Resources Corporation (the Company or NJR) is a New Jersey corporation formed in 1982 pursuant to a corporate reorganization. The Company is an exempt energy services holding company providing retail and wholesale natural gas and related energy services to customers in 17 states from Texas to New York. Its subsidiaries include:

1) New Jersey Natural Gas Company (NJNG), a public utility that provides regulated natural gas energy services to more than 362,000 residential, commercial and industrial customers in central and northern New Jersey and participates in capacity release and off-system sales programs;

2) NJR Energy Services Corporation (Energy Services), a sub-holding company of NJR formed in 1995 to better segregate the Companies energy-related operations which includes the following wholly-owned subsidiaries:

New Jersey Natural Energy Company (NJNE), formed in 1995 to participate in the unregulated marketing of natural gas and fuel and capacity management services; and

NJR Energy Corporation (NJR Energy), an investor in energy-related ventures through its subsidiaries, New Jersey Natural Resources Company (NJNR), NJNR Pipeline Company (Pipeline), NJR Storage Corporation (Storage), Natural Resources Compressor Company (Compressor) and NJRE Operating Company (NJRE Operating);

3) NJR Development Corporation, a sub-holding company, which includes the Company's remaining unregulated subsidiaries, as follows:

Paradigm Power, Inc. (PPI), which was formed to invest in gas-fired generating facilities;

Commercial Realty & Resources Corp. (CR&R), a commercial office real estate developer; and

NJR Computer Technologies, Inc., an investor in certain information technologies.

See Note 2 to the Consolidated Financial Statements - Discontinued Operations in the Company's 1996 Annual Report, filed as Exhibit 13-1 hereto, for a discussion of the Company's decision to exit the oil and gas production business and no longer pursue investments in cogeneration and independent power production facilities. See Item 1. Business - Commercial Realty & Resources Corp. for a discussion of the sale of certain real estate assets.

In December 1996, NJR Power Services Corporation, a 100% owned subsidiary of Energy Services, was formed to segregate the Company's unregulated fuel and capacity management and other wholesale marketing services from its unregulated retail marketing services.

The Company is an exempt holding company under Section 3(a)(1) of the Public Utility Holding Company Act of 1935 (PUHCA).

BUSINESS SEGMENTS

See Note 12 to the Consolidated Financial Statements - Business Segment Data in the Company's 1996 Annual Report, for business segment financial information.

NEW JERSEY NATURAL GAS COMPANY

General

NJNG provides natural gas service to more than 362,000 customers. Its service territory encompasses 1,436 square miles, covering 104 municipalities with an estimated population of 1.3 million.

NJNG's service territory is primarily suburban, with a wide range of cultural and recreational activities, highlighted by approximately 100 miles of New Jersey seacoast. It is in proximity to New York, Philadelphia and the metropolitan areas of northern New Jersey and is accessible through a network of major roadways and mass transportation. These factors have contributed to NJNG adding 10,978, 12,465 and 11,222 new customers in 1996, 1995 and 1994, respectively. This growth rate of more than 3% is expected to continue with projected additions of 60,000 new customers over the next five years. See Liquidity and Capital Resources-NJNG in the Company's 1996 Annual Report for a discussion of NJNG's projected capital expenditure program associated with this growth in 1997 and 1998.

In assessing the potential for future growth in its service area, NJNG uses information derived from county and municipal planning boards which describes housing development in various stages of approval. In addition, builders in NJNG's service area are surveyed to determine their development plans for future time periods. Finally, NJNG uses information concerning its service territory and projected population growth rates from a periodic study prepared by outside consultants. In addition to customer growth through new construction, NJNG's business strategy includes aggressively pursuing conversions from other fuels, such as oil. It is estimated that approximately 40% of NJNG's projected customer growth will consist of conversions. NJNG will also continue to pursue off-system sales and non-peak sales, such as natural gas-fueled electric generating projects.

Throughput

For the fiscal year ended September 30, 1996, operating revenues and throughput by customer class were as follows:

<TABLE>
<CAPTION>

	Operating Revenues (Thousands)		Throughput (thousands of therms)	
<S>	<C>	<C>	<C>	<C>

Residential	$311,081	66%	401,100	32%
Commercial, industrial and other	76,649	16	102,518	8
Firm transportation	13,316	3	45,136	3
Total residential and commercial	401,046	85	548,754	43
Interruptible and agency	7,438	1	98,720	8
Total system	408,484	86	647,474	51
Off-system	65,904	14	615,819	49
Total	$474,388	100%	1,263,293	100%

</TABLE>

See NJNG Operations in the Company's 1996 Annual Report for a discussion of gas and transportation sales. Also see NJNG Operating Statistics in the Company's 1996 Annual Report for information on operating revenues and throughput for the past six years. During this period, no single customer represented more than 10% of operating revenues.

Seasonality of Gas Revenues

As a result of the heat-sensitive nature of NJNG's residential customer base, therm sales are largely affected by weather conditions. Specifically, customer demand substantially increases during the winter months when natural gas is used for heating purposes. See Liquidity and Capital Resources - NJNG in the Company's 1996 Annual Report for a discussion of the effect of seasonality on cash flow.

The impact of weather on the level and timing of NJNG's revenues and cash flows has been affected by a weather-normalization clause (WNC), which provides for a revenue adjustment if the weather varies by more than one-half of 1% from normal, or 10-year average, weather. The accumulated adjustment from one heating season (i.e., October-May) is billed or credited to customers in the subsequent heating season. See NJNG Operations in the Company's 1996 Annual Report and Item 1. Business - State Regulation for additional information with regard to the weather-normalization clause.

Gas Supply

A) Firm Natural Gas Supplies

NJNG currently purchases gas from a diverse gas supply portfolio consisting of both long-term (over six months), winter-term (for the five winter months) and short-term contracts. In 1996, NJNG purchased gas from 47 suppliers under contracts ranging from less than one month to seventeen years. NJNG has nine long-term firm gas purchase contracts and purchased approximately 20% of its gas in 1996 under one long-term firm gas purchase contract with Alberta Northeast Gas Limited, which expires in 2006. NJNG does not purchase more than 10% of its total gas supplies under any other

single long-term firm gas purchase contract. NJNG believes that its supply strategy should adequately meet its expected firm load over the next several years.

B) Firm Transportation and Storage Capacity

In order to deliver the above supplies, NJNG maintains agreements for firm transportation and storage capacity with several interstate pipeline companies. The pipeline companies that provide firm transportation service to NJNG's city gate stations in New Jersey, the maximum daily deliverability of that capacity and the contract expiration dates are as follows:

<TABLE>
<CAPTION>

Pipeline	Maximum Daily Deliverability (Dths)	Expiration Date
<S>	<C>	<C>
Texas Eastern Transmission Corp.	277,949	Various dates after 2000

Iroquois Gas Transmission System, L.P.	40,000	2011
Transcontinental Gas Pipe Line Corp.	22,531	Various dates after 1998
Tennessee Gas Pipeline Co.	10,835	2003
Columbia Gas Transmission Corp.	10,000	2009
Algonquin Gas Transmission Co.	5,000	1997
	366,315	

</TABLE>

The pipeline companies that provide firm transportation service to NJNG, which feeds the above pipelines are: Texas Gas Transmission Corporation, CNG Transmission Corporation, Columbia Gulf Transmission Corporation, Equitrans, Inc. and Carnegie Interstate Pipeline Company.

In addition, NJNG has storage and related transportation contracts that provide additional maximum daily deliverability of 102,941 Dths from storage fields in its Northeast market area. The significant storage suppliers, the maximum daily deliverability of that storage capacity and the contract expiration dates are as follows:

<TABLE>
<CAPTION>

Pipeline	Maximum Daily Deliverability (Dths)	Expiration Date
<S>	<C>	<C>
Texas Eastern Transmission Corp.	94,557	Various dates after 1996
Transcontinental Gas Pipe Line Corp.	8,384	2005
	102,941	

</TABLE>

NJNG also has significant storage contracts with CNG Transmission Corporation (maximum daily deliverability of 93,661) and Equitrans, Inc. (maximum daily deliverability of 9,996), but utilizes its existing transportation contracts to transport that gas from the storage fields to its city gate.

C) Peaking Supply

To meet its increased winter peak day demand, NJNG, in addition to utilizing the previously mentioned firm storage services, maintains two liquefied natural gas (LNG) facilities and purchases firm storage services. See Item 2-Properties-NJNG for additional information regarding the storage facilities from various interstate pipeline companies. NJNG presently has LNG storage deliverability of 165,000 Dths per day which represents approximately 26% of its peak day sendout.

D) Summary

NJNG expects to be able to meet the current level of gas requirements of its existing and projected firm customers for the foreseeable future. Nonetheless, NJNG's ability to provide supply for its present and projected sales will depend upon its suppliers' ability to obtain and deliver additional supplies of natural gas, as well as NJNG's ability to acquire supplies directly from new sources. Factors beyond the control of NJNG and its suppliers may affect its ability to obtain such supplies. These factors include other parties having control over the drilling of new wells and the facilities to transport gas to NJNG's city gate, competition for the acquisition of gas, priority allocations, the regulatory and pricing policies of federal and state regulatory agencies, as well as the availability of Canadian reserves for export to the United States.

Regulation and Rates

A) State

NJNG is subject to the jurisdiction of the New Jersey Board of Public Utilities (BPU) with respect to a wide range of matters, such as rates, the issuance of securities, the adequacy of service, the manner of keeping its accounts and records, the sufficiency of gas supply and the sale or encumbrance of its properties.

Over the last five years, NJNG has been granted three increases in its base tariff rates, and various increases and decreases in its Levelized Gas

Adjustment clause (LGA). Through its LGA, which is reviewed annually, NJNG recovers purchased gas costs that are in excess of the level included in its base rates. LGA recoveries do not include an element of profit and, therefore, have no effect on earnings.

The following table sets forth information with respect to these rate changes:

<TABLE>
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(000's)

Date of Filing	Type	Annualized Amount Per Filing	Annualized Amount Granted	Effective Date
<S>	<C>	<C>	<C>	<C>
April 1993	Base Rates	$26,900	$7,500	January 1994
August 1991	Base Rates	15,772	2,200	June 1992
August 1990	Base Rates	14,787	8,300	February 1991
July 1996	LGA	8,000	7,900	December 1996
July 1995	LGA	(4,800)	(5,200)	December 1995
July 1994	LGA	8,800	0	December 1994
July 1993	LGA	4,800	4,800	December 1993
July 1992	LGA	(15,814)	(17,400)(A)	January 1993
July 1991	LGA	33,407	17,100	November 1991

</TABLE>

(A) Comprised of a $12 million billing credit and a $5.4 million reduction in annual LGA revenues.

See Note 8 to the Consolidated Financial Statements - Regulatory Issues in the Company's 1996 Annual Report for additional information regarding NJNG's rate proceedings.

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In September 1991, the BPU adopted a conservation incentive rule which provides utilities with the opportunity to recover conservation program costs and lost revenues, and to earn a return on investments in energy efficiency programs based upon a sharing of savings between utilities and customers. NJNG filed its "Demand Side Management Resource Plan" (DSM) addressing these issues with the BPU in February 1992. In June 1995, the BPU approved a Stipulation Agreement approving NJNG's DSM plan. The Stipulation calls for recovery of $3.5 million of deferred and projected demand side management program costs through a Demand Side Management Adjustment Clause (DSMAC). The initial DSMAC was approved by the BPU in November 1995.

In November 1992, NJNG filed a petition with the BPU for approval of a Gas Service Agreement (GSA) executed between NJNG and Freehold Cogeneration Associates L.P. (Freehold) in September 1992. The GSA would provide for NJNG to supply Freehold with between 21,800 and 26,000 Dths of natural gas per day over a twenty-year period. Freehold had planned to construct and operate a cogeneration facility in Freehold, New Jersey, and had executed a power purchase agreement with Jersey Central Power & Light Company (JCP&L). In November 1993, the BPU ruled that Freehold and JCP&L should attempt to renegotiate the power purchase agreement within 30 days of receipt of a written order. In February 1994, the BPU approved the GSA conditioned by a side letter agreement in which Freehold and NJNG agreed to negotiate in good faith to amend the pricing terms of the GSA to conform it to changes, if any, in the power purchase agreement if it is renegotiated. The November 1993 BPU order was overturned in litigation not involving NJNG as a party. Freehold was successful in this litigation. In April 1996, JCP&L and Freehold reached an agreement in which JCP&L bought out its rights and obligations under the power purchase agreement for $120 million ("Buy Out Agreement"). Under the Buy Out Agreement, JCP&L indemnified Freehold against certain potential claims, including any potential claims NJNG may have against Freehold for breach of the GSA. JCP&L is seeking BPU authorization to recover an additional $10 million to satisfy all such claims. NJNG believes that by executing the Buy Out Agreement, Freehold has breached its obligations under the GSA. NJNG currently is examining possible avenues for legal redress.

In November 1995, the BPU approved a Stipulation Agreement relating to the 1995 Remediation Rider (RA), WNC, DSMAC and LGA. The approval of the Stipulation allows recovery over seven years of gas remediation costs incurred through June

1995 of $5.1 million, the collection of $1.9 million of gross margin that was accrued in fiscal 1995 due to the impact of warmer-than-normal weather on the WNC, and implementation of the initial DSMAC discussed above.

The Stipulation also settled the July 1995 LGA petition and included a reduction of $5.2 million in gas costs, the continuation of NJNG's current margin sharing formulas associated with its non-firm sales until the effective date of the BPU Order in NJNG's 1997-98 LGA, and approval for an extension of the Financial Risk Management (FRM) Pilot Program designed to provide price stability to NJNG's system supply portfolio. All of the costs and results of the FRM program were to be recovered through the LGA. As a result of the approval of the Stipulation, NJNG's rates did not change.

On July 31, 1996, NJNG filed with the BPU for a net $8 million, or 2%, increase in its LGA. This LGA filing included updated factors for its Gas Cost Recovery factor (GCR), WNC, RA and DSMAC. The GCR factor increased by $21.2 million due to the increase in gas costs resulting primarily from the cold winter weather. This increase is partially offset by a $12 million credit from the WNC, which reflects the margin impact of 15% colder than normal winter weather. In addition, the Company requested certain modifications to its WNC to update various factors to more appropriately reflect current customers' usage and weather. On December 3, 1996, the BPU granted the Company a $7.9 million increase in the Company's LGA clause and permitted the Company to implement certain

changes in the WNC that would better reflect customers' usage and weather, including changing the average weather calculation from 10 years to 20 years. The BPU also approved a further extension of the FRM program, which includes an 80/20 sharing of the costs and results between customers and shareholders, respectively.

B) Federal

On the federal level, NJNG is subject to regulation by the Federal Energy Regulatory Commission (FERC). Since the mid-1980's, the FERC has issued a series of orders, regulations and policy statements (e.g., FERC Orders 380, 436, 451, 500, and 528) intended to transform the natural gas industry from a highly regulated industry to a less regulated, market-oriented industry. The culmination of the FERC's deregulatory effort was the issuance of Order 636 which established new rules mandating the unbundling of interstate pipeline sales for resale and transportation services. The FERC instituted proceedings through which NJNG's interstate pipeline suppliers have restructured their services in response to Order 636.

The transition to a more market-oriented interstate pipeline market may offer long-term benefits. Order 636 has provided NJNG with increased opportunities to purchase and manage its own, specifically-tailored gas supply portfolio and to resell its interstate pipeline capacity to other potential customers during off-peak periods. However, these long-term benefits have been offset by increases in interstate pipeline demand charges required by Order 636, in addition to the flow-through of transition costs that pipeline companies have incurred as a result of the restructuring of their existing gas purchase and sales arrangements. In the individual pipeline restructuring proceedings resulting from Order 636, all but one of NJNG's pipeline suppliers have settled transition cost recovery issues with their customers. These settlements provide for partial cost absorption by some of NJNG's pipeline suppliers and the orderly recovery of remaining costs from pipeline customers, including NJNG. The transition costs of one of NJNG's pipeline suppliers is currently being reviewed before the FERC; however, at this time, NJNG does not expect to be adversely affected by the outcome of that proceeding.

NJNG continually reviews its gas supply portfolio requirements in the post-Order 636 environment. Because of its interconnections with multiple interstate pipelines, NJNG believes that the Order 636 proceedings will not have a material impact on its ability to obtain adequate gas supplies at market rates. However, no assurance can be given in this regard.

Franchises

NJNG holds non-exclusive franchises granted by the 104 municipalities it serves which gives it the right to lay, maintain and operate public utility property in order to provide natural gas service within these municipalities. Of these franchises, 47 are perpetual and the balance expire between 1999 and 2038.

Competition

Although its franchises are non-exclusive, NJNG is not currently subject to competition from other natural gas distribution utilities with regard to the transportation of natural gas in its service territory. Due to significant distances between NJNG's current large industrial customers and the nearest interstate natural gas pipelines, as well as the availability of its transportation tariff, NJNG currently does not believe it has significant exposure to the risk that its distribution system will be bypassed.

Competition does exist from suppliers of oil, coal, electricity and propane. At the present time, natural gas enjoys an advantage over alternate fuels as the preferred choice of fuels in over 95% of new construction due to its efficiency and reliability. As deregulation of the natural gas industry continues, prices will be determined by market supply and demand, and while NJNG believes natural gas will remain competitive with alternate fuels, no assurance can be given in this regard.

In October 1994, the BPU approved a Stipulation Agreement that provides NJNG's commercial and industrial customers an expanded menu of transportation and supplier choices. As a result of the BPU approval, NJNG's sales to its commercial and industrial customers are subject to competition from other suppliers of natural gas; however, NJNG continues to provide transportation service to these customers. Based on its rate design, NJNG's profits would not be affected by a customer's decision to utilize a sales and transportation or transportation only service.

NEW JERSEY NATURAL ENERGY COMPANY

NJNE was formed in 1995 to facilitate the unregulated marketing of natural gas to retail customers and provide fuel and capacity management services to wholesale customers. At September 30, 1996, NJNE marketed natural gas to 1,459 retail customers. In addition, NJNE provides gas supply and capacity management services to GPU Service Inc., a major electric utility based in Pennsylvania, and similar services to Gas Energy, Inc., an independent power producer operating in New York.

COMMERCIAL REALTY & RESOURCES CORP.

At September 30, 1996, CR&R's completed space totaled 260,000 square feet, of which 100% was occupied. CR&R also has 193 acres of undeveloped land.

Consistent with the Company's previously disclosed strategy to realign its asset base more closely with its core energy business, in November 1995, CR&R sold a substantial portion of its developed real estate assets to Cali Realty Acquisition Corp. (together with its affiliates, successors and assigns, "Cali").

The transaction included the sale of 14 buildings containing approximately 582,000 square feet of space, representing over 60 percent of CR&R's office and flex space in business parks in Monmouth and Atlantic Counties, New Jersey. The all-cash sale price received at the closing was $52.65 million. The contract of sale for the transaction contained certain conditions that survived the closing, and CR&R remains subject to certain indemnity and other obligations with respect to the properties that were sold.

In addition to the sale of the 14 buildings, the transaction included the grant of options to Cali to purchase approximately 165 of CR&R's 193 acres of undeveloped land generally adjacent to these buildings. CR&R has retained limited rights to sell and develop the lands that are subject to the options.

Separately, CR&R entered into a sale-leaseback transaction with Cali pursuant to which it conveyed fee title to all of Jumping Brook Corporate Office Park, including the undeveloped land portion thereof, to Cali in exchange for a $5.8 million promissory note and mortgage on the undeveloped land and a ground lease of such undeveloped land to CR&R for approximately 99 years, with options to renew. Upon the receipt of a subdivision by CR&R of the undeveloped land portion from the improved portion of such office park, which was received in the first quarter of fiscal 1997, Cali is

expected to convey fee title to the undeveloped land back to CR&R, and the ground lease, promissory note and mortgage are expected to be terminated.

In December 1995, CR&R sold its Monmouth Shores Corporate Office Park (MSCOP) facility in a sale-leaseback transaction for $31.85 million. MSCOP is the

corporate headquarters building for NJNG and NJR. NJNG has entered into a long-term master lease for the entire building. Prior to this transaction NJNG leased approximately 79% of the building under a long-term lease. CR&R's pre-tax gain of approximately $17.8 million was deferred and is being amortized to income over 25 years in accordance with generally accepted accounting principles.

The Company used the sale proceeds from the abovementioned transactions to pay down outstanding debt incurred to develop the real estate assets. The Company's future earnings from continuing operations will not be materially affected by the sale based upon the historical earnings generated by the real estate subsidiary.

See Item 2 - Properties - CR&R for additional information regarding CR&R's remaining real estate assets.

It is anticipated that any future or further development by CR&R of its remaining real estate assets will be consistent with CR&R's development strategy of concentrating on a high percentage of build-to-suit projects. See CR&R Operations in the Company's 1996 Annual Report for a discussion of CR&R's financial results.

NJR ENERGY CORPORATION

NJR Energy and its subsidiaries: NJNR, Pipeline, Storage, Compressor and NJRE Operating, were involved in oil and natural gas development, production, transportation, storage and other energy-related ventures.

In 1995, the Company adopted a plan to exit the oil and natural gas production business and pursue the sale of the reserves and related assets of its affiliates, NJR Energy and NJNR. As discussed in Note 2 to the Consolidated Financial Statements - Discontinued Operations in the Company's 1996 Annual Report, the Company has accounted for this segment as a discontinued operation.

Proceeds from the sale of NJR Energy's oil and gas reserves totaled $19.6 million in 1996. Such proceeds, net of related taxes and expenses, were used by the Company to reduce debt.

NJR Energy's continuing operations consist of its equity investments in the Iroquois Gas Transmission System, L.P. (Iroquois) and the Market Hub Partners, L.P. (MHP).

Pipeline is a 2.8% equity participant in Iroquois, a 375-mile natural gas pipeline from the Canadian border to Long Island. See Item 3e.-Legal Proceedings for additional information regarding the Iroquois pipeline.

Storage is a 5.67% equity participant in MHP, which is expected to develop, own and operate a system of five natural gas market centers with high-deliverability salt cavern storage facilities in Texas, Louisiana, Mississippi, Michigan and Pennsylvania.

See NJR Energy Operations in the Company's 1996 Annual Report for a discussion of NJR Energy's financial results from continuing operations.

ENVIRONMENT

The Company and its subsidiaries are subject to legislation and regulation by federal, state and local authorities with respect to environmental matters. The Company believes that it is in substantial compliance with all applicable environmental laws and regulations.

Although the Company cannot estimate with certainty future costs of environmental compliance, which among other factors are subject to changes in technology and governmental regulations, the Company does not presently anticipate any additional significant future expenditures, other than the activities described in Note 11 to the Consolidated Financial Statements - Commitments and Contingent Liabilities in the Company's 1996 Annual Report, for compliance with existing environmental laws and regulations which would have a material effect upon the capital expenditures, earnings or competitive position of the Company or its subsidiaries.

See Item 3b. - Legal Proceedings - Gas Remediation for additional information regarding gas remediation activities.

EMPLOYEE RELATIONS

The Company and its subsidiaries employed 856 and 880 employees at September 30, 1996 and 1995, respectively. NJNG had 495 and 522 union employees at September 30, 1996 and 1995, respectively. In December 1995, NJNG reached agreement with the union on a two-year collective bargaining agreement which provides, among other things, for annual wage increases of 3.5% and 3.75%, effective December 7, 1995 and December 8, 1996, respectively.

EXECUTIVE OFFICERS OF THE REGISTRANT

<TABLE>
<CAPTION>

Office(1)	Name	Age	First Elected an Officer
<S>	<C>	<C>	<C>
Chairman, President and Chief Executive Officer	Laurence M. Downes	39	1/86
Senior Vice President, General Counsel and Corporate Secretary	Oleta J. Harden	47	6/84
Senior Vice President and Chief Financial Officer	Glenn C. Lockwood	35	1/90

</TABLE>

(1) All terms of office are one year.

There is no arrangement or understanding between the officers listed above and any other person pursuant to which they were selected as an officer. The following is a brief account of their business experience during the past five years:

Laurence M. Downes
Chairman, President and Chief Executive Officer

Mr. Downes has held the position of Chairman since September 1996. He held the position of President and Chief Executive officer since July 1995. From January 1990 to July 1995, he held the position of Senior Vice President and Chief Financial Officer.

Oleta J. Harden
Senior Vice President, General Counsel and Corporate Secretary

Mrs. Harden has held her present position since January 1987, except for the position of General Counsel which she has held since April 1996.

Glenn C. Lockwood
Senior Vice President and Chief Financial Officer

Mr. Lockwood has held the position of Senior Vice President since January 1996. He has held the position of Chief Financial Officer since September 1995. From January 1994 to September 1995, he held the position of Vice President, Controller and Chief Accounting Officer. From January 1990 to January 1994, he held the position of Assistant Vice President, Controller and Chief Accounting Officer.

ITEM 2. PROPERTIES

NJNG (All properties are in New Jersey)

NJNG owns 10,626 miles of distribution main and services, 325 miles of transmission main and approximately 373,700 meters. Mains are primarily located under public roads. Where mains are located under private property, NJNG has obtained easements from the owners of record.

In addition to mains and services, NJNG owns and operates two LNG storage plants located in Stafford Township, Ocean County, and Howell Township, Monmouth County. The two LNG plants have an estimated effective capacity of 19,200 and 150,000 Dths per day, respectively. These facilities are used for peaking supply and emergencies.

NJNG owns four service centers located in Rockaway Township, Morris County; Atlantic Highlands and Wall Township, Monmouth County; and Lakewood, Ocean County. These service centers house storerooms, garages, gas distribution and appliance service operations and administrative offices. NJNG leases its headquarters facilities in Wall Township, customer service offices located in Asbury Park and Wall Township, Monmouth County and a service center in

Manahawkin, Ocean County. These customer service offices support customer contact, marketing and other functions. NJNG also owns a storage facility in Long Branch, Monmouth County.

Substantially all of NJNG's properties, not expressly excepted or duly released, are subject to the lien of an Indenture of Mortgage and Deed of Trust to Harris Trust and Savings Bank, Chicago, Illinois, dated April 1, 1952, as amended by twenty-six supplemental indentures (Indenture), as security for NJNG's bonded debt, which totaled approximately $228 million at September 30, 1996. In addition, under the terms of its Indenture, NJNG could have issued approximately $206 million of additional first mortgage bonds as of September 30, 1996. In October 1995, NJNG issued $20 million of bonds,

which was the remaining portion of its Medium-Term Notes, Series A, consisting of its 6 7/8% Series CC First Mortgage Bonds due 2010 under its Indenture, as amended by the twenty-sixth supplemental indenture.

CR&R (All properties are in New Jersey)

At September 30, 1995, CR&R owned and operated 17 buildings consisting of 914,200 square feet of commercial office and mixed-use commercial/industrial space, of which 886,000 square feet, or 97%, were occupied. CR&R and affiliated companies, including NJNG, occupied approximately 149,800 square feet in four of these buildings. These properties were located in Monmouth and Atlantic Counties in various business parks. See Item 3f.- Legal Proceedings - Real Estate Properties for a discussion of regulatory matters concerning one of the business parks.

See Item 1. Business - Commercial Realty & Resources Corp. for a description of the sale of a majority of CR&R's properties in 1996. As of September 30, 1996, CR&R's completed space totaled 260,000 square feet in three buildings, with a 100% occupancy rate.

NJR Energy

At September 30, 1995, NJR Energy, as a working-interest participant, had interests in oil and gas leases in Louisiana, New York, West Virginia and Texas. Additionally, NJNR had working interests in oil and gas leases in Texas, Oklahoma, Kansas, Arkansas, Utah and Pennsylvania, and is a participant in a 21-mile natural gas transportation pipeline joint venture, located in Cambria County and Indiana County, Pennsylvania. NJNR also owned a natural gas gathering system and was a participant in a 16-mile natural gas pipeline joint venture located in Utah. See Item 1. Business - NJR Energy Corporation for information related to the sale of all of the abovementioned properties in 1996.

Pipeline has a 2.8% equity interest in the Iroquois Gas Transmission System, L.P. which owns and operates the Iroquois pipeline project, a 375-mile pipeline from the Canadian border in upstate New York to Long Island.

Storage has a 5.67% equity interest in Market Hub Partners, L.P. which intends to develop, own and operate a system of five natural gas market centers with high deliverability salt cavern storage facilities in Texas, Louisiana, Mississippi, Michigan and Pennsylvania.

Capital Expenditure Program

See Liquidity and Capital Resources in the Company's 1996 Annual Report for a discussion of the Company's anticipated 1996 and 1997 capital expenditures for each business segment.

ITEM 3. LEGAL PROCEEDINGS

a. Aberdeen

Since June 1993, a total of six complaints, of which five are still pending, have been filed in New Jersey Superior Court against NJNG and its contractor by persons alleging injuries arising out of a natural gas explosion and fire on June 9, 1993, at a residential building in Aberdeen Township, New

Jersey. The plaintiffs allege in their respective actions, among other things, that the defendants were negligent or are strictly liable in tort in connection with their maintaining, replacing or servicing natural gas facilities at such building. The plaintiffs separately seek compensatory damages from NJNG and its

contractor. To date, NJNG and its contractors have received demands for damages totaling $25.2 million from various plaintiffs.

In May 1994, the New Jersey Superior Court ordered that all causes of action relating to the Aberdeen Township explosion be consolidated for purposes of discovery.

NJNG's liability insurance carriers are participating in the defense of these matters. NJNG is unable to predict the extent to which other claims will be asserted against, or liability imposed on, NJNG. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations.

b. Gas Remediation

NJNG has identified eleven former manufactured gas plant (MGP) sites, dating back to the late 1800's and early 1900's, which it acquired from predecessors, and which contain contaminated residues from the former gas manufacturing operations. Ten of the eleven sites in question were acquired by NJNG from a predecessor in 1952, and the eleventh site was acquired by a predecessor of NJNG in 1922. All of the gas manufacturing operations ceased at these sites at least since the mid-1950's and in some cases had been discontinued many years earlier, and all of the old gas manufacturing facilities were subsequently dismantled by NJNG or its predecessors. NJNG is currently involved in administrative proceedings with the New Jersey Department of Environmental Protection and Energy (NJDEPE) and local government authorities with respect to the plant sites in question, and is participating in various studies and investigations by outside consultants to determine the nature and extent of any such contaminated residues and to develop appropriate programs of remedial action, where warranted. Since October 1989, NJNG has entered into Administrative Consent Orders or Memoranda of Agreement with the NJDEPE covering all eleven sites. These documents establish the procedures to be followed by NJNG in developing a final remedial clean-up plan for each site.

Most of the cost of such studies and investigations is being shared under an agreement with the former owner and operator of ten of the MGP sites. See Note 11 to the Consolidated Financial Statements - Commitments and Contingent Liabilities in the Company's 1996 Annual Report for a discussion of the regulatory treatment of gas remediation costs.

In March 1995, NJNG filed a complaint in New Jersey Superior Court against various insurance carriers for declaratory judgment and for damages arising from such defendants' breach of their contractual obligations to defend and/or indemnify NJNG against liability for claims and losses (including defense costs) alleged against NJNG relating to environmental contamination at the former MGP sites and other sites. NJNG is seeking (i) a declaration of the rights, duties and liabilities of the parties under various primary and excess liability insurance policies purchased from the defendants by NJNG from 1951 through 1985, and (ii) compensatory and other damages, including costs and fees arising out of defendants' obligations under such insurance policies. The complaint was amended in July 1996 to name Kaiser-Nelson Steel & Salvage Company (Kaiser-Nelson) and its successors as additional defendants. The Company is seeking (a) a declaration of the rights, duties and liabilities of the parties under agreements with respect to claims against the Company that allege property damage

caused by various substances used, handled or generated by NJNG or the predecessor in title that were removed from several of the MPG sites by Kaiser-Nelson, and (b) money damages or compensatory relief for the harm caused by Kaiser-Nelson's aforementioned actions. There can be no assurance as to the outcome of these proceedings.

c. South Brunswick Asphalt, L.P.

NJNG has been named a defendant in a civil action commenced in New Jersey Superior Court by South Brunswick Asphalt, L.P. (SBA) and its affiliated companies seeking damages arising from alleged environmental contamination at three sites owned or occupied by SBA and its affiliated companies. Specifically, the suit charges that tar emulsion removed from 1979 through 1983 by an affiliate of SBA (Seal Tite, Inc.) from NJNG's former gas manufacturing plant sites has been alleged by the NJDEPE to constitute a hazardous waste and that the tar emulsion has contaminated the soil and ground water at the three sites in question. In February 1991, the NJDEPE issued letters classifying the tar emulsion/sand and gravel mixture at each site as dry industrial waste, a non-hazardous classification. On April 4, 1996, in a meeting with all parties to the litigation and the judge assigned to the case, the NJDEPE confirmed the non-hazardous classification, which will allow for conventional disposal.

Non-hazardous waste may be disposed of by a number of conventional methods, which are being explored by the parties.

d. Bridgeport Rental and Oil Service

In January 1992, NJNG was advised of allegations that certain waste oil from its former manufactured gas plant site in Wildwood, New Jersey may have been sent by a demolition contractor to the Bridgeport Rental and Oil Service (BROS) site in Logan Township, New Jersey. That site was designated a Superfund site and is currently the subject of two lawsuits pending in the U.S. District Court in New Jersey. NJNG notified its insurance carriers and participated in settlement discussions as a non-party litigant. See Item 3b. Legal Proceedings - Gas Remediation, for a description of an action brought by NJNG against various insurance carriers relating to insurance coverage of liability arising out of these sites. The two lawsuits have been settled. The consent decree has been forwarded to the Court for lodging, which, absent public comment or objection, is expected to be formally docketed before December 31, 1996. NJNG's share of the settlement was $2,150,000, of which 60% will be paid by the former owner and operator of the former MGP site in Wildwood. Although it is expected that the funds paid and placed in trust to reimburse the United States for cleanup costs to date and to fund the site remediation to conclusion are more than adequate for that purpose, the consent decree which was received by the Court on September 30, 1996 provides, according to a formula set forth therein, for a reopener for assessment of additional costs in excess of the present estimated amount to complete the cleanup, which is expected to last many years. The consent decree provides contribution protection from any claims by parties later brought into the case. However, only after the cleanup is completed will the final site release be effective to all of the settling parties, including NJNG. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations.

e. Iroquois

Pipeline owns a 2.8% equity interest in the Iroquois Gas Transmission System, L.P. (Iroquois) which has constructed and is operating a 375-mile pipeline from the U.S. - Canadian border in upstate New York to Long Island.

In late 1991 and early 1992 Iroquois was informed by the United States Attorney's office for the Northern, Southern and Eastern Districts of New York that federal criminal and civil investigations of the construction practices in connection with certain of its pipeline facilities had been commenced. The investigations were to determine whether Iroquois violated various environmental and other laws in the construction of such facilities. In addition, beginning in late 1993, Iroquois was informed by the FERC, the Army Corps of Engineers, the Department of Transportation (DOT) and the New York Public Service Commission that each of these agencies had also commenced investigations regarding the construction of the pipeline facilities.

On May 23, 1996, as part of a "global" resolution of these investigations, Iroquois Pipeline Operating Company (IPOC) pled guilty to four felony violations of the Clean Water Act and entered into consent decrees under the Clean Water Act in four federal judicial districts. Although not a named defendant, Iroquois signed the plea agreement and consent decrees and is bound by their terms. Iroquois also entered into a related settlement with the State of New York. Under these various agreements, Iroquois and IPOC agreed to pay $22 million in fines and penalties, agreed to remediate 27 wetlands along its pipeline, and agreed to implement under FERC and DOT orders two ten-year plans to address certain ground stability and pipeline safety concerns. Iroquois also entered into a separate settlement with the FERC pursuant to which it agreed to remove, prospectively, approximately $2 million of initial construction costs from its rate base for purposes of rate collection and to refund to its customers approximately $400,000, plus interest, associated with such construction costs which it had previously collected.

In addition, four former employees of IPOC pled guilty to misdemeanor violations of the Clean Water Act. On October 16, 1996, the United States filed indictments against another former employee of IPOC, the environmental consulting firm Iroquois and IPOC engaged during pipeline construction, and two of that firm's employees, in connection with the same matters covered by global settlement.

The Company's proportionate share of the final settlement agreement was $560,000, or $.03 per share, which was recorded in fiscal 1995. Pipeline's investment in Iroquois as of September 30, 1996 was $5.6 million.

f. Real Estate Properties

CR&R is the owner of Monmouth Shores Corporate Park (MSCP), located in Monmouth County, New Jersey. The land comprising MSCP (53 acres) is now regulated by the provisions of the Freshwater Wetlands Protection Act (the Act), which restricts building in areas defined as "freshwater wetlands" and their transition areas.

Based upon an environmental engineer's delineation of the wetland and transition areas in accordance with the provisions of the Act, CR&R will file for a Letter of Interpretation from NJDEPE as parcels of land are selected for development. Based upon the environmental engineer's revised

estimated developable yield for MSCP, the Company does not believe that a reserve against this property was necessary as of September 30, 1996.

g. Bessie-8

NJNR and others (the Joint Venture, et al.) were named in a complaint filed by the People's Natural Gas Company (People's) before the Pennsylvania Public Utility Commission (PaPUC). People's sought a determination that the Joint Venture, et al. were a public utility subject to the jurisdiction of the PaPUC and an order prohibiting natural gas service by the Joint Venture, et al. until proper PaPUC authorization was obtained.

In April 1988, an Administrative Law Judge (ALJ) issued an initial decision denying and dismissing People's complaint, "because the demonstrated activities of the Bessie-8 joint venture are not within the jurisdiction of the PaPUC to regulate". An initial decision is subject to adoption, modification or rejection by the full PaPUC. In April 1989, alternative motions to adopt the ALJ's initial decision or to subject the Joint Venture, et al. to the jurisdiction of the PaPUC failed due to 2-2 tie votes. In October 1992, the PaPUC, on its own initiative and without notice to any of the parties, determined in a 3-0 vote that the Joint Venture, et al. are a "public utility" under the Pennsylvania Public Utility Code and granted People's exceptions to the ALJ's April 1988 initial decision. In December 1992, the PaPUC issued a Final Order requiring the Joint Venture, et al. to apply for a certificate of public convenience or to cease and desist from providing service through the pipeline.

In January 1993, the Joint Venture, et al. filed two separate Petitions for Review with the Commonwealth Court of Pennsylvania. The first Petition for Review challenged the lawfulness of the PaPUC's action in October 1992 in light of the April 1989 tie vote. On appeal of the Commonwealth Court's order reversing the PaPUC, the Pennsylvania Supreme Court held that the April 1989 tie vote did not preclude the PaPUC from taking its October 1992 vote.

The second Petition for Review challenged the merits of the PaPUC's determination that the Joint Venture, et al. are a "public utility" under the Pennsylvania Public Utility Code. In July 1996, a three-judge panel of the Commonwealth Court, in a 2-1 decision, affirmed the PaPUC's determination that the Joint Venture, et al. were a "public utility" under Pennsylvania law. The Joint Venture, et al. filed a petition for review with the Pennsylvania Supreme Court, which petition is now pending before the Court.

In September 1993, Peoples instituted an action in the Court of Common Pleas of Allegheny County against the Joint Venture, et al. by filing a Praecipe for Writ of Summons. The Praecipe for Writ of Summons cannot and does not contain any description of the claim being asserted by Peoples. It merely tolls the statute of limitations and preserves any claim Peoples may have against the defendants until resolution of the actions discussed above. This action may concern a claim by Peoples for losses allegedly sustained as a result of the activities of the Joint Venture, et al. However, there has been no activity in this action and the nature of the action has not yet been determined. NJNR is unable to predict the outcome of these matters. The Company does not believe that the ultimate resolution of these matters will have a material adverse effect on its consolidated financial condition or results of operations.

In 1994, the Company wrote-off its $1 million investment in the Bessie-8 pipeline.

h. Securities and Exchange Commission (SEC)

On October 18, 1995, the SEC issued an Order Directing Private Investigation and Designating Officers to Take Testimony in connection with certain transactions engaged in by subsidiaries of the Company in early 1992. An SEC investigation is a fact-finding inquiry and not an adversarial proceeding. No adversarial proceedings have been commenced by the SEC. The Company is cooperating with the Staff of the SEC in its investigation.

i. Long Branch Pier

In August 1988 and in 1989, NJNG and an electric utility were named defendants in civil actions in New Jersey Superior Court commenced by the owners of several businesses and stores destroyed in a fire at the Long Branch Amusement Pier (the Pier) in New Jersey, which actions were subsequently consolidated. The plaintiffs allege, among other things, that NJNG had lines beneath a boardwalk which, the plaintiffs assert, reacted with faulty electric cables to cause the fire that damaged the Pier. The several plaintiffs assert compensatory damages against the defendants in an aggregate amount of approximately $35 million. Pre- trial settlement conferences were unsuccessful and a trial on the issues of liability commenced in October 1995. In January 1996, after two weeks of jury deliberations, the court declared a mistrial. Subsequently thereto, the Company and the electric utility have jointly settled four of the complaints. A new trial date for the remaining complaints has been scheduled for January 27, 1997.

NJNG is vigorously defending these remaining matters and its liability insurance carriers are participating in its defense. NJNG is unable to predict the outcome of such matters but does not believe that their ultimate resolution will have a material adverse effect on its consolidated financial condition or results of operations.

j. Various

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on its financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

INFORMATION CONCERNING FORWARD LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for forward-looking statements where those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. Certain of the statements contained in this report (other than the financial statements and other statements of historical fact), including, without limitation, statements as to management expectations and belief presented in Part I under the caption "New Jersey Natural Gas Company-Summary", are forward-looking statements. Forward-looking statements are made based upon management's expectations and belief concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on the Company will be those anticipated by management.

The Company wishes to caution readers that the assumptions which form the basis for forward-looking statements with respect to or that may impact earnings for fiscal 1997 and thereafter include many factors that are beyond the Company's ability to control or estimate precisely, such as estimates of future market conditions and the behavior of other market participants. Among the factors that could cause actual results to differ materially from estimate reflected in such forward-looking statements are weather conditions, economic conditions in NJNG's service territory, fluctuations in energy-related commodity prices, conversion activity and other marketing efforts, the conservation efforts of NJNG's customers, the pace of deregulation of retail gas markets, competition for the acquisition of gas, the regulatory and pricing policies of federal and state regulatory agencies, the availability of Canada's reserves for export to the United States and other regulatory changes.

While the Company periodically reassesses material trends and uncertainties affecting the Company's results of operations and financial condition in connection with its preparation of management's discussion and analysis of results of operations and financial condition contained in its quarterly and annual reports, the Company does not, by including this statement, assume any obligation to review or revise any particular forward-looking statement referenced herein in light of future events.

PART II

Information for Items 5 through 9 of this report appears in the Company's 1996 Annual Report as indicated on the following table and is incorporated herein by reference, as follows:

		Annual Report Page
ITEM 5.	Market for the Registrant's Common Equity and Related Stockholder Matters	
	Market Information - Exchange	46
	- Stock Prices & Dividends	25
	Dividend Restrictions	38
	Holders of Common Stock	24
ITEM 6.	Selected Financial Data	24
ITEM 7.	Management's Discussion and Analysis	
	of Financial Condition and Results of Operations	26-30
ITEM 8	Financial Statements and Supplementary Data	31-43
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure - None	

PART III

Information for Items 10 through 13 of this report is incorporated herein by reference to the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on January 29, 1997, which has been filed with the SEC pursuant to Regulation 14A on December 19, 1996.

	Proxy Page
ITEM 10. Directors and Executive Officers of the Registrant	3 - 7
ITEM 11. Executive Compensation	8 - 13
ITEM 12. Security Ownership of Certain Beneficial Owners and Management	2
ITEM 13. Certain Relationships and Related Transactions	5

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) The following Financial Statements of the Registrant and Independent Auditors' Report, included in the Company's 1996 Annual Report, are incorporated by reference in Item 8 above:

Consolidated Balance Sheets as of September 30, 1996 and 1995

Consolidated Statements of Income for the Years Ended September 30, 1996, 1995 and 1994

Consolidated Statements of Cash Flows for the Years Ended September 30, 1996, 1995 and 1994

Consolidated Statements of Capitalization as of September 30, 1996 and 1995

Consolidated Statements of Common Stock Equity for the Years Ended September 30, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

Independent Auditors' Report

(2) Financial Statement Schedules - See Index to Financial Statement Schedules on page 21.

(3) Exhibits - See Exhibit Index on page 25.

(b) The Company filed the following report on a Form 8-K during the quarter ended September 30, 1996;

On August 2, 1996, the Company filed a Form 8-K relating to the rights to purchase a series of the Company's preferred stock.

NEW JERSEY RESOURCES CORPORATION

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

SCHEDULE II

NEW JERSEY RESOURCES CORPORATION

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED SEPTEMBER 30, 1996, 1995 and 1994

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO EXPENSE	OTHER	BALANCE AT END OF YEAR
<S>	<C>	<C>	<C>	<C>
($000)				
1996:				
Reserves deducted from assets to which they apply				
Doubtful Accounts	$422	$1,732	$(1,276)(1)	$878
Materials and Supplies	$172	-	$10	$182

1995:

Reserves deducted from assets to which they apply				
Doubtful Accounts	$657	$1,487	$(1,722)(1)	$422
Materials and Supplies	$151	$12	$9 (2)	$172

1994:

Reserves deducted from assets to which they apply				
Doubtful Accounts	$684	$1,762	$(1,789)(1)	$657
Materials and Supplies	$ 48	$1,181	$(1,078)(2)	$151

</TABLE>

Notes: (1) Uncollectible accounts written off, less recoveries.
(2) Obsolete inventory written off, less salvage.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION
(Registrant)

Date: December 27, 1996

By:/s/Glenn C. Lockwood
Glenn C. Lockwood
Senior Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the Registrant in the capacities and on the dates included:

<TABLE>
<S>

Dec. 27, 1996 /s/Laurence M. Downes
Laurence M. Downes
Chairman, President, Chief
Executive Officer and Director

Dec. 27, 1996 /s/Glenn C. Lockwood
Glenn C. Lockwood
Senior Vice President and
Chief Financial Officer
(Principal Accounting Officer)

Dec. 27, 1996 /s/Bruce G. Coe
Bruce G. Coe
Director

Dec. 27, 1996 /s/Leonard S. Coleman
Leonard S. Coleman
Director

Dec. 27, 1996 /s/Joe B. Foster

<C>

Dec. 27, 1996 /s/Dorothy K. Light
Dorothy K. Light
Director

Dec. 27, 1996 /s/Donald E. O'Neill
Donald E. O'Neill
Director

Dec. 27, 1996 /s/Richard S. Sambol
Richard S. Sambol
Director

Dec. 27, 1996 /s/Charles G. Stalon
Charles G. Stalon
Director

Dec. 27, 1996 /s/John J. Unkles, Jr.

	Joe B. Foster Director		John J. Unkles, Jr. Director
Dec. 27 , 1996	Hazel S. Gluck Director	Dec. 27, 1996	Gary W. Wolf Director
Dec. 27, 1996	Warren R. Haas Director	Dec. 27 1996	George R. Zoffinger Director
Dec. 27, 1996	Lester D. Johnson Director		

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Shareowners and Board of Directors of New Jersey Resources Corporation:

We have audited the consolidated financial statements of New Jersey Resources Corporation as of September 30, 1996 and 1995 and for each of the three years in the period ended September 30, 1996, and have issued our report thereon dated October 28, 1996; such consolidated financial statements and report are included in your 1996 Annual Report to Shareowners and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of New Jersey Resources Corporation, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
October 28, 1996

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-52409 and No. 33-57711 of New Jersey Resources Corporation on Forms S-8 and S-3, respectively, of our reports dated October 28, 1996 appearing in and incorporated by reference in this Annual Report on Form 10-K of New Jersey Resources Corporation for the year ended September 30, 1996.

DELOITTE & TOUCHE LLP

Parsippany, New Jersey
December 27, 1996

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Reg. S-K Item 601 Reference	Document Description	Previous Filing: Registration Number	Previous Filing: Exhibit
<S>	<C>	<C>	<C>	
3-1	3	Restated Certificate of Incorporation of the Company, as amended (filed herewith)		
3-2		By-laws of the Company, as presently in effect	The Company's Form 8-K filed on	5-1

December 1, 1995

4-1	4	Specimen Common Stock Certificates	33-21872	4-1
4-2		Indenture of Mortgage and Deed of Trust with Harris Trust and Savings Bank, as Trustee, dated April 1, 1952	2-9569	4(g)
4-2L		Twelfth Supplemental Indenture, dated as of August 1, 1984	Note (1)	4-2L
4-2M		Thirteenth Supplemental Indenture, dated as of September 1, 1985	Note (2)	4-2M
4-2N		Fourteenth Supplemental Indenture, dated as of May 1, 1986	Note (3)	4-2N
4-2O		Fifteenth Supplemental Indenture, dated as of March 1, 1987	Note (4)	4-2O
4-2P		Sixteenth Supplemental Indenture, dated as of December 1, 1987	Note (5)	4-2P
4-2Q		Seventeenth Supplemental Indenture, dated as of June 1, 1988	Note (6)	4-2Q
4-2R		Eighteenth Supplemental Indenture, dated as of June 1, 1989	33-30034	4-2R
4-2S		Nineteenth Supplemental Indenture, dated as of March 1, 1991	Note (8)	4-2S
4-2T		Twentieth Supplemental Indenture, dated as of December 1, 1992	Note (9)	4-2T
4-2U		Twenty-First Supplemental Indenture, dated as of August 1, 1993	Note (10)	4-2U

</TABLE>

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<CAPTION>

Exhibit No.	Reg. S-K Item 601 Reference	Document Description	Previous Filing: Registration Number	Previous Filing: Exhibit
<S>		<C>	<C>	<C>
4-2V		Twenty-Second Supplemental Indenture, dated as of October 1, 1993	Note (10)	4-2V
4-2W		Twenty-Third Supplemental Indenture, dated as of August 15, 1994	Note (11)	4-2W
4-2X		Twenty-Fourth Supplemental Indenture, dated as of October 1, 1994	Note (11)	4-2X
4-2Y		Twenty-Fifth Supplemental Indenture, dated as of July 15, 1995	Note (12)	4-2Y
4-2Z		Twenty-Sixth Supplemental Indenture, dated as of October 1, 1995	Note (12)	4-2Z
4-3		Term Loan Agreement between New Jersey Resources Corporation and Union Bank of Switzerland, dated January 31, 1987	Note (6)	4-3
4-4		Revolving Credit Agreement between New Jersey Resources Corporation and Swiss Bank Corporation, dated September 6, 1989	Note (6)	4-4
4-5		Amended and Restated Note and Credit Agreement between New Jersey Resources Corporation and First Fidelity Bank,	The Company's Quarterly Report on Form 10-Q for	4-5

	dated May 7, 1993	the quarter ended June 30, 1993	
4-5A	Dated as of August 29, 1995 (filed herewith)		
4-5B	Dated as of April 2, 1996 (filed herewith)		
4-5C	Dated as of September 10, 1996 (filed herewith)		
4-6	Revolving Credit Agreement between New Jersey Resources Corporation and Societe Generale, dated August 25, 1996 (filed herewith)		
4-7	Revolving Credit and Term Loan Agreement between New Jersey Resources Corporation and Midlantic National Bank, dated December 20, 1990	Note (8)	4-7

</TABLE>

29

<TABLE>
<CAPTION>

Exhibit No.	Reg. S-K Item 601 Reference	Document Description	Previous Filing: Registration Number	Previous Filing: Exhibit
<S>	<C>		<C>	
4-8		Revolving Credit Agreement between New Jersey Resources Corporation and Union Bank of Switzerland, dated August 27, 1996 (filed herewith)		
4-9		Credit Agreement between New Jersey Resources Corporation and J.P. Morgan Delaware, dated August 1, 1991	Note (8)	4-9
4-10		Shareholder Rights Plan	The Company's Form 8-K filed on August 2, 1996	
10-2		Retirement Plan for Represented Employees, as amended October 1, 1984	2-73181	10(f)
10-3		Retirement Plan for Non-Represented Employees, as amended October 1, 1985	2-73181	10(g)
10-4		Supplemental Retirement Plans covering all Executive Officers as described in the Registrant's definitive proxy statement incorporated herein by reference	Note (3)	10-9
10-5		Agreements between NJNG and Texas Eastern Transmission Company (filed herewith)		
10-5A		Dated June 21, 1995		
10-5B		Dated June 21, 1995		
10-5C		Dated November 15, 1995		
10-6		Officer Incentive Plan effective as of October 1, 1986 (filed herewith)		
10-7		Lease Agreement between NJNG as Lessee and State Street Bank and Trust Company of Connecticut, National Association as Lessor for NJNG's Headquarters Building dated December 21, 1995 (filed herewith)		

</TABLE>

30

<TABLE>
<CAPTION>

Exhibit	Reg. S-K Item 601	Previous Filing: Registration

No.	Reference	Document Description	Number	Exhibit
<S>		<C>	<C>	
10-10		Long-term Incentive Compensation Plan as amended	Company's proxy statement on 14A	
10-12		Employment Continuation Agreement of Laurence M. Downes dated June 5, 1996 (filed herewith)		
10-12A		Schedule of Officer Employee Continuation Agreements (filed herewith)		
10-13		Agreements between NJNG and Alberta Northeast Gas Limited, dated February 7, 1991	Note (9)	10-13
10-14		Agreement between NJNG and Iroquois Gas Transmission System, L.P., dated February 7, 1991	Note (9)	10-14
10-15		Agreements between NJNG and CNG Transmission Corporation, (filed herewith)		
10-15A		Dated December 1, 1993		
10-15B		Dated December 1, 1993, as amended December 21, 1995		
13-1	13	1996 Annual Report to Stockholders. Such Exhibit includes only those portions thereof which are expressly incorporated by reference in this Form 10-K (filed herewith)		
21-1	21	Subsidiaries of the Registrant (filed herewith)		
23-1	23	Consent of Independent Accountants (filed herewith) See page 24		
27-1	27	Financial Data Schedule (filed herewith)		

</TABLE>

Note (1) 1984 Form 10-K File No. 1-8359
Note (2) 1985 Form 10-K File No. 1-8359
Note (3) 1986 Form 10-K File No. 1-8359
Note (4) 1987 Form 10-K File No. 1-8359
Note (5) 1988 Form 10-K File No. 1-8359
Note (6) 1989 Form 10-K File No. 1-8359
Note (7) 1990 Form 10-K File No. 1-8359
Note (8) 1991 Form 10-K File No. 1-8359
Note (9) 1992 Form 10-K File No. 1-8359
Note (10) 1993 Form 10-K File No. 1-8359
Note (11) 1994 Form 10-K File No. 1-8359
Note (12) 1995 Form 10-K File No. 1-8359

Filed
March 10, 1986
Exhibit 3-1

RESTATED CERTIFICATE OF INCORPORATION

OF

NEW JERSEY RESOURCES CORPORATION

WHEREAS, pursuant to N.J.S.A. Section 14A:9-5(1), a corporation may restate and integrate in a single certificate the provisions of its certificate of incorporation as theretofore amended; and

WHEREAS, pursuant to N.J.S.A. Section 14A:9-5(2), if the proposed restated certificate merely restates and integrates, but does not substantively amend the certificate of incorporation as theretofore amended, it may be adopted by the Board; and

WHEREAS, the Board of Directors of New Jersey Resources Corporation has determined to adopt this Restated Certificate of Incorporation by a resolution adopted on December 18, 1985;

NOW THEREFORE, New Jersey Resources Corporation hereby restates its Certificate of Incorporation to read in full as follows:

THIS IS TO CERTIFY THAT, there is hereby organized a corporation under and by virtue of N.J.S.A. 14A:1-1 et seq., the "New Jersey Business Corporation Act."

1. The name of the corporation is New Jersey Resources Corporation.

2. The address of the corporation's registered office is New Jersey Resources Corporation, 1415 Wyckoff Road, P.O. Box 1468, Wall, New Jersey 07719, and the name of the corporation's registered agent at such address is Oleta J. Harden.

3. The purposes for which the corporation is organized are to engage in any activity within the purposes for which corporations may be organized under the "New Jersey Business Corporation Act," N.J.S.A. 14A:1-1 et seq.

4. The aggregate number of shares which the corporation shall have authority to issue is 7,700,000 shares, of which 7,500,000 shares shall be designated as Common Stock of the par value of $5.00 per share and 200,000

shares shall be designated as Preferred Stock of the par value of $100 per share.

The Board of Directors may authorize the issuance from time to time of Preferred Stock in one or more series and with such designations, preferences, relative, participating, optional and other special rights, and qualifications, limitations or restrictions (which may differ with respect to each series) as the Board may fix by resolution, except that no shares of any such series shall have more than one vote each. Without limiting the foregoing, the Board of Directors is expressly authorized to fix with respect to each series:

(a) The number of shares which shall constitute such series and the name of such series;

(b) The rate and the time at which dividends on such series shall be paid and whether or not such dividends shall be cumulative;

(c) The voting powers, if any, of the holders of such series;

(d) The terms and conditions for the redemption of shares of such series, and the premium, if any, payable upon such redemption;

(e) The rights of such series upon voluntary or involuntary liquidation, including the premium, if any, payable upon the happening of such event;

(f) The terms or amount of any sinking funds or purchase fund for the purchase or redemption of shares of such series; and

(g) Conversion right or rights, if any.

5. The Board of Directors of the corporation con sists of twelve (12) Directors, and the name and address of each person who serves as such Director is:

James S. Abrams
349 Old Oscaleta Road
South Salem, NY 10590

Gordon F. Ahalt
10 Sycamore Lane
Morristown, NJ 07960

Roger E. Birk

542 Navesink River Road
Red Bank, NJ 07701

Bruce G. Coe
86 Buena Vista Avenue
Rumson, NJ 07760

Gerald W. Conway
23 Fairbanks Lane
Basking Ridge, NJ 07920

J. Douglass Corson
20766 Concord Green West
Boca Raton, FL 33433

James T. Dolan, Jr.
1540 Ocean Avenue, Unit 23
Sea Bright, NJ 07760

Shirley Ann Jackson
85 Sturbridge Drive
Piscataway, NJ 08854

Donald E. O'Neill
Maryknoll Drive (Box 427)
New Vernon, NJ 07976

William E. Scott
29 Laurel Place
Upper Montclair, NJ 07043

Thomas B. Toohey
3215 Sharpe Road
Wall, NJ 07719

John J. Unkles
45 Rolling Hill Drive
Morristown, NJ 07960

6. Except as otherwise fixed by or pursuant to the provisions of Paragraph 4 hereof, relating to the rights of the holders of any class or series of stock having a preference over the Common Stock, or upon liquidation to elect additional directors, the number of the directors of the Corporation shall be fixed from time to time by or pursuant to the By-laws of the Corporation.

Notwithstanding anything contained in the Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal this Paragraph 6 or to adopt any provision inconsistent therewith.

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7. (a) The Directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1988, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1989, with each class to hold office until its successor is elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stock holders held in the third year following the year of their election.

(b) Except as otherwise provided for or fixed by or pursuant to the provisions of Paragraph 4 hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

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(c) Notwithstanding anything contained in the Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal this Paragraph 7 or to adopt any provision inconsistent therewith.

8. The Board of Directors shall have power to make, alter, amend and repeal the By-laws of the Corporation (except so far as the By-laws adopted by the stockholders shall otherwise provide). Any By-laws made by the Directors under the powers conferred hereby may be altered, amended or repealed by the Directors or by the stockholders, provided, however, that if Article I of the By-laws relating to the terms of office and election of directors and Article X of the By-laws relating to amendment of the By-laws of the Corporation, shall be adopted by the Board of Directors, such sections shall not thereafter be altered, amended or repealed, nor shall any provision inconsistent therewith be adopted, except by the holders of 80% or more of the voting power of the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. Notwithstanding anything contained in the Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of all the shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal this Paragraph 8 or to adopt any provision inconsistent therewith.

9. The vote of stockholders of the Corporation required to approve any Business Combination shall be as set forth in this Paragraph 9. The term "Business Combination" shall have the meaning ascribed to it in (a)(B) of this Paragraph; each other capitalized term used in this Paragraph shall have the meaning ascribed to it in (c) of this Paragraph.

(a) (A) In addition to any affirmative vote required by law or the Certificate of Incorporation or any resolution adopted pursuant to Paragraph 9 of the Certificate of Incorporation, and except as otherwise expressly provided in (b) of this Paragraph 9:

(1) any merger of consolidation of the Corporation or any Subsidiary with (i) any Interested Stockholder or (ii) any other corporation or entity (whether or not itself an Interested Stockholder) which is, or after each merger or consolidation would be, an Affiliate of an Interested Stockholder; or

(2) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of $10,000,000 or more; or

(3) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of

transactions) of any securities of the Corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities, or other property (or a combination thereof) having an aggregate Fair Market Value of $10,000,000 or more, other than the issuance of securities upon the conversion of convertible securities of the Corporation or any Subsidiary which were not acquired by such Interested Stockholder (of such Affiliate) from the Corporation of a Subsidiary; or

(4) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested

Stockholder or any Affiliate of any Interested Stockholder; or

(5) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which in any such case has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of stock or securities convertible into stock of the Corporation or any Subsidiary which is directly or indirectly beneficially owned by any Interested Stockholder or any Affiliate or any Interested Stockholder;

shall not be consummated without the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors ("Voting Stock"), in each case voting together as single class. Such affirmative vote shall be required, notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or by the Certificate of Incorporation or any resolution adopted pursuant to the Certificate of Incorporation or in any agreement with any national securities exchange or otherwise.

(B) The Term "Business Combination" as used in this Paragraph 9 shall mean any transaction that is referred to in any one or more clauses (1) through (5) of (a)(A) of this Paragraph.

(b) The provisions of (a) of this Paragraph 9 shall not be applicable to any Business Combination in respect of which all of the

conditions specified in either of the following paragraphs (A) and (B) are met,

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and such Business Combination shall require only such affirmative vote as is required by law and any of the provisions of the Certificate of Incorporation and any resolution or resolutions of the Board of Directors adopted pursuant to the Certificate of Incorporation:

(A) such Business Combination shall have been approved by a majority of the Disinterested Directors, or

(B) each of the six conditions specified in the following clauses (1) through (6) shall have been met:

(1) the aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination (the "Consummation Date") of any consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of Common Stock beneficially owned by the Interested Stockholder which were acquired beneficially by such Interested Stockholder

(x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Stockholder, whichever is higher; or

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(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (the "Determination Date"), whichever is higher; and

(2) the aggregate amount of the cash and the Fair Market Value as of the Consummation Date of any consideration other than cash to be received per share by holders of shares of any other class or series of Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this clause (B)(2) shall be required to be met with respect to every class and series of such outstanding Voting Stock, whether or not the Interested Stockholder beneficially owns any shares of a particular class or series of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid in order to acquire any shares of such class or series of voting stock owned by the Interested Stockholder which were acquired beneficially by such Interested Stockholder (x) within the two-year period immediately prior to the Announcement Date or (y) in the transaction in which it became an Interested Shareholder, whichever is higher; or

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class or

series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation; and

(3) the consideration to be received by holders of a particular class or series of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of such class or series of Voting Stock that are beneficially owned by the Interested Stockholder and, if the Interested Stockholder beneficially owns shares of any class or series of Voting Stock that were acquired with varying forms of consideration, the form of consideration to be received by holders

of such class or series of Voting Stock shall be either cash or the form used to acquire beneficially the largest number of shares of such class or series of Voting Stock beneficially acquired by it prior to the Announcement Date; and

(4) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination:

(i) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular dates therefor the full amount of any dividends (whether or not cumulative) payable on any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation;

(ii) there shall have been (x) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (y) an increase in such annual rate of dividends (as necessary to prevent any such reduction) in the event of any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such an annual rate was approved by a majority of the Disinterested Directors; and

(iii) such Interested Stockholder shall not have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction in which it became an Interested Stockholder; and

(5) after such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit,

directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

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(6) a proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(c) For the purposes of this Paragraph 9:

(A) A "person" shall mean any individual, firm, corporation or other entity, other than any employee stock plans sponsored by the Corporation for the exclusive benefit of the Corporation, its subsidiaries and their employees.

(B) "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary or any employee stock plans sponsored by the Corporation for the exclusive benefit of the Corporation, its subsidiaries and their employees) who or which:

(1) is the beneficial owner, directly or indirectly, of more than 20% of the combined voting power of the then outstanding shares of Voting Stock; or

(2) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 20% or more of the combined voting power

of the then outstanding shares of Voting Stock; or

(3) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock that were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(C) A person shall be a "beneficial owner" of any Voting Stock:

(1) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(2) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(D) For the purposes of determining whether a person is an Interested Stockholder pursuant to (c)(B) of this Paragraph 9, the number of shares

of Voting Stock deemed to be outstanding shall include shares deemed owned through applications of (c)(C) of this Paragraph but shall not include any other shares of Voting Stock that may be issuable pursuant to an agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(E) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on December 1, 1985.

(F) "Subsidiary" means any corporation more than 50% of whose outstanding stock having ordinary voting power in the election of directors is owned, directly or indirectly, by the Corporation or by a Subsidiary or by the Corporation and one or more Subsidiaries; provided, however, that for the purposes of the definition of Interested Stockholder set forth in (c)(B) of this Paragraph 9, the term "Subsidiary" shall mean only a corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation.

(G) "Disinterested Director" means any member of the Board of Directors of the Corporation who is unaffiliated with, and not a nominee of, the Interested Stockholder and was a member of the Board prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Stockholder and who is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(H) "Fair Market Value" means: (1) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (2) in the case of stock of any class or series which is not traded on any United States registered securities exchange or in the over-the-counter market or in the case of property other than cash or stock, the fair market value of such property on the

date in question as deter mined by a majority of the Disinterested Directors in good faith.

(I) In the event of any Business Combination in which the Corporation survives, the phrase "any consideration other than cash to be received" as used in (b)(B)(1) and (2) of this Paragraph 9 shall include the shares of Common Stock and/or the shares of any other class of outstanding Voting Stock retained by the holders of such shares.

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(J) "Announcement Date" means the date of first public announcement of the proposed Business Combination.

(K) "Determination Date" means the date on which the Interested Stockholder became an Interested Stockholder.

(L) The price determined in accordance with (b)(B)(1) and (b)(B)(2) of this Paragraph 9 shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(d) A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Paragraph 9, including, without limitation, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another person, (D) whether the requirements of (b) of this Paragraph 9 have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Company or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $10,000,000 or more. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Paragraph 9.

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CERTIFICATE OF ADOPTION
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
NEW JERSEY RESOURCES CORPORATION

The undersigned corporation, for the purposes of restating its Certificate of Incorporation and pursuant to the provisions of Section 14A:9-5(5) of the New Jersey Business Corporation Act, hereby certifies as follows:

FIRST: The name of the corporation is NEW JERSEY RESOURCES CORPORATION.

SECOND: The restatement of the Certificate of Incorporation of New Jersey Resources Corporation has been duly adopted by the Board of Directors pursuant to N.J.S.A. 14A:9-5(2) on December 18, 1985.

IN WITNESS WHEREOF, New Jersey Resources Corporation has caused this Certificate to be executed on its behalf by its President. Dated: March 7, 1986

NEW JERSEY RESOURCES CORPORATION

By:/s/ James T. Dolan, Jr.

James T. Dolan, Jr.,
President

ATTEST:

/s/ Oleta J. Harden

Oleta J. Harden, Secretary

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Filed
December 10, 1986

NEW JERSEY RESOURCES CORPORATION

STATEMENT OF CANCELLATION OF REACQUIRED SHARES

To: The Secretary of State
State of New Jersey

Pursuant to the provisions of Section 14A:7-18, Corporation, General of the New Jersey Statutes, the undersigned Corporation hereby submits the following statement of Cancellation of Reacquired Shares:

1. The name of the Corporation is NEW JERSEY RESOURCES CORPORATION.

2. 19,900 shares of Common Stock, of the par value of $5.00 per share, is the number of shares cancelled, which shares were cancelled as of October 30, 1986 upon their reacquisition pursuant to a resolution of the Corporation's Board of Directors adopted on September 24, 1986.

3. The aggregate number of issued shares of the Corporation's Common Stock, of the par value of $5.00 per share, after giving effect to such cancellation, as of October 30, 1986, was 3,599,474.

4. The amount of the stated capital of the Corporation, after giving effect to such cancellation as of October 30, 1986, was $17,997,370.

5. The information called for by Subsections 14A:7-18(2)(e) and (f) is not applicable to the reacquisition and cancellation of the shares referred to herein.

Dated this 28th day of November, 1986

NEW JERSEY RESOURCES CORPORATION

By:/s/ James T. Dolan, Jr.

James T. Dolan, Jr.
President & CEO

Filed
February 2, 1987

NEW JERSEY RESOURCES CORPORATION

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

NEW JERSEY RESOURCES CORPORATION, a corporation of the State of New Jersey, by it President and Secretary, does hereby certify:

1. The name of the corporation is NEW JERSEY RESOURCES CORPORATION.

2. At a meeting of the Board of Directors of said New Jersey Resources Corporation, duly held and convened on November 18, 1986, the Board of Directors duly approved the following proposed amendment to the Certificate of Incorporation of New Jersey Resources Corporation and directed that the proposed amendment be submitted to a vote at a meeting of the shareholders of the Corporation, to wit: That the first paragraph of Article 4 of the Corporation's Certificate of Incorporation be amended to state as follows:

> "4. The aggregate number of shares which the Corporation shall have authority to issue is 15,200,000 shares, of which 15,000,000 shares shall be designated as Common Stock of the par value of $5.00 per share and 200,000 shares shall be designated as Preferred Stock of the par

value of $100 per share."

3. Pursuant to the aforesaid directive of the Board of Directors of New Jersey Resources Corporation, and upon notice duly given to each stockholder of said Corporation as required by its Bylaws, the Annual Meeting of Stockholders of said Corporation was held in Wall Township on January 28, 1987, at 10:30 o'clock in the forenoon, at which meeting the proposed Amendment was duly submitted to and was adopted by the affirmative vote of a majority of the

votes cast by the holders of shares entitled to vote thereon.

4. At the aforesaid Annual Meeting of Stockholders of the Corporation held on January 28, 1987, there were 3,604,163 shares of the Corporation's Common Stock, par value $5.00 per share, entitled to vote thereon. No shares of any separate class or series of stock were entitled to vote thereon as a class.

5. At the aforesaid Annual Meeting of Stockholders, 2,554,965 shares were voted FOR the proposed Amendment, and 322,638 shares were voted AGAINST the Amendment.

IN WITNESS WHEREOF, said New Jersey Resources Corporation, has caused this Certificate to be signed by its President and Secretary, and its corporate seal to be hereunto affixed and attested, this 30th day of January, 1987.

NEW JERSEY RESOURCES CORPORATION

/s/ Thomas B. Toohey

Thomas B. Toohey
President

(Seal)

Attest:

/s/ Oleta J. Harden

Oleta J. Harden
Secretary

Filed
February 10, 1987

NEW JERSEY RESOURCES CORPORATION

CERTIFICATE OF DIVISION OF SHARES

NEW JERSEY RESOURCES CORPORATION, a corporation of the State of New Jersey, hereby certifies under the hands of its President and Secretary, as follows:

1. The name of the corporation is NEW JERSEY RESOURCES CORPORATION.

2. At a meeting of the Board of Directors of said New Jersey Resources Corporation, duly held and convened on January 28, 1987, the said Board of Directors, acting without shareholder approval pursuant to the provisions of N.J.S.A. 14A:7-15.1, duly adopted resolutions (a) approving the division of the shares of Common Stock of the corporation which are issued and outstanding upon the effective date hereof, into twice the number of shares issued and outstanding; and (b) amending the Certificate of Incorporation of the corporation to decrease the par value of each share of Common Stock from $5.00 per share to $2.50 per share.

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3. The division of shares will not adversely affect the rights or preferences of the holders of outstanding shares of any class or series, and will not increase the number of authorized but unissued shares.

4. The class or series and number of shares thereof subject to the division is the Common Stock of the corporation, of which 3,698,012 shares of the par value of $5.00 per share are presently issued and outstanding, and which as a result of the division will be changed and divided into twice that number, or 7,396,024 shares of the par value of $2.50 per share. The additional shares shall be issued to Common Stockholders of record on the effective date as set forth in this Certificate, each shareholder to receive an additional share of Common Stock for each share held on that date.

5. The first paragraph of the Fourth Article of the Certificate of Incorporation of the corporation is hereby amended in its entirety to state as follows:

> "4. The aggregate number of shares which the Corporation shall have authority to issue is 15,200,000 shares, of which 15,000,000 shares shall be designated as Common Stock of the par value of $2.50 per share and

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> 200,000 shares shall be designated as Preferred Stock of the par value of $100 per share. The number of shares of Common Stock heretofore issued and which are presently outstanding, namely 3,698,012 shares of the par value of $5.00 per share, are hereby changed into twice that number of shares of the par value of $2.50 per share."

6. The division of shares and the amendment to the Certificate of Incorporation as set forth herein shall become effective on February 13, 1987.

IN WITNESS WHEREOF, New Jersey Resources Corporation has made this Certificate under its seal and the hands of its President and Secretary, this 5th day of February, 1987.

ATTEST: NEW JERSEY RESOURCES CORPORATION

(SEAL)

/s/ Oleta J. Harden
Oleta J. Harden
Secretary

/s/ Thomas B. Toohey
Thomas B. Toohey
President

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THE PURPOSE OF THIS FORM IS TO SIMPLIFY THE FILING REQUIREMENTS OF THE SECRETARY OF STATE, AND DOES NOT REPLACE THE NEED FOR COMPETENT LEGAL ADVICE.

CHECK APPROPRIATE STATUTE:

Nonprofit Corporations must file this form in DUPLICATE.

/X/ TITLE 14A:1-6(5) New Jersey Business Corporation Act must file this form in DUPLICATE.

/ / TITLE 15A:1-7(e) New Jersey Nonprofit Corporation Act

CERTIFICATE OF CORRECTION

OF

NEW JERSEY RESOURCES CORPORATION

(For Use by Domestic and Foreign, Profit and Nonprofit Corporations)

The Undersigned, hereby submits for filing, a Certificate of Correction, executed in behalf of the above named Corporation, pursuant to the provisions of the appropriate Statute, checked above, of the New Jersey Statutes.

1. The Certificate to be corrected is:

Restated Certificate of Incorporation	March 10, 1986
(Type of Certificate)	(Date Filed)

2. The inaccuracy in the Certificate is (indicate inaccuracy or defect):

Paragraphs 7 and 9 (b)(B)(2) of Restated Certificate of Incorporation filed with the Secretary of State of New Jersey contained typographical errors. Such Paragraphs were approved in their correct form by the corporation's shareholders at the 1986 Annual Meeting of Shareholders on January 29, 1986.

3. Ihe Certificate of Correction hereby reads as follows:

A subparagraph (c) shall be added to Paragraph 7 of the Restated Certificate of Incorporation reading, in its entirety, as follows:

> "(c) Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, no member of the Board of Directors may be removed from office except for cause, and only then by the affirmative vote of the holders of 80% of the voting power of the then outstanding shares of stock entitled to vote generally in the election of Directors, voting together as a single class."

A subparagraph (iii) shall be added to Paragraph 9(b)(B)(2) of the Restated Certificate of Incorporation reading, in its entirety, as follows:

> "(iii) the Fair Market Value per share of such class or series of Voting Stock on the Announcement Date or Determination Date, whichever is higher; and"

FOR OFFICIAL USE ONLY

Signature:/s/ Oleta J. Harden

Name: Oleta J. Harden

Title: Vice-President

(Must be Ch. of Bd. or Pres. or Vice Pres.)

Date: March 17, 1987

Filed
May 10, 1988

NEW JERSEY RESOURCES CORPORATION

CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF INCORPORATION

NEW JERSEY RESOURCES CORPORATION, a corporation of the State of New Jersey, by its President and Secretary, does hereby certify:

1. The name of the corporation is NEW JERSEY RESOURCES CORPORATION.

2. At a meeting of the Board of Directors of said New Jersey Resources Corporation, duly held and convened on November 18, 1987, the Board of Directors by resolution duly approved the following proposed amendment to the Certificate of Incorporation of New Jersey Resources Corporation and directed that the proposed amendment be submitted to a vote at a meeting of the shareholders of the Corporation, to wit: That a Paragraph 10 be added to the Corporation's Certificate of Incorporation as follows:

> "10. To the fullest extent from time to time per mitted by law, directors and officers shall not be personally liable to the Corporation or its stockholders for damages for breach of any duty owed to the Corporation or its stockholders. Unless otherwise permitted by law, the provisions of this Paragraph 10 shall not relieve a director or officer from liability for any breach of duty based upon an act or omission (a) in breach of such person's duty of loyalty to the Corporation or its stockholders, (b) not in good faith or involving a knowing violation of law or (c) resulting in receipt by such person of an improper personal benefit. No amendment or repeal of this provision shall adversely affect any right or protection of

> a director or officer of the Corporation existing at the time of such amendment or repeal."

3. Pursuant to the aforesaid resolution of the Board of Directors of New Jersey Resources Corporation, and upon notice duly given to each stockholder of said Corporation as required by its Bylaws, the Annual Meeting of Stockholders of said Corporation was held in Wall Township on January 27, 1988, at 10:30 o'clock in the forenoon, at which meeting the proposed Amendment was duly submitted to and was approved by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote thereon.

4. At the aforesaid Annual Meeting of Stockholders of the Corporation held on January 27, 1988, there were 9,041,219 shares of the Corporation's Common Stock, par value $2.50 per share, entitled to vote thereon.

No shares of any separate class or series of stock were entitled to vote thereon as a class.

5. At the aforesaid Annual Meeting of Stockholders, 7,059,925 shares were voted FOR the proposed Amendment, and 562,466 shares were voted AGAINST the Amendment.

IN WITNESS WHEREOF, said New Jersey Resources Corporation has caused this Certificate to be signed by its President and Secretary, and its corporate seal to be hereunto affixed and attested, this 7th day of March, 1988.

NEW JERSEY RESOURCES CORPORATION

/s/ Thomas B. Toohey

Thomas B. Toohey
President

(Seal)

Attest:

/s/ Oleta J. Harden

Oleta J. Harden
Secretary

Filed
March 19, 1996

NEW JERSEY RESOURCES CORPORATION

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

NEW JERSEY RESOURCES CORPORATION, a Corporation of the State of New Jersey, by its President and Secretary, does hereby certify:

1. The name of the corporation is NEW JERSEY RESOURCES CORPORATION.

2. At a meeting of the Board of Directors of said New Jersey Resources Corporation, duly held and convened on November 29, 1995, the Board of

Directors duly approved the following proposed amendment to the Restated Certificate of Incorporation of New Jersey Resources Corporation and directed that the proposed amendment be submitted to a vote at a meeting of the shareholders of the Corporation, to wit: That the first paragraph of Article 4 of the Corporation's Restated Certificate of Incorporation be amended to state as follows:

> "4. The aggregate number of shares which the Corporation shall have authority to issue is 50,400,000 shares, of which 50,000,000 shares shall be designated as Common Stock of the par value of $2.50 per share and 400,000 shares shall be designated as Preferred Stock of the par value of $100 per share."

3. Pursuant to the aforesaid directive of the Board of Directors of New Jersey Resources Corporation, and upon notice duly given to each stockholder of said Corporation as required by its By-Laws, the Annual Meeting

of the Stockholders of said Corporation was held at the Robert M. Meyner Reception Center, Garden State Arts Center, in Holmdel, New Jersey on February 14, 1996 at 10:30 o'clock in the forenoon, at which meeting the proposed amendment was duly submitted to and was adopted by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote thereon.

4. At the aforesaid Annual Meeting of Stockholders of the Corporation held on February 14, 1996, there were 17,928,239 shares of the Corporation's Common Stock, par value $2.50 per share, entitled to vote thereon. No shares of any separate class or series of stock were entitled to vote thereon as a class.

5. At the aforesaid Annual Meeting of Stockholders, 13,069,267 and 1,560,071 shares were voted FOR and AGAINST the proposed amendment, respectively, as it relates to the Common Stock, and 9,701,057 and 3,348,880 shares were voted FOR and AGAINST the proposed amendment, respectively, as it relates to the Preferred Stock.

IN WITNESS WHEREOF, said New Jersey Resources Corporation has caused this Certificate to be signed by its President and Secretary, and its corporate seal to be hereunto affixed and attested, this 18th day of March, 1996.

NEW JERSEY RESOURCES CORPORATION

/s/ Laurence M. Downes

Laurence M. Downes, President & CEO

(Seal)
Attest:

/s/ Oleta J. Harden

Oleta J. Harden, Secretary

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Filed
February 8, 1989

NEW JERSEY RESOURCES CORPORATION

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

NEW JERSEY RESOURCES CORPORATION, a Corporation of the State of New Jersey, by its President and Secretary, does hereby certify:

1. The name of the corporation is NEW JERSEY RESOURCES CORPORATION.

2. At a meeting of the Board of Directors of said New Jersey Resources Corporation, duly held and convened on October 17, 1988, the Board of Directors duly approved the following proposed amendment to the Restated Certificate of Incorporation of New Jersey Resources Corporation and directed that the proposed amendment be submitted to a vote at a meeting of the shareholders of the Corporation, to wit: That the first paragraph of Article 4 of the Corporation's Restated Certificate of Incorporation be amended to state as follows:

> "4. The aggregate number of shares which the Corporation shall have authority to issue is 25,200,000 shares, of which 25,000,000 shares shall be designated as Common Stock of the par value of $2.50 per share and 200,000 shares shall be designated as Preferred Stock of the par value of $100 per share."

3. Pursuant to the aforesaid directive of the Board of Directors of New Jersey Resources Corporation, and

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upon notice duly given to each stockholder of said Corporation as required by its By-Laws, the Annual Meeting of Stockholders of said Corporation was held in Wall Township on January 25, 1989, at 10:30 o'clock in the forenoon, at which meeting the proposed amendment was duly submitted to and was adopted by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote thereon.

4. At the aforesaid Annual Meeting of Stockholders of the Corporation held on January 25, 1989, there were 11,001,550 shares of the Corporation's Common Stock, par value $2.50 per share, entitled to vote thereon. No shares of any separate class or series of stock were entitled to vote thereon as a class.

5. At the aforesaid Annual meeting of Stockholders, 8,057,749 shares were voted FOR the proposed amendment, and 841,742 shares were voted AGAINST the amendment.

IN WITNESS WHEREOF, said New Jersey Resources Corporation has caused this Certificate to be signed by its President and Secretary, and its corporate seal to be hereunto affixed and attested, this 25th day of January, 1989.

NEW JERSEY RESOURCES CORPORATION

/s/ Thomas B. Toohey

Thomas B. Toohey, President

(Seal)

Attest:

/s/ Oleta J. Harden

Oleta J. Harden, Secretary

Filed
August 1, 1996

NEW JERSEY RESOURCES CORPORATION

CERTIFICATE OF AMENDMENT
OF RESTATED CERTIFICATE OF INCORPORATION

Pursuant to the provisions of Section 14A:7-2(2) of the New Jersey Business Corporation Act, the undersigned Corporation executes the following Certificate of Amendment to its Restated Certificate of Incorporation.

1. The name of the Corporation is NEW JERSEY RESOURCES CORPORATION.

2. The following resolution, establishing and designating a series of shares and fixing and determining the relative rights and preferences thereof was duly adopted by the Board of Directors of the Corporation on the 31st day of July, 1996, pursuant to authority vested in it by the Restated

Certificate of Incorporation:

"RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation (the "Restated Certificate"), a series of Preferred Stock of the Corporation be, and it hereby is, created, and that the designation and amount thereof and the voting powers, preferences and relative participating, optional and other special rights of the shares of such series, and

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the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount.

The shares of such series shall be designated as Series A Junior Participating Cumulative Preferred Stock, par value $100 per share (the "Junior Preferred Stock") and the number of shares constituting such series shall be 50,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Junior Preferred Stock to a number less than the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Junior Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of preferred stock (or any similar stock) ranking prior and superior to the Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of Common Stock, and of any other junior stock which may be outstanding, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $2.50 per share ($10.00 per annum), or (b) subject to the provision for adjustment hereinafter set forth, 1,000

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times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of

Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Junior Preferred Stock. In the event the corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Junior Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $2.50 per share ($10.00 per annum) on the Junior Preferred Stock shall nevertheless

be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Junior Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends or such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall accumulate but shall not bear interest. Dividends paid on the shares of Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of

holders of shares of Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights.

The holders of shares of Junior Preferred Stock shall have the following voting rights.

(A) Each share of Junior Preferred Stock shall entitle the holder thereof to 1 vote on all matters submitted to a vote of the shareholders of the Corporation.

(B) Except as otherwise provided herein, in the Restated Certificate, in any other certificate of amendment creating a series of preferred stock or any similar stock, or by law, the holders of shares of Junior Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) If at any time the Corporation shall not have declared and paid all accrued and unpaid dividends on the Junior Preferred Stock as provided in Section 2 hereof for four consecutive Quarterly Dividend Payment Dates, then, in addition to any voting rights provided for in paragraphs (A) and (B), the holders of the Junior Preferred Stock shall have the exclusive right, voting separately as class, to elect two directors on the Board of Directors of the Corporation (such directors, the "Preferred Directors"). The right of the holders of the Junior Preferred Stock to elect the Preferred Directors shall continue until all such accrued and unpaid dividends shall have been paid. At such time, the terms of any of the Preferred Directors shall terminate. At any time when the holders of the Junior Preferred Stock shall have thus become entitled to elect Preferred Directors, a special meeting of shareholders shall be called for the purpose of electing such Preferred Directors, to be held within 30 days after the right of the holders of the Junior Preferred Stock to elect such Preferred Directors shall arise, upon notice given in the manner provided by law or the by-laws of the Corporation for giving notice of a special meeting of shareholders (provided, however, that such a special meeting shall not be called if the annual meeting of shareholders is to convene within said 30 days). At any such special meeting or at any annual meeting at which the holders of the Junior Preferred Stock shall be entitled to elect Preferred Directors, the holders of a majority of the then

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outstanding Junior Preferred Stock present in person or by proxy shall be sufficient to constitute a quorum for the election of such directors. The persons elected by the holders of the Junior Preferred Stock at any meeting in accordance with the terms of the preceding sentence shall become directors on the date of such election.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Junior Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares or stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Junior Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock except dividends paid ratably on the Junior Preferred Stock, and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock, provided that the

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corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding-up) to the Junior Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon

liquidation, dis solution or winding-up) with the Junior Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares.

Any shares of Junior Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever, shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock, without designation as to series, and may be reissued as part of a new series of preferred stock to be created by resolution or

resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein, in the Restated Certificate, in any other certificate of amendment creating a series of preferred stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding-Up.

Upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, no distribution shall be made (A) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Junior Preferred Stock unless prior thereto, the holders of shares of Junior Preferred Stock shall have received the higher of (i) $10.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (ii) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of Common Stock; nor shall any distribution be made (B) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Junior Preferred Stock, except distributions made ratably on

the Junior Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding-up. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of

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shares of Junior Preferred Stock are entitled immediately prior to such event under the provision in clause (A) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger etc.

In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, or otherwise changed, then in any such case each share of Junior Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

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Section 8. No Redemption.

The shares of Junior Preferred Stock shall not be redeemable.

Section 9. Rank.

Unless otherwise provided in the Restated Certificate or a certificate of amendment relating to a subsequent series of preferred stock of the Corporation, the Junior Preferred Stock shall rank junior to all other series of the Corporation's preferred stock as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding-up, and senior to the Common Stock of the Corporation.

Section 10. Amendment.

The Restated Certificate, as amended and restated, shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Junior Preferred Stock, voting together as a single series.

Section 11. Fractional Shares.

Junior Preferred Stock may be issued in fractions of a share (in one one-thousandths (1/1,000) of a share and integral multiples thereof) which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Junior Preferred Stock."

3. The resolution was adopted by the Board of Directors at a meeting duly called and held on July 31, 1996, at which a quorum was present throughout.

4. The Restated Certificate of Incorporation of the Corporation is amended so that the designation and number of shares of the class and series acted upon in the resolution, and the relative rights, preferences and limitations of such class and series are as stated in the resolution.

IN WITNESS WHEREOF, this Certificate of Amendment is executed on behalf of the Corporation by its President and attested by its Secretary this 31st day of July 1996.

NEW JERSEY RESOURCES CORPORATION

By:/s/ Laurence M. Downes

Laurence M. Downes
President

ATTEST:

By:/s/ Oleta J. Harden

Oleta J. Harden,
Secretary

EXHIBIT 4.5A

FIRST AMENDMENT (the "Amendment"), dated as of April 2, 1996, to the Amended and Restated Note and Credit Agreement as amended, (the "Agreement"), dated May 7, 1993, between NEW JERSEY RESOURCES CORPORATION (the "Borrower") and FIRST UNION NATIONAL BANK (formerly known as First Fidelity Bank, National Association) (the "Bank").

WITNESSETH:

WHEREAS, the Borrower and the Bank are parties to the Agreement; and

WHEREAS, the Borrower has requested the Bank to modify the Agreement, and the Bank is agreeable to such request;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto hereby agree as follows,

1. Definitions. Except as otherwise stated, capitalized terms defined in the Agreement and used herein without definition shall have the respective meanings assigned to them In the Agreement.

2. Amendments to the Agreement.

Section I (the Commitment) of the Agreement is hereby amended by deleting therefrom 'Twenty Million Dollars ($20,000,000)" and substituting in its place "Thirty Million Dollars ($30,000,000)"; provided, however, that on September 30, 1996 the aforementioned amount referenced shall revert back to Twenty Million Dollars ($20,000,000) and subject to paragraph Ill. 9.4 or III.C.4, as applicable, any amount outstanding in excess of Twenty Million Dollars ($20,000,000) shall be repaid on said date."

3. Representations and Warranties. To induce the Bank to enter into this Amendment, the Borrower hereby represents and warrants that:

(a) The Borrower has the power, authority and legal right to make and deliver this Amendment and to perform its obligations under the Agreement, as amended by this Amendment, without any notice, consent, approval or authorization not already obtained, and the Borrower has taken all necessary action to authorize the same.

(b) The making and delivery of this Amendment and the performance of the Agreement as amended by this Amendment do not violate any provision of law, any regulation, the Borrower's charter or the Borrower's by-laws or result In the breach of or constitute a default under or require any consent under any Indenture or other agreement or Instrument to which the Borrower is a party or by which the Borrower or any of Its property may be bound or affected. The

Agreement as amended by this Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally.

(c) The representations and warranties contained in the Agreement are true and correct on and as of the date of this Amendment and after giving effect thereto, provided that , for purposes hereof (I) in Section IX (h) of the Agreement, the reference to the September 30, 1992 audited financial statements shall be deleted and shall be replaced by "September 30, 1995" and (ii) in Sections IX a) of the Agreement, the references to "September 30, 1992" shall be replaced by "September 30, 1995".

(d) No Event of Default or event which, with the giving of notice or lapse of time or both, would be an Event of Default has occurred and is continuing under the Agreement as of the date of this Amendment and after giving effect thereto.

4. Effective Date. This Amendment shall become effective when all of the following shall have occurred:

(a) The Bank shall have received counterparts of this Amendment, duly executed by each of the parties hereto.

(b) The Bank shall have received a copy of the resolution of the Board of Directors of the Borrower authorizing the execution, delivery and performance of this Amendment, certified by an appropriate officer of the Borrower.

5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original and all of which taken together shall constitute a single instrument with the same effect as if the signatures thereto and hereto were upon the same instrument.

6. Full Force and Effect. Except as expressly modified by this Amendment, all of the terms and provisions of the Agreement shall continue in full force and effect, and all parties hereto shall be entitled to the benefits thereof.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date set forth above.

New Jersey Resources Corporation

/s/ Glenn C. Lockwood

Title: Senior VP and CFO

First Union National Bank

/s/ Joseph DiFrancesco

Title: Vice President

EXHIBIT 4.5B

SECOND AMENDMENT (the "Amendment"), dated as of August 29,1995, to the Amended and Restated Note and Credit Agreement the "Agreement"), dated May 7, 1993, between NEW JERSEY RESOURCES CORPORATION (the "Borrower") and FIRST FIDELITY BANK, NATIONAL ASSOCIATION, successor by consolidation to First Fidelity Bank, National Association, New Jersey (the "Bank").

WITNESSETH:

WHEREAS, the Borrower and the Bank are parties to the Agreement; and

WHEREAS, the Borrower has requested the Bank to modify the Agreement, and the Bank is agreeable to such request;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto here-by agree as follows:

1. Definitions. Except as otherwise stated, capitalized terms defined in the Agreement and used herein without definition shall have the respective meanings assigned to them in the Agreement.

2. Amendments to the Agreement. Section X, paragraph F is hereby amended by adding to the end thereof a new subparagraph as follows:

5. The Borrower may sell its interest in NJR Energy Corporation and/or New Jersey Natural Resources Company, and/or each of said Principal Subsidiaries may sell all or substantially all of its properties and assets.

3. Representations and Warranties. To induce the Bank to enter into this Amendment, the Borrower hereby represents and warrants that:

(a) The Borrower has the power, authority and legal right to make and deliver this Amendment and to perform its obligations under the Agreement, as amended by this Amendment, without any notice, consent, approval or authorization not already obtained, and the Borrower has taken all necessary action to authorize the same.

(b) The making and delivery of this Amendment and the performance of the Agreement as amended by this Amendment do not violate any provision of law, any regulation, the Borrower's charter or the Borrower's by-laws or result in the breach of or constitute a default under or require any consent under any indenture or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property may be bound or affected. The Agreement as amended by this Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by any applicable

bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally.

(c) The representations and warranties contained in Section IX of the Agreement are true and correct on and as of the date of this Amendment and after giving effect thereto.

(d) No Event of Default or event which, with the giving of notice or lapse of time or both, would be an Event of Default has occurred and is continuing under the Agreement as of the date of this Amendment and after giving effect thereto.

4. Effective Date. This Amendment shall become effective as of the date hereof when all of the following shall have occurred:

(a) The Bank shall have received counterparts of this Amendment, duly executed by each of the parties hereto.

(b) The Bank shall have received a copy of the resolution of the Board of Directors of the Borrower authorizing the execution, delivery and performance of this Amendment, certified by an appropriate officer of the Borrower.

5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original an, all of which taken together shall constitute a single instrument with the same effect as if the signatures thereto and hereto were upon the same instrument.

6. Full Force and Effect. Except as expressly modified by this Amendment, all of the terms and provisions of the Agreement shall continue in full force and effect, and all parties hereto shall be entitled to the benefits thereof.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of New Jersey.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date set forth above.

NEW JERSEY RESOURCES CORPORATION

/s/ Glenn C. Lockwood

Title: VP & Controller

FIRST FIDELITY BANK, NATIONAL ASSOCIATION

/s/ Joseph DiFrancesco

_____

Title: Vice President

EXHIBIT 4.5C

THIRD AMENDMENT (the "Amendment"), dated as of September 10, 1996, to the Amended and Restated Note and Credit Agreement, dated May 7, 1993, between NEW JERSEY RESOURCES CORPORATION (the "Borrower") and FIRST UNION NATIONAL BANK, successor by consolidation to First Fidelity Bank, National Association, New Jersey (the "Bank") as amended (the "Agreement",)

WITNESSETH

WHEREAS, the Borrower and the Bank are parties to the Agreement; and

WHEREAS, the Borrower has requested the Bank to modify the Agreement, and the Bank is agreeable to such request;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto hereby agree as follows;

1. Definitions. Except as otherwise stated, capitalized terms defined in the Agreement and used herein without definition shall have the respective meanings assigned to them in the Agreement

2. Amendments to the Agreement. Section I is hereby amended by deleting "April 30, 1997 and inserting in its place "April 30, 1998".

3. Representations and Warranties. To induce the Bank to enter into this Amendment, the Borrower hereby represents and warrants that:

(a) The Borrower has the power, authority and legal right to take and deliver this Amendment and to perform its obligations under the Agreement, as amended by this Amendment, without any notice, consent, approval or authorization not already obtained, and the Borrower has taken all necessary action to authorize the same.

(b) The making and delivery of this Amendment and the performance of the Agreement as amended by this Amendment do not violate any provision of law, any regulation, the Borrower's charter or the Borrower's by-laws or result in the breach of or constitute a default under or require any consent under any indenture or other agreement or-instrument to which the Borrower is a party or by which the Borrower or any of its property may be bound or affected. The Agreement as amended by this Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting creditors' rights generally.

(c) The representations and warranties contained in Section IX of the

Agreement are true and correct on and as of the date of this Amendment and after giving effect thereto.

(d) No Event of Default or event which, with the giving of notice or lapse of time or both, would be an Event of Default has occurred and is continuing under the Agreement as of the date of this Amendment and after giving effect thereto.

4. Effective Date. This Amendment shall become effective as of the date here of when all of the following shall have occurred:

(a) The Bank shall have received counterparts of this Amendment, dated executed by each of the parties hereto.

(b) The Bank shall have received a copy of the resolution of the Board of Directors of the Borrower authorizing the execution, delivery and performance of this Amendment, certified by an appropriate officer of the Borrower.

(c) The Bank shall have received an opinion of counsel to the Borrower, dated the date hereof, to the effect that this Amendment has been duly authorized, executed and delivered by a duly authorized officer of the Borrower and that the Agreement, as amended by this Amendment, constitutes a valid obligation of the Borrower, legally binding upon it and enforceable (except as may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors, rights generally) in accordance with its terms as so amended.

5. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original and all of which taken together shall constitute a single instrument with the same effect as if the signatures thereto and hereto were upon the same instrument.

6. Full Force and Effect. Except as expressly modified by this Amendment, all of the terms and provisions of the Agreement shall continue in full force and effect, and all parties hereto shall be entitled to the benefits thereof.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of New Jersey.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the date set forth above.

NEW JERSEY RESOURCES CORPORATION

/s/ Glenn C. Lockwood

Title: Senior VP and CFO

FIRST UNION NATIONAL BANK

/s/ Alan G. Lilienthal

Title: Vice President

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EXHIBIT 4-6

EXECUTION COPY

U.S. $10,000,000

REVOLVING CREDIT AGREEMENT

Dated as of August 25, 1996

between

NEW JERSEY RESOURCES CORPORATION
as Borrower

and

SOCIETE GENERALE
NEW YORK BRANCH
as Bank

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NEW JERSEY RESOURCES CORPORATION

U.S. $10,000,000
Dated as of August 25, 1996
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Page Number

THIS REVOLVING CREDIT AGREEMENT is made as of August 25,1996, between NEW JERSEY RESOURCES CORPORATION (the "Borrower"), and SOCIETE GENERALE, NEW YORK BRANCH (the "Bank").

WHEREAS the Borrower wishes to borrow from the Bank, and the Bank is willing to lend, on a revolving basis, to the Borrower, an aggregate principal amount of up to $10,000,000, the parties agree as follows.

I. DEFINITIONS; INTERPRETATION

1.1. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated.

"Advance" means an advance made by the Bank to the Borrower pursuant to Section 2.1.

"Aggregate Advances" means, the sum of the Advances hereunder.

"Applicable Law" means (a) any law or regulation of (i) the jurisdiction (or any agency, department, instrumentality or taxing authority thereof) under whose law the Borrower is incorporated, and (ii) any jurisdiction (or any agency, department, instrumentality or taxing authority thereof) in which the Borrower's principal office is located and (b) as to the Bank, any law or regulation of (i) the jurisdiction (or any agency, department, instrumentality or taxing authority thereof) under whose law the Bank is organized, (ii) any jurisdiction (or any agency, department, instrumentality or taxing authority thereof) in which the Bank's principal office is located and (iii) any jurisdiction (or any agency, department, instrumentality or taxing authority thereof) in which the Bank's Lending Office is located.

"Business Day" means any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commission" has the meaning assigned to that term in Section 8.1(n).

"Commitment" means, $10,000,000 as reduced in accordance with the terms hereof.

"Default" means any event or occurrence which with the giving of notice or the passage of time, or both, would constitute an Event of Default.

"Disbursement Date" in respect of any Advance, has the meaning assigned to that term in Section 2.2.

"Dollars" or "$" means lawful money of the United States.

"Effective Date" means the earlier of (i) October 1, 1996, if the conditions precedent set forth in Section 7.1 have been satisfied on or prior to such date and (ii) the first day after October 1, 1996 on which the conditions precedent set forth in Section 7.1 have been satisfied if they have not been satisfied on such date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"ERISA affiliate" means each trade or business (whether or not incorporated) that would be treated together with the Borrower as a single employer under Section 4001 of ERISA.

"Eurodollar Rate" means, with respect to any Interest Period for an Advance, the rate of interest quoted by the Bank as the rate at which the Bank is offering to place a deposit in Dollars, for a term coextensive with such Interest Period in an amount substantially equal to the amount of the requested Advance with leading banks in the New York interbank Eurodollar market on the first day of each Interest Period.

"Event of Default" has the meaning assigned to that term in Section 10.1.

"Grid Note" means a promissory note of the Borrower evidencing Advances made by the Bank, in substantially the form of Exhibit A.

"IRS" has the meaning assigned to that term in Section 6.l(a)(i).

"Indebtedness", with respect to any Person, means any amount payable by such Person pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, (other than trade payables incurred in the ordinary course of business of such Person), a conditional sale or a transfer with recourse or with an obligation to repurchase, or pursuant to a lease with substantially the same economic effect as any such agreement or instrument, to which such Person is a party as debtor, borrower, lessee or guarantor.

"Indenture" means the Indenture of Mortgage and Deed of Trust dated April 1, 1952 between New Jersey Natural Gas Company and Harris Trust and

Savings Bank, as Trustee, as amended through the Eighteenth Supplemental Indenture dated June 1, 1989.

"Interest Period" means, with respect to any Advance, the period commencing on the Disbursement Date, in the case of the initial Interest Period for an Advance, or on the last day of the prior Interest Period in the case of any subsequent Interest Period for an Advance. The duration of each such

Interest Period shall be one, two, three or six months (or such shorter period as the Borrower, and the Bank may agree) as designated by the Borrower in a Notice of Borrowing delivered to the Bank pursuant to Section 2.2, in the case of the initial Interest Period for an Advance, or in a notice delivered to the Bank at least four Business Days prior to the end of the prior Interest Period, in the case of any subsequent Interest Period for an Advance, provided that:

(a) if the Borrower shall fail timely to elect the duration of an Interest Period, it will be deemed to have elected a three month Interest Period;

(b) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(c) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (d) below, end on the last Business Day of a calendar month; and

(d) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

"Lending Office", means the office of the Bank located in New York, New York or such other office of the Bank as the Bank may have last designated as its lending office for purposes of this Agreement by notice to the Borrower.

"Long-Term Debt" means obligations of the Borrower for borrowed money which are by their terms not due (or subject to demand) within one year.

"Margin" means, on a per annum basis, an amount equal to thirty seven and one half (37.5) basis points.

"Officers' Certificate" means a certificate executed on behalf of the Borrower by any two officers of the Borrower.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Person" means any corporation, natural person, firm, Joint venture, partnership, trust, unincorporated organization or government, or any political subdivision, department or agency of any government.

"Plan" means any plan subject to Title IV of ERISA with respect to which the Borrower or any ERISA Affiliate would incur a liability to the PBGC or to such plan pursuant to Title IV of ERISA as a result of the termination of such plan or withdrawal or partial withdrawal of any person from such plan.

"Plan Event" means the filing of a notice of intent to terminate any Plan under Section 4041 of ERISA, the receipt of any notice by any Plan that the PBGC intends to apply for the appointment of a trustee to administer such Plan, the termination of any Plan, the complete or partial withdrawal of any Person from any Plan if such withdrawal could result in liability of the Borrower or any ERISA Affiliate to the PBGC or to such Plan, a "reportable event," as defined in Section 4043(b) of ERISA, with respect to any Plan and any other event or condition that would constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan.

"Prime Rate" means the rate which the Bank announces from time to time as its prime rate, the Prime Rate to change when and as such prime rate changes. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Bank may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

"Principal Subsidiary" means each of New Jersey Natural Gas Company, NJR Energy Corporation and its subsidiaries, New Jersey Natural Resources Company and NJNR Pipeline Company, and Commercial Realty & Resources Corp., and any other Subsidiary having total assets in excess of five percent (5%) of the total assets of the Borrower and its Subsidiaries on a consolidated basis, all as set forth in the most recent audited balance sheets of the Borrower and its Subsidiaries.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing reserve requirements.

"Subsidiary", at any time, means any entity of which more than fifty percent of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) of such entity is at the time beneficially owned or controlled directly or indirectly by the Borrower and/or by one or more such entities.

"Termination Date" means September 30, 1997 or the earlier date of termination in whole of the Commitment pursuant to Section 3.2.

"United States" means the United States of America.

"United States Tax" has the meaning assigned to that term in Section 6.1.

"U.S. Person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States, or an estate or trust the income of which is subject

to United States federal income taxation regardless of the source.

1.2. Interpretation. The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise requires, words denoting the singular number only shall include the plural and vice versa. The words "written" and "in writing" include any means of visible reproduction. Unless otherwise indicated, references to Sections, Exhibits and Schedules are to be construed as reference to sections of and exhibits and schedules to this Agreement.

2. COMMITMENTS; DISBURSEMENT

2.1. Commitment to Lend. On the terms and subject to the conditions set forth herein, the Bank, agrees to make Advances to the Borrower from time to time from the Effective Date to the Termination Date, in an aggregate principal amount not exceeding the Bank's Commitment. Within the limits of the Bank's Commitment, the Borrower may borrow, repay pursuant to Section 3.1 or prepay pursuant to Section 3.3, and reborrow under this Section 2. 1.

2.2. Notice of Borrowing. If the Borrower wishes to borrow hereunder, it shall, not later than 11:00 a.m. New York City time on the Business Day on which it wishes to borrow (the "Disbursement Date"), (a) the amount of the Advance, which amount shall be an integral multiple of $1,000,000 not less than $3,000,000 (unless the remaining unused portion of the Commitment is less than $3,000,000 in which case the amount designated by the Borrower shall equal the remaining unused portion of the Commitment), (b) the account to which it wishes the proceeds of the Advance to be credited and (c) the Interest Period for such Advance. The giving of such notice shall constitute the Borrower's irrevocable commitment to borrow such amount on such Disbursement Date.

2.3. Disbursement. Subject to the conditions set forth herein, the Bank shall, on such Disbursement Date, transfer such funds by 3:00 p.m. New York City time to the account specified by the Borrower pursuant to Section 2.2.

2.4. Evidence of Advances. The Bank's Advances made pursuant to this Agreement shall be evidenced on the Grid Note of the Borrower held by the Bank. Upon making an Advance, the Bank may record on the schedule contained on the Grid Note the Disbursement Date and the principal amount of the Advance. the Bank may also promptly so record any payments of principal or interest. In any legal action or proceeding in respect of this Agreement or any Advance, the entries made on such schedule shall be prima facie evidence of the existence and amounts of the Advances made by the Bank and of the amounts due to it under this Agreement in respect thereof. The failure to record or to record properly any such amount shall not affect the obligation of the Borrower to repay the actual principal amount of any Advance made by the Bank with all applicable interest accruing thereon.

3. REPAYMENT

3.1. Repayment. The Borrower shall repay the principal amount of each Advance owing to the Bank on the Termination Date.

3.2. Reduction of the Commitment. The Borrower shall have the right, upon at least FIVE Business Days' notice to the Bank, to terminate in whole or reduce in part the unused portion of the Commitment of the Bank, provided that each partial reduction shall be in the aggregate of $1,000,000 or a greater integral multiple thereof.

3.3. Optional Prepayment. The Borrower may, upon at least five Business Days' notice to the Bank stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of any Advance in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (a) each partial prepayment shall be in an aggregate principal amount not less than $1,000,000 or a greater integral multiple of $500,000 and (b) the Borrower shall be obligated to reimburse the Bank in respect thereof pursuant to Section 14.2.

4. INTEREST

4.1. Basic Rate. (a) Except as otherwise expressly provided in Section 4.2 or Section 4.3, interest shall accrue on the outstanding principal amount of each Advance at a rate per annum equal to the sum of its Eurodollar Rate plus the Margin. The Bank shall give prompt notice to the Borrower of its Eurodollar Rate after each determination thereof.

(b) Except as otherwise provided herein, accrued interest on the unpaid principal amount of each Advance owing to the Bank from the date of such

Advance until the maturity thereof (whether at stated maturity, by acceleration or otherwise) shall be payable on the last day of an Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period.

4.2. Substitution Rate. (a) If the Bank shall determine (i) that the Bank is generally unable to obtain deposits in Dollars in the interbank Eurodollar market for the applicable Interest Period or (ii) that the Eurodollar Rate for such Interest Period will not adequately reflect the cost to the Bank of obtaining deposits in Dollars in the interbank market for such Interest Period, the Bank shall promptly so notify the Borrower.

(b) If a notice is given pursuant to Section 4.2(a), interest shall accrue on the Advance during the affected Interest Period at a rate per annum

equal to the Prime Rate. The Borrower, at its discretion, shall have the right to prepay any Advance subject to the Prime Rate at any time, provided the Borrower has given the Bank one Business Day prior written notice.

(c) For the purpose of determining the commitment fee payable by the Borrower under Section 5.1, the unused portion of the Commitment shall not include the Commitment of the Bank to the extent its obligation to lend is canceled or suspended pursuant to Section 15.1, and the Bank shall not be entitled to receive any portion of the commitment fee attributable thereto.

4.3. Interest on Late Payments. If any amount payable by the Borrower hereunder is not paid on or before the due date thereof, interest shall accrue on such amount, to the extent permitted by applicable law, during the period from and including the due date thereof to but excluding the date such amount is paid, at a rate per annum equal for each day in such period to the sum of two percent (2%) in excess of the Prime Rate. Interest accruing pursuant to this Section 4.3 shall be payable from time to time on demand of the Bank.

5. COMMITMENT FEE

5.1. Commitment Fee. The Borrower shall pay to the Bank a commitment fee on the average daily unused portion of the Commitment from and including the date hereof to but excluding the Termination Date at a rate per annum of twelve and one-half (12.5) basis points, payable on the last day of each August, November, February and May, commencing August 1996, and on the Termination Date.

6. TAXES

6.1. Gross-up. (a) In the event that any amount is required by Applicable Law to be withheld or deducted from any payments due to the Bank in respect of any Advance for or on account of any present or future taxes imposed by any governmental or other taxing authority of or in the United States ("United States Tax"), the Borrower shall pay to the Bank such additional amounts as may be necessary in order that the net amount received by the Bank after the required withholding or other payment (including any required withholding or other payment on such additional amounts) shall equal the amount the Bank would have received had no such withholding or other payment been made; provided, however, that no such additional amounts shall be paid:

(i) if the Bank shall have delivered an Internal Revenue Service ("IRS") Form 4224 to the Borrower pursuant to Section 6.1(c) and (A) the Bank shall at any time not be entitled to complete exemption from withholding of United States Tax for any reason other than a change in United States federal income tax law, regulation or official interpretation after the date hereof or (B) such withholding or deduction of United States Tax is imposed in respect of

similar payments to United States taxpayers generally; or

(ii) if the Bank shall have delivered an IRS Form 1001 to the Borrower pursuant to Section 6.1(c) and the Bank shall at any time not be entitled to the complete exemption from or reduction of United States Tax for any reason other than an amendment, modification or revocation of an applicable double tax treaty, or a change in official position regarding the application or interpretation of such treaty, after the date hereof; or

(iii) if the Bank has delivered an IRS Form 1001 that claims partial exemption from or reduction of United States Tax, for or on account of any such taxes imposed at a rate that does not exceed the rate applicable to the Bank on the date hereof; or

(iv) for or on account of any such taxes that could not have been imposed but for the Bank's failure to comply with its obligations under Section 6.1(c).

In the event that the Borrower makes payments to the Bank without any reduction by reason of withholding or other payments of United States Tax, and it is later determined by any applicable governmental or taxing authority that the Borrower is liable for withholding or other payments and the Bank would not be entitled, by virtue of clause (i), (ii), (iii) or (iv) above, to an additional amount in respect of any such deduction or withholding, then the Bank shall indemnify the Borrower (on an after-tax basis), for any amounts (other than interest and penalties, where the failure by the Borrower to deduct or withhold was not the result of an action or inaction on the part of such Bank) that the Borrower remits to

the governmental or taxing authority as a result of such determination. If the Borrower receives notice of any additional amount due hereunder, it shall, subject to compliance with Section 3.3 hereof, have the right to prepay the Aggregate Advances, in whole or in part, of the Bank to which such additional amount is payable (subject to the provisions of Section 14.2).

(b) All taxes to be paid by the Borrower pursuant to Section 6.1(a) shall be paid prior to the date on which penalties attach thereto or interest accrues thereon. If the Bank pays any amount in respect of such taxes or penalties or interest thereon (other than penalties or interest where the failure by the Borrower to deduct or withhold was the result of an action or inaction on the part of the Bank), the Borrower shall reimburse the Bank in Dollars for such payment on demand. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing such payment or certified copies thereof to the Bank on or before the thirtieth day after payment.

(c) The Bank shall deliver to the Borrower an accurate and complete

original signed copy of an IRS Form 1001 or 4224 within 30 days of the signing of this Agreement, and shall deliver such additional or supplemental forms thereafter as may be required in order to maintain the effectiveness and accuracy of such forms. In addition, the Bank shall deliver to the Borrower such other forms or documentation as the Borrower may reasonably request in order to comply with United States tax laws. For any period with respect to which the Bank has failed to provide the Borrower with the appropriate form described herein (unless such failure is due to a change in law occurring after the date on which a form originally was required to be provided) the Bank shall not be entitled to indemnification under subsection (a) with respect to United States Taxes.

6.2. Stamp Taxes. The Borrower shall pay any registration or transfer taxes, stamp duties or similar levies, and any penalties or interest that may be due with respect thereto, that may be imposed by any jurisdiction in connection with this Agreement or the Grid Note. If the Bank pays any amount in respect of any such taxes, duties, levies, penalties or interest, the Borrower shall reimburse the Bank for such payment on demand.

7. CONDITIONS PRECEDENT

7.1. Conditions to be Satisfied on or Before the Initial Disbursement Date. The obligation of the Bank to make the initial Advance hereunder is subject to the condition that the Bank receive, on or before the initial Disbursement Date, one executed copy of each of the documents listed below, each dated the date of its delivery, in form and substance satisfactory to the Bank:

(a) The Grid Note duly executed and delivered.

(b) Opinions of Debevoise & Plimpton and of the General Counsel of the Borrower, in the form of Exhibits B-1 and B-2, respectively.

(c) Copies of all corporate action taken by the Borrower to authorize this Agreement, the borrowings hereunder and the Grid Note, certified as of the initial Disbursement Date.

(d) Such other documents as the Bank may reasonably require.

7.2. Further Conditions to be Satisfied at or Before Each Disbursement Date. The obligation of the Bank to make each Advance hereunder (including its initial Advance) is subject to the further conditions that (a) the Borrower shall have complied and shall then be in compliance with all the terms, covenants and conditions of this Agreement which are binding upon it, (b) there shall have occurred no Default or Event of Default, (c) the representations and

warranties contained in Section 8.1 shall be true with the same effect as though such representations and warranties had been made at the initial Disbursement Date and (d) there shall have been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Borrower since the date of the financial statements furnished to the Bank as of the date hereof. The Borrower's notice of borrowing pursuant to Section 2.2 hereof shall be deemed to constitute a certification to the foregoing effect.

8. REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties. The Borrower represents and warrants to the Bank as follows:

(a) The Borrower is a corporation duly organized and validly existing under the law of New Jersey and has the power and authority to own its property, to conduct its business as currently conducted and to consummate the transactions contemplated in this Agreement.

(b) Each Principal Subsidiary is an entity duly organized and validly existing under the law of its jurisdiction of incorporation or organization and has the power and authority to own its property and to conduct its business as currently conducted.

(c) The Borrower has taken all necessary corporate action to authorize the execution and delivery of this Agreement and all other documents to be executed and delivered by it in connection with this Agreement, the performance of its obligations under the Agreement and the Grid Note and the consummation of the transactions contemplated in this Agreement.

(d) This Agreement has been duly executed and delivered by the Borrower and constitutes, and the Grid Note, when duly executed and delivered by the Borrower, will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(e) All governmental authorizations and actions of any kind necessary to authorize the Advances or required for the validity or enforceability against the Borrower of this Agreement or the Grid Note have been obtained or performed and are valid and subsisting in full force and effect.

(f) No Default or Event of Default has occurred and is continuing or

will occur by reason of the consummation of the transactions contemplated in this Agreement.

(g) No consent or approval of, or notice to, any creditor of the Borrower is required by the terms of any agreement or instrument evidencing any Indebtedness of the Borrower for the execution or delivery of, or the performance of the obligations of the Borrower under, this Agreement or the Grid Note or the consummation of the transactions contemplated in this Agreement, and such execution, delivery, performance and consummation will not result in any breach or violation of, or constitute a default under, the charter or by-laws of the Borrower or any Principal Subsidiary or any material agreement, instrument, judgment, order, law, rule or regulation applicable to the Borrower or any Principal Subsidiary or to any property of the Borrower or any Principal Subsidiary.

(h) There are no actions, proceedings or claims pending, or, to the knowledge of the Borrower, threatened, which would reasonably be expected to have a materially adverse effect on the business, operations, property or consolidated financial condition of the Borrower and its Subsidiaries, taken as a whole, or impair the ability of the Borrower to perform its obligations under, or affect the validity or enforceability of, this Agreement or the Grid Note.

(i) The Borrower's financial statements for the most recent fiscal year fairly present the financial condition of the Borrower as of the close of such fiscal year, have been prepared in accordance with generally accepted accounting principles, consistently applied, and have been certified by Deloitte & Touche, or other independent public accountants of recognized national standing, as fairly presenting the financial condition of the Borrower as at the close of such fiscal year and the results of its operations for such year.

(j) There has been no material adverse change since March 31, 1996 in the business, operations, property or consolidated financial condition of the Borrower or in the Borrower's ability to perform its obligations under this Agreement or the Grid Note.

(k) The execution and delivery by the Borrower of this Agreement and the Grid Note are not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within the United States or any political subdivision or taxing authority thereof or therein that has not been paid by the Borrower.

(1) The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(m) The Borrower and its Subsidiaries are exempted from regulation by the Securities and Exchange Commission (the "Commission") under the Public

Utility Holding Company Act of 1935, as amended (the "Holding Company Act"), except under Section (a)(2) thereof, pursuant to a filing made with the Commission under Section 3 of the Holding Company Act. Such filing is in full force and effect, and no proceedings are pending or, to the knowledge of the Borrower, threatened for the revocation or denial of such exemption.

(n) The Borrower and its Subsidiaries have filed all material tax returns and reports required to be filed by them in any jurisdiction, and all taxes, assessments, fees and other governmental charges or levies imposed upon the Borrower and each Subsidiary or upon any of their respective properties, assets, income, profits or franchises, that are due and payable, have been paid where the failure to so file, or the failure to so pay, would materially affect the Borrower's ability to perform its obligations hereunder, except for any taxes, assessments, fees, charges or levies which are being contested in good faith and for which reserves which are adequate under generally accepted accounting principles have been established.

(o) No Plan has incurred a material "accumulated funding deficiency" within the meaning of Section 302 of ERISA or Section 412 of the Code whether or not such accumulated funding deficiency has been waived. No Plan has engaged in any "prohibited transaction", as such term is defined in Section 4975 of the Code, as amended, that might result in a material liability of the Borrower or any ERISA Affiliate to any person. No Plan Event has occurred that might result in a material liability of the Borrower or any ERISA Affiliate to the PBGC or to any Plan.

(p) None of the transactions contemplated in this Agreement (including, without limitation, the Advances and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including, without

limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System).

(q) No contractual obligation of the Borrower or any Subsidiary and no requirement of law materially adversely affects, or insofar as the Borrower may reasonably foresee may so affect, the business, operations, property or consolidated financial condition of the Borrower.

(r) All factual information heretofore or contemporaneously furnished in writing by or on behalf of the Borrower to the Bank for purposes of or in connection with this Agreement, the Grid Note or any transaction contemplated hereby is, and all other such factual information hereafter furnished in writing by or on behalf of the Borrower to the Bank will be, true and accurate in every material respect on the date as of which such information is dated or certified and as of the date of execution and delivery of this Agreement and the Grid Note, are not incomplete by omitting to state any material fact necessary to

make such information not misleading in view of the circumstances under which such information is given.

(s) Exhibit C contains an accurate list as of the date hereof of all the presently existing Subsidiaries of the Borrower and accurately sets forth with respect to each Subsidiary the laws under which it is incorporated or organized and the percentage of its voting stock owned by the Borrower or any other Subsidiary (other than directors' qualifying shares). All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and nonassessable.

8.2. Repetition of Representations and Warranties. Each of the representations and warranties set forth in Section 8.1 shall be deemed to be repeated on each Disbursement Date as if made at and as of such time.

9. COVENANTS

9.1. Use of Proceeds. The Borrower shall use the proceeds of the Advances for its general corporate purposes.

9.2. Governmental Authorizations. The Borrower shall obtain, make and keep in full force and effect all authorizations from and registrations with governmental authorities that may be required for the validity or enforceability against the Borrower of this Agreement or the Grid Note.

9.3. Financial Statements and Other Information. The Borrower will deliver to the Bank the following:

(a) as soon as available but in no event more than 45 days after the end of each of the Borrower's fiscal quarters, consolidated (and company only as to the Borrower and each Principal Subsidiary) balance sheets of the Borrower and its Subsidiaries as of the close of such period and consolidated (and company only as to the Borrower and each Principal Subsidiary) statements of income and retained earnings and statements of cash flow from the beginning of the then current fiscal year and from the beginning of such fiscal quarter to the close of such period, certified by the chief financial officer of the Borrower and accompanied by a certificate of said officer stating whether any Default or Event of Default has occurred and, if so, stating the facts with respect thereto, and providing calculations which establish the Borrower's compliance with the requirements or restrictions imposed by Sections 9.11, 9.12 and 9.13;

(b) as soon as available but in no event more than 90 days after the close of each of the Borrower's fiscal years, a copy of the annual audit report relating to the Borrower and its Subsidiaries on a consolidated basis and relating to the Borrower and New Jersey Natural Gas Company separately in

reasonable detail satisfactory to the Bank and in each case prepared in accordance with generally accepted accounting principles by Deloitte & Touche or other independent public accountants of recognized national standing, together with financial statements (audited, in the case of the Borrower and New Jersey Natural Gas Company) consisting of consolidated (and company only as to the Borrower and each Principal Subsidiary) balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and consolidated (and company only as to the Borrower and each Principal Subsidiary) statements of income and cash flow, retained earnings, paid-in capital and surplus of the Borrower and its Subsidiaries for such fiscal year;

(c) as soon as available but in no event more than 90 days after the close of each of the Borrower's fiscal years, a letter or opinion of the accountants who prepared the annual audit report relating to the Borrower and its Subsidiaries stating whether anything in such accountants' examination has revealed the occurrence of any event which constitutes a Default or Event of Default and, if so, stating the facts with respect thereto;

(d) promptly upon receipt thereof, copies of any reports and material sections of management letters submitted to the Borrower by such accountants in connection with any annual or interim audit of the books of the Borrower and its Subsidiaries, together with the Borrower's responses, if any;

(e) as soon as available, copies of all financial statements, reports, notices and proxy statements sent by the Borrower in a general mailing to all its stockholders, of all reports on Forms 10-Q, 8-K and 10-K under the Securities Exchange Act of 1934, of all final prospectuses filed pursuant to Rule 424(b) under the Securities Act of 1933 and of all other material information filed by the

Borrower with any securities exchange or with the Commission or any governmental authority succeeding to any or all of the functions of the Commission;

(f) copies of the indentures pursuant to which any outstanding debt of the Borrower or any Subsidiary is issued (other than indentures previously delivered to the Agent); and

(g) such additional information, reports or statements as the Agent from time to time may reasonably request.

Any financial statement, report or other information obtained by the Bank pursuant to this Section 9.3, or by delivery by or on behalf of the Borrower at or prior to the date hereof, other than documents which are publicly available, shall be used by the Bank solely for purposes relating to this Agreement, provided that the Bank may disclose any such information to any governmental authority, regulatory agency, legislature, court, or any officer, subdivision or committee thereof, its independent accountants or its counsel, or, if the Bank

is directed to do so by order of any court or any other governmental body having appropriate authority, to any other Person.

9.4. Notices of Default. The Borrower shall promptly give notice to the Bank of each Default or Event of Default and each other event that has or would reasonably expected to have a materially adverse effect on its ability to perform its obligations under this Agreement or the Grid Note. The notice shall specify the nature and period of existence of such event and what action the Borrower has taken or is taking or proposes to take with respect thereto.

9.5. Negative Pledge. (a) The Borrower will not, and will not permit any Principal Subsidiary other than New Jersey Natural Gas Company to, create or permit to exist any mortgage, lien or encumbrance, pledge of, or other security interest in, or file or permit the filing of any financing statement under the Uniform Commercial Code or similar notice under any other statute with respect to, any asset of the Borrower or any Principal Subsidiary, except (i), as set forth in Exhibit D hereto and (ii) security for indebtedness referred to in Section 9.14 (iii) hereof.

(b) In case any mortgage, lien, encumbrance, pledge or security interest arises in violation of Section 9.5(a), the Borrower shall make or cause to be made provision whereby the Grid Note and all other amounts due from the Borrower hereunder will be secured equally and ratably with all other obligations secured thereby, and in any case, the Bank shall have the benefit, to the full extent that it may be entitled thereto under Applicable Law, of any equitable mortgage, encumbrance, pledge or security interest so equally and ratably securing the Grid Note and such other amounts. Any violation of Section 9.5(a) shall nevertheless constitute an Event of Default.

9.6. Consolidation, Merger, Sale of Assets, etc. The Borrower will not sell or otherwise dispose of any voting securities of any Principal Subsidiary, and the Borrower will not, and will not permit any Principal Subsidiary to, directly or indirectly, sell, lease or otherwise dispose of all or substantially all of its properties and assets, or consolidate with or merge into any other Person, or permit any other Person to consolidate with or merge into it, except that:

(a) a Principal Subsidiary may sell or otherwise transfer all or substantially all of its properties and assets to the Borrower or to another Subsidiary (which, if not already such, shall thereupon become a Principal Subsidiary);

(b) a Principal Subsidiary may be consolidated with or merged into any other Subsidiary (in which case the surviving Subsidiary shall remain or become, as the case may be, a Principal Subsidiary);

(c) the Borrower may be consolidated with any other Person, or any other Person may be merged into the Borrower, if

(i) the Borrower is the survivor of such merger or consolidation; and

(ii) upon the consummation of such merger or consolidation and immediately after giving effect thereto (and deeming the Borrower to have incurred at the time of such consummation all indebtedness of such other Person that then remains outstanding), no Default or Event of Default would exist; and

(d) the Borrower may sell or otherwise transfer all or substantially all of its properties and assets to another corporation, and shall thereupon be released from all of its obligations under this Agreement and. the Grid Note, if

(i) the acquiring corporation (A) shall be organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, and (B) shall expressly assume the obligations of the Borrower under this Agreement and the Grid Note under documentation satisfactory in form and substance to the Bank; and

(ii) immediately after giving effect to such transaction and such assumption (and deeming all Indebtedness of such acquiring corporation outstanding prior to such transaction and remaining outstanding immediately after such transaction to have been incurred by such corporation as part of such transaction and such assumption), no Default or Event of Default would exist.

9.7. Preservation of Existence, Rights and Franchises; Conduct of Business. The Borrower shall at all times preserve and keep in full force and effect its corporate existence and that of each of its Principal Subsidiaries, except as

permitted by Section 9.6. The Borrower shall at all times preserve and keep in full force and effect its rights and franchises material to its business and those of each of its Principal Subsidiaries, and the Borrower shall, and shall cause each of its Principal Subsidiaries to, take all action necessary to comply with the rules and regulations, as in effect from time to time, of any governmental authority to which it is subject, the noncompliance with which would reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Agreement or the Grid Note; provided, however, that nothing in this Section 9.7 shall prevent a consolidation, merger or transfer of assets that is permitted by Section 9.6, if immediately after, and giving effect to, such transaction, the Borrower and its Principal Subsidiaries would be in compliance with this Section 9.7.

9.8. Insurance. The Borrower and each Principal Subsidiary shall maintain insurance on their property with financially sound and reputable insurers to the extent and against the risks customary for companies in similar

businesses.

9.9. ERISA Compliance. The Borrower shall not take any action or omit to take any action, and shall not permit any ERISA Affiliate within its control to take any action or omit to take any action, with respect to any Plan, that under ERISA might result in a lien or charge upon the property of the Borrower or might otherwise materially adversely affect the business, profits, properties or condition (financial or otherwise) of the Borrower. Without limiting the generality of the foregoing, the Borrower shall not permit, and shall not permit any ERISA Affiliate within its control to permit, any Plan to (a) engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code without securing an exemption therefor or (b) incur any material "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, whether or not waived.

9.10. Payment of Taxes, etc. The Borrower and each Principal Subsidiary shall pay and discharge, or cause to be paid or discharged, as the same may become due and payable, all taxes, assessments and other governmental charges, levies or claims of any kind against it or on or with respect to any of its property, as well as claims of any kind which, if unpaid, might become a lien (except as permitted by Section 9.5) upon any of its properties; provided, however that the foregoing shall not require the Borrower or any Principal Subsidiary to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge, levy, claim or lien so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall have set aside on its books reserves with respect thereto which are adequate under generally accepted accounting principles.

9.11. Borrower Debt. The Borrower will not incur or permit to exist Indebtedness of the Borrower to exceed 45%, of the sum of the Borrower's tangible net worth and its Long Term Debt. As used herein, "tangible net worth" means the excess of total assets over total liabilities, total assets and total liabilities each to be

determined as to both classification of items and amounts in accordance with generally accepted accounting principles consistently maintained by the Borrower in the preparation of the financial statements referred to in Section 9.3(b); provided, that there shall be excluded from total assets (i) all assets which would be classified as intangible assets under generally accepted accounting principles, including but not limited to goodwill and deferred charges, (ii) cash set apart and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of capital stock, (iii) leasehold improvements, (iv) applicable reserves, allowances and other similar properly deductible items and (v) any revaluation or other write-up in book value of assets subsequent to March 31, 1996.

9.12. Interest Coverage. The Borrower will have in each of its fiscal years net earnings before income taxes and interest expense in an amount at least 2 times interest charges during such fiscal year with respect to all Indebtedness of the Borrower. The Borrower will ensure that New Jersey Natural Gas Company will comply with item (15) of Section 4.01 B of the Indenture in connection with the issuance of any additional series of bonds.

9.13. Debt Ratio. The Borrower will cause New Jersey Natural Gas Company at all times to comply with Section 9.18 of the Indenture whether or not any Series G Bonds (as defined in the Indenture) are outstanding. The Borrower will not permit all Indebtedness of the Borrower and its Subsidiaries on a consolidated basis to exceed 65% of the sum of (x) Indebtedness of the Borrower and its Subsidiaries on a consolidated basis and (y) consolidated tangible net worth. As used herein, "consolidated tangible net worth" means the excess of total consolidated assets over total consolidated liabilities, total consolidated assets and total consolidated liabilities each to be determined as to both classification of items and amounts in accordance with generally accepted accounting principles consistently maintained by the Borrower in the preparation of the financial statements referred to in Section 9.3(b); provided, that there shall be excluded from total consolidated assets (i) all assets which would be classified as intangible assets under generally accepted accounting principles, including but not limited to goodwill and deferred charges, (ii) cash set apart and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of capital stock, (iii) leasehold improvements, (iv) applicable reserves, allowances and other similar properly deductible items and (v) any revaluation or other write-up in book value of assets subsequent to March 31, 1996; and provided, further, that there shall be excluded from total consolidated liabilities deferred income taxes.

9.14. Subsidiary Borrowing. The Borrower will not permit NJR Energy Corporation and its Subsidiaries, New Jersey Natural Resources Company and NJNR Pipeline Company, or Commercial Realty & Resources Corp. to incur or suffer to exist Indebtedness, except (i) indebtedness to the Borrower or another Subsidiary, (ii) indebtedness not exceeding $250,000 in the aggregate for each such Subsidiary and (iii) indebtedness described in Exhibit E and (iv) indebtedness

incurred and maintained by Commercial Realty & Resources Corp. with respect to the purchase of real property.

9.15. Holding Company Act Compliance. The Borrower will maintain in effect the exemption described in Section 8.1(n) hereof and will comply (and will cause each Subsidiary to comply) in all material respects with the provisions of the Holding Company Act to which it is subject.

10. EVENTS OF DEFAULT

10.1. Events of Default. If one or more of the following events of default (each an "Event of Default") shall occur and be continuing, the Bank shall be entitled to the remedies set forth in Section 10.2.

(a) the Borrower fails to pay the principal amount of any Advance when due or interest on any Advance or any other amount payable hereunder within 5 days after such interest or other amount becomes due and payable;

(b) the Borrower defaults in the performance of or compliance with any covenant, obligation or term contained herein or in the Grid Note and, if such default is capable of remedy, such default has not been remedied within 30 days after the Bank shall have given the Borrower written notice of such default;

(c) any representation or warranty made in writing by or on behalf of the Borrower herein or delivered in connection herewith at any time proves to have been incorrect in any material respect as of the date made or deemed to have been repeated;

(d) any Indebtedness (other than the Advances) of the Borrower or any of its Subsidiaries in excess of $5,000,000 is not paid when due or becomes or is declared to be due and payable prior to the expressed maturity thereof, or there shall have occurred an event which would cause any such Indebtedness to become, or allow any such Indebtedness to be declared to be, due and payable;

(e) the Borrower or any Principal Subsidiary makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law, or files any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation relating to creditors' rights, or a decree or order for relief is entered in respect of the Borrower or any Principal Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law, or the Borrower or any Principal Subsidiary files any answer admitting or not contesting the material allegations of a petition filed against the Borrower or any Principal Subsidiary in any such

proceeding, or seeks or consents to or acquiesces in the entry of an order for relief or the appointment of, or taking possession by, any trustee, receiver, assignee, custodian, sequestrator or liquidator of the Borrower or such Principal Subsidiary or of all or a substantial part of the properties of the Borrower or such Subsidiary;

(f) within 60 days after the commencement of an action against the Borrower or any Principal Subsidiary seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action is not dismissed and

all orders or proceedings thereunder affecting the operations or the business of the Borrower or such Principal Subsidiary are not stayed, or if the stay of any such order or proceeding is thereafter set aside, or if, within 60 days after the appointment without the consent or acquiescence of the Borrower or any Principal Subsidiary of any trustee, receiver, assignee, custodian, sequestrator or liquidator of the Borrower or such Principal Subsidiary or all or any substantial part of the properties of the Borrower or such Principal Subsidiary, such appointment is not vacated;

(g) any governmental authority or court takes any action that, in the reasonable opinion of the Bank, materially adversely affects the business, operations, property or financial condition of the Borrower or any Principal Subsidiary or the ability of the Borrower to perform its obligations under this Agreement or the Grid Note;

(h) final judgments in an aggregate amount of $500,000 or more are entered against the Borrower or any Principal Subsidiary and such judgments remain undischarged, and the execution thereof unstayed for a period of more than 60 days; or

(i) any Plan or Plans are involuntarily terminated, or a trustee is appointed to administer any such Plan or Plans under Section 4042 of ERISA or the PBGC shall institute proceedings to terminate, or to have a trustee appointed to administer, any such Plan or Plans, and such proceeding shall not be dismissed within 30 days, or the Borrower or any Subsidiary incurs a withdrawal liability with respect to any such Plan or Plans under Section 4201 of ERISA, but only if such termination, appointment, institution of proceedings, or withdrawal liability would result in a liability of the Borrower or any Subsidiary that would be material to the consolidated financial condition of the Borrower.

10.2. Default Remedies. If any Event of Default (other than an Event of Default specified in Section 10.1(e) or 10.1(f)) shall occur and be continuing, the Bank may, (a) declare the obligations of the Bank hereunder to be terminated, whereupon such obligations shall forthwith terminate, and (b) declare all amounts payable hereunder or under the Grid Note by the Borrower that would otherwise be due after the date of such termination to be immediately due and payable,

whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower, If an Event of Default specified in Section 10.1(e) or 10.1(f) occurs, the obligations of the Bank hereunder shall be immediately terminated and all amounts payable hereunder or under the Grid Note by the Borrower that would otherwise be due after the date of such Event of Default shall become immediately due and payable without any declaration or

other act on the part of the Bank.

10.3. Right of Setoff. If any amount payable hereunder is not paid as and when due, the Borrower authorizes the Bank to proceed at any time and from time to time, to the fullest extent permitted by law, without prior notice or demand by right of setoff, banker's lien, counterclaim or otherwise, against any assets of the Borrower which may at any time be in the possession of the Bank or any of its affiliates, at any branch or office, and/or against any other indebtedness at any time owing by the Bank to or for the credit or the account of the Borrower to the full extent of all amounts payable to the Bank hereunder, whether or not such amounts shall be due and payable.

10.4. Rights Not Exclusive. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

11. PAYMENTS COMPUTATIONS

11.1. Making of Payments. Each payment by the Borrower under this Agreement or the Grid Note shall be made in Dollars, in same-day funds or such other funds as the Bank may at the time determine to be customary for the settlement in New York City of international banking transactions denominated in Dollars, by 11:00 am New York City time on the date such payment is due, to the Bank by deposit to such account as the Bank may have last designated by notice to the Borrower.

11.2. Computations. Interest and the commitment fees payable hereunder shall be computed on the basis of a 360-day year and actual days elapsed.

12. INTENTIONALLY OMITTED

13. INTENTIONALLY OMITTED

14. INDEMNIFICATION

14.1. Expenses. The Borrower shall reimburse the Bank on demand for all reasonable expenses (including the reasonable fees and expenses of the Bank's counsel) incurred as a consequence of, or in connection with the negotiation, preparation or execution of this Agreement or any amendment to this Agreement and the preservation or enforcement of any right of the Bank under this Agreement or the Grid Note.

14.2. Other Costs. If the Borrower (a) fails, after giving the notice referred to in Section 2.2, to fulfill the conditions set forth in Section 7 at

or before the respective times specified for their fulfillment or otherwise defaults in its irrevocable commitment pursuant to Section 2.2, (b) fails to pay any amount payable hereunder as and when due or (c) makes, for any reason whatsoever, any prepayment of principal of any Advance on any day other than the last day of an Interest Period, the Borrower shall reimburse the Bank on demand for all losses, additional costs or expenses, that it may reasonably incur as a consequence thereof including, without limitation, any loss incurred by the Bank in connection with its reemployment of the amount so prepaid or of those funds acquired by the Bank to fund an Advance, as the case may be, but excluding any loss of anticipated profits.

15. CHANGES IN APPLICABLE LAW; INCREASED COSTS

15.1. Changes in Applicable Law. The Bank shall forthwith advise the Borrower if it determines that:

(a) after the date hereof, the adoption of or any change in any Applicable Law or in the interpretation thereof by any governmental or other regulatory authority administering such Applicable Law or by any court of competent jurisdiction, and/or

(b) compliance by the Bank with any requirement or directive arising after the date hereof from any central bank or other regulatory authority administering Applicable Law (whether or not such requirement or directive has the force of law),

makes it (or makes it apparent that it will become) unlawful to comply with, or otherwise prevents the Bank from complying with, some or all of the obligations contemplated by this Agreement. Such notice shall specify the obligations whose performance is thereby prevented. Such notice may, at the option of the Bank, demand prepayment by the Borrower of any outstanding Advance made by such Bank if in accordance with this Section 15.1 it is unlawful for the Bank to continue to fund or maintain such Advance or any portion thereof

The obligations so specified in such notice shall forthwith be canceled or suspended to the extent specified in such notice, effective whenever such performance is so prevented and, if so demanded in such notice, the Borrower shall, on or prior to the later or (i) two Business' Days after receipt of such notice or (ii) the date as of which such performance is prevented, prepay the outstanding amount specified therein in full, or any lesser portion thereof necessary to eliminate such situation, with accrued interest thereon. Each prepayment made by the Borrower pursuant to this Section 15.1 shall be distributed to the Bank.

15.2. Increased Costs. If as a result of:

(a) after the date hereof, the adoption of or any change in any

Applicable Law or in the interpretation thereof by any governmental or other regulatory authority administering such Applicable Law or by any court of competent jurisdiction, and/or

(b) compliance by the Bank with any requirement or directive arising after the date hereof from any central bank or other fiscal, monetary or any other regulatory authority administering Applicable Law (whether or not such requirement or directive has the force of law),

(x) the capital required to be maintained by the Bank as a result of its Commitment or its Advances shall be increased such that the rate of return on the Bank's capital with respect to its Commitment and Advances is reduced below that which the Bank could have achieved but for such adoption, change or compliance (taking into account the Bank's policies regarding capital adequacy), or (y) there shall be any increase in the cost to the Bank of making, maintaining or giving effect to its obligations under this Agreement (including, without limitation, any increased costs resulting from any reserve requirements) or making or maintaining any Advance or any reduction in any amounts receivable by the Bank under this Agreement (other than such an increase in costs or reduction in amounts receivable attributable to (i) a tax on or measured by the net income of the Bank imposed by the jurisdiction in which it is constituted or doing business; or (ii) without prejudice to the Bank's rights under Section 6.1, United States Tax or any tax described in clause (i) imposed by withholding with respect to a payment hereunder); then the Borrower shall from time to time, forthwith on receipt of a certificate from the Bank, pay to the Bank such amounts as are certified therein to be sufficient to indemnify the Bank against such increased cost, reduction in any amount so receivable and/or reduction in rate of return on capital. The certificate provided by the Bank shall be prima facie evidence of the amounts claimed (provided that such certificate is accompanied by a statement of the details on which the calculation of such amounts was based).

15.3. Alternative Arrangements. If a determination or certification in accordance with Section 15.1 or 15.2 above is made by, or any of the circumstances specified in Section 6.1, 15.1 or 15.2 above shall arise in relation to the Bank, the Bank shall, in consultation with the Borrower, during a period ending not later than 30 days after the giving of such notice under Section 15.1 or such certificate under Section 15.2 or after the date on which any tax under Section 6.1 becomes payable, as the case may be, use its reasonable endeavors to make alternative arrangements that remove or minimize the application of Section 6.1 or this Section 15, as the case may be, and that are not in the sole judgment of such Bank otherwise disadvantageous to it.

16. GENERAL

16.1. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York.

16.2. Jurisdiction (a) Any action or proceeding relating in any way to this Agreement or the Grid Note may be brought and enforced in the courts of the State of New York or of the United States of America for the Southern District of New York, and the Borrower irrevocably submits to the jurisdiction of each such court. Any process or other legal summons for the purpose of any such action or proceeding may be served by mailing a copy thereof by registered mail addressed to the Borrower as provided for notices hereunder.

(b) The Borrower irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any such action or proceeding relating in any way to this Agreement or the Grid Note brought in the Supreme Court of the State of New York, County of New York, or the United States District Court for the Southern District of New York and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) The Borrower further irrevocably waives, to the fullest extent permitted by Applicable Law, any claim that any action or proceeding commenced by the Bank relating in any way to this Agreement or the Grid Note should be dismissed or stayed by reason, or pending the resolution, of any action or proceeding commenced by the Borrower relating in any way to this Agreement or the Grid Note, whether or not commenced earlier. To the fullest extent permitted by Applicable Law, the Borrower shall take all measures necessary for any such action or proceeding commenced by the Bank to proceed to judgment prior to the entry of judgment in any such action or proceeding commenced by the Borrower.

16.3. Loan Currency. Each reference in this Agreement to Dollars is of the essence. The obligation of the Borrower in respect of any amount due under this Agreement or the Grid Note shall, notwithstanding any payment in any other

currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after premium and costs of exchange) on the Business Day immediately following the date on which such person received such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due, the Borrower shall pay such additional amounts, in Dollars, as may be necessary to compensate for such shortfall. Any obligation of the Borrower not discharged by such payment shall be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

16.4. Notices. Except as otherwise expressly provided herein, all notices pursuant to this Agreement shall be given by telecopier, telex, cable or by notice in writing hand-delivered or by airmail, postage prepaid. All such notices shall be sent to the telecopier, telex number or address (as the case

may be) in the case of the Borrower, to New Jersey Resources Corporation, 1350 Campus Parkway, P.O. Box 1468, Wall, New Jersey 07719, Attention: Senior Vice President and Chief Financial Officer, or, in the case of the Bank, to Societe Generale, New York Branch, 1221 Avenue of the Americas, New York, New York 10020, Attention: Gordon Eadon, or to such other number or address as such recipient may have last specified by notice to the other parties. All such notices shall be effective upon receipt.

16.5. Remedies and Waivers. No failure or delay on the part of the Bank in exercising any right hereunder shall operate as a waiver of, or impair, any such right. No single or partial exercise of any such right shall preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right shall be effective unless given in writing. No waiver of any such right shall be deemed a waiver of any other right hereunder.

16.6. Amendment. This Agreement may be amended only by an instrument in writing executed by the Borrower and the Bank.

16.7. Assignment, Participation's. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower and the Bank and their respective successors and assigns; provided, however, that the Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Bank.

(b) With the consent of the Borrower (which consent shall not be unreasonably withheld), the Bank may at any time assign or otherwise transfer its Grid Note or any of its rights or obligations hereunder in whole or in part provided, however, that no such assignment or transfer shall result in any additional liability of the Borrower on account of United States Taxes or for increased costs under

Section 6.1 or 15.2 or violate any applicable provision of the securities law of the United States or any state thereof. The Borrower shall, from time to time at the request of the Bank, execute and deliver such documents as may be necessary to give full force and effect to such assignment or transfer, including, without limitation, a new Grid Note in exchange for any Grid Note held by the Bank. if the Bank assigns or otherwise transfers any of its rights or obligations hereunder, each reference in this Agreement to the Bank shall be deemed to be a reference to the Bank and the person or persons to whom such rights or obligations were assigned or transferred to the extent of their respective interests.

(c) The Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Advances provided that the Bank shall not grant a

participation in its Commitment unless (A) such participation involves an amount equal to $1,000,000 or any greater multiple of $500,000 and (B) after giving effect thereto the Bank has either no remaining unparticipated Commitment or an unparticipated Commitment of at least $1,000,000. In the event of any such grant by the Bank of a participating interest to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement. Any agreement pursuant to which the Bank may grant such a participating interest shall provide that the Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement. Each Participant shall be entitled to the benefits of Sections 6, 14 and 15 hereof to the extent that the Bank would be entitled to such benefits if the participation had not been granted.

16.8. Determinations by the Bank. Except as otherwise provided herein, each determination by the Bank hereunder shall, in the absence of manifest error, be conclusive and binding on the parties.

16.9. Survival. The obligations of the Borrower under Section 6.1, Section 6.2, Section 14 and Section 15 shall survive the repayment of the Advances and the cancellation of the Grid Note and the termination of the other obligations of the Borrower hereunder.

16.10. Severability of Provisions. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

16.11. Counterparts. This Agreement may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same agreement.

16.12. Integration of Terms. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered in New York City as of the date and year first written above.

NEW JERSEY RESOURCES
CORPORATION

By: /s/ Glenn Lockwood

Name: Glenn Lockwood
Title: SR. VP & CFO

SOCIETE GENERALE,
NEW YORK BRANCH

By: /s/ Gordon Eadon

Name: Gordon Eadon
Title: Vice President

EXHIBIT A
PROMISSORY NOTE

New York, New York
$10,000,000 August 25, 1996

FOR VALUE RECEIVED, the undersigned, NEW JERSEY RESOURCES CORPORATION (the "Borrower"), unconditionally promises to pay to the order of SOCIETE GENERALE, NEW YORK BRANCH (the "Bank") at the Bank's office located at 1221 Avenue of the Americas, New York, New York 10020, in immediately available funds, on the dates and in the manner set forth in the Agreement (as defined below), the principal sum of Ten Million Dollars (US $10,000,000) or the unpaid principal amount of all Advances made by the Bank to the Borrower made pursuant to this promissory note and the Agreement, whichever is less.

The Borrower further promises to pay interest (computed for the actual number of days elapsed on the basis of a year of 360 days) in like money and funds on the daily outstanding balance of each Advance for the period commencing on the date of such Advance until the Advance is repaid in full, at such rate and in the manner set forth in the Agreement.

All payments of principal of an interest on this promissory note shall be made by the Borrower not later than 12:00 noon (New York time) on the date when due to the Bank at its office located on the date hereof at 1221 Avenue of the Americas, New York New York 10020 in lawful money of the United States of America, in immediately available funds without setoff, deduction or counterclaim and free and clear of any present of future taxes, levies, imposts, duties, fees, assessments or other charges. If any day on which a payment is due hereunder is not a business day, which for purposes of this promissory note shall mean a day other than Saturday or Sunday or other than a day on which commercial banks in New York City are authorized or required to close, then such payment shall be due on the following business day and such additional time shall be included in the calculation of interest.

The Borrower agrees to pay costs of collection (including reasonable legal fees and disbursements of counsel) if default is made in the payment of the principal of or interest on this promissory note.

This promissory note is the grid note referred to in the Credit Agreement dated as of August 25, 1996 (the "Agreement") between the Borrower and the Bank, which provides for the prepayment of this note on certain events, the acceleration of

its maturity and other terms and conditions relating to this note, all of which are herein incorporated by reference.

The Borrower hereby irrevocably submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in New York City in any action or proceeding arising out of or relating to this promissory note, and hereby consents that personal jurisdiction over the Borrower may be obtained by mailing a summons to the Borrower by registered mail or certified mail, return receipt requested, within or without such court's jurisdiction,, or by personal service, provided a reasonable time for appearance is allowed. The Borrower hereby waives all objections as to venue, inconvenient forum and the like. The Borrower hereby waives trial by jury in any legal proceeding arising out of or relating to this promissory note.

Presentment, demand, protest and notices of any kind with respect to this promissory note are hereby expressly waived by the Borrower.

The promissory note shall be governed by and construed in accordance with the laws of the State of New York.

NEW JERSEY RESOURCES CORPORATION

By: SPECIMEN ONLY - DO NOT SIGN

Name:
Title:

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EXHIBIT B-1
OPINION OF DEBEVOISE & PLIMPTON

[Letterhead of Debevoise & Plimpton]

August 25, 1996

Societe Generale
New York Branch
1221 Avenue of the Americas
New York, New York 10020

Ladies and Gentlemen:

We have acted as special counsel to New Jersey Resources Corporation, a New Jersey corporation (the "Borrower"), in connection with the Revolving Credit Agreement, dated as of August 25, 1996 (the "Credit Agreement"), between the Borrower and Societe Generale, New York Branch (the "Bank"). This opinion is being delivered to you pursuant to Section 7.1(b) of the Credit Agreement capitalized terms not otherwise defined herein are used with the meanings given to them in the Credit Agreement.

In so acting, we have reviewed the Credit Agreement and the promissory note, dated August 25, 1996 (the "Grid Note") delivered by the Borrower to you pursuant to the Credit Agreement (collectively, the "Loan Documents"). We have also examined and relied upon the representations and warranties as to factual matters contained in or made pursuant to the Loan Documents and certificates of officers of the Borrower and examined and relied upon the originals, or copies certified or otherwise identified to our satisfaction, of such records, documents, certificates and other instruments, and have made such other

investigations, as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

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We are of the opinion that:

1. Each Subsidiary listed on Schedule A hereto (the "Delaware and New York Subsidiaries") is validly existing and in good standing under the law of its jurisdiction of incorporation and has the power and authority to use its property and to conduct its business as currently conducted and to enter into and perform its obligations under the Loan Documents.

2. Each of the Loan Documents constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or other similar laws of general applicability relating to or affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). We express no opinion as to (i) whether a federal or state court outside of the State of New York would give effect to the choice of New York law set forth in Section 16.1 of the Credit Agreement, (ii) the provisions of the first sentence of Section 16.2 (a) of the Credit Agreement relating to the subject matter jurisdiction of a Federal Court sitting in the City of New York to adjudicate any controversy relating to the Loan Documents and (iii) the provisions of Section 16.3 relating to the creation of an independent right to enforce obligations which have previously been reduced to judgment. For purposes of this paragraph, we note that (x) provisions of the Loan Documents which permit the Agent or any lender to take action or make determinations may be subject to a requirement that such action be taken or such determinations be made on a reasonable basis and in good faith and (y) a holder of a Grid Note may, under certain circumstances, be called upon to prove the outstanding amount of the Loans evidenced thereby.

3. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4. None of the transactions contemplated in the Credit Agreement (including, without limitation, the borrowings thereunder and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System).

In rendering the opinion in numbered paragraph 2 above, we have assumed, with your permission, that the Borrower is duly incorporated and validly existing under the laws of the State of New Jersey, has the requisite corporate power and authority to executed, deliver and perform each of the Loan Documents to which it is a party, has duly authorized each of the Loan Documents to which it is a party and has duly executed and delivered each such Loan Document.

This opinion is limited to laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware. This opinion is being delivered solely for your benefit in connection with the transactions contemplated by the Loan Documents and may not be relied on by you for any other purpose or by any other person.

Very truly yours,

Schedule A

Delaware and New York Subsidiaries

Name	Place of Incorporation

EXHIBIT B-2
OPINION OF BORROWER'S GENERAL COUNSEL

[Letterhead of Oleta J. Harden, Esq.]

August 25, 1996

Societe Generale
New York Branch
121 Avenue of the Americas
New York, New York 10020

Ladies and Gentleman:

I am Senior Vice President, General Counsel and Secretary of New Jersey Resources Corporation, a New Jersey corporation (the "Borrower"). This opinion is delivered to you pursuant to Section 7.1 (b) of the Revolving Credit Agreement dated as of August 25, 1996 (the "Credit Agreement"), between the Borrower and Societe Generale, New York Branch (the "Bank"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Credit Agreement.

I have reviewed the Credit Agreement and the promissory note, dated August 25, 1996 (the "Grid Note") delivered by the Borrower to you pursuant to the Credit Agreement (collectively, the "Loan Documents"). In delivering this opinion, I have examined and relied upon the representations and warranties as to factual matters contained in or made pursuant to the Loan Documents and certificates of officers of the Borrower and examined and relied upon the originals, or copies certified or otherwise identified to my satisfaction, of such records, documents, certificates and other instruments, and have made such other investigations, as in my judgment are necessary or appropriate to enable me to render the opinion expressed below.

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Based upon the foregoing, I am of the opinion that:

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New Jersey. The Borrower has the necessary corporate power and authority to execute, deliver and perform its obligations under the Loan Documents, to own its property and to carry on its business as now conducted.

2. Each Subsidiary listed on Schedule A hereto (each, a 'New Jersey Subsidiary') is an entity duly organized and validly existing under the laws of the State of New Jersey and has the power and authority to own its property and to carry on its business as now conducted.

3. The execution, delivery and performance by the Borrower of the Loan Documents has been duly authorized by all necessary corporate action and the Loan Documents have been duly executed and delivered by the Borrower and constitute the legal, valid and binding obligation of the Borrower.

4. To the best of my knowledge, no authorization, consent or approval of, and no filing or registration with, any governmental authority on behalf of the Borrower, is required in connection with the execution, delivery or performance by the Borrower of any of the Loan Documents or the consummation of the transactions contemplated by the Loan Documents.

5. To the best of my knowledge, no consent or approval of, or notice to, any creditor of the Borrower is required by the terms of any agreement or instrument evidencing any indebtedness of the Borrower for the execution, delivery, or performance of the obligations of the Borrower under the Loan Documents or the consummation of the transactions contemplated by the Loan Documents.

6. Execution, delivery, performance and consummation of the transactions contemplated in the Credit Agreement will not result in any breach or violation of, or constitute a default under, the charter or by-laws of the Borrower or any Subsidiary, or, to my knowledge, any agreement, instrument, judgment, order, law, rule or regulation applicable to the Borrower or any Subsidiary.

7. There is no action, proceeding or claim pending or threatened against the Borrower or any Subsidiary which could reasonably be expected to have a materially adverse effect on the business, operations, property or consolidated financial condition of the Borrower and its Subsidiaries or impair the ability of the Borrower to perform its obligations under, or affect the validity or enforceability of, the Loan Documents.

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8. The Borrower and its Subsidiaries are exempted from regulation by the Commission under the Public Utility Holding Company Act of 1935, as amended, except under Section 9 (a) (2) thereof, pursuant to a filing made with the Commission under Section 3 of said Act. Such filing is in full force and effect, and no proceedings are pending or, to my knowledge threatened for the revocation or denial of such exemption.

9. All of the issued and outstanding shares of capital stock of the Subsidiaries listed on Exhibit C to the Credit Agreement have been duly

authorized and issued and are fully paid and nonassessable.

I am a member of the bar of the State of New Jersey and, except for the laws of the State of New Jersey and the federal laws of the United States of America, this opinion shall not be construed as including an opinion concerning the laws of any other jurisdiction. This opinion is being delivered solely for your benefit in connection with the transactions contemplated by the Loan Documents and may not be relied on by you for any other purpose or by any other person.

Very truly yours,

Oleta J. Harden, Esq.

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Schedule A

New Jersey Subsidiaries

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EXHIBIT C
SUBSIDIARIES OF BORROWER

Delaware and New York Subsidiaries

Name	Place of Incorporation
Lighthouse One, Inc.	New York
Lighthouse II, Inc.	Delaware
NJR Computer Technologies, Inc.	Delaware
NJR Storage Corporation	Delaware

New Jersey Subsidiaries

New Jersey Natural Gas Company

Coastal Energy Resources, Inc.

New Jersey Computer Resources, Inc.

Resources Energy Storage, Inc.

NJR Development Corporation (f/k/a Paradigm Resources Corporation)

Subsidiaries

Commercial Realty & Resources Corp.

Paradigm Power, Inc.

NJR Energy Services Corporation

Subsidiaries

New Jersey Natural Energy Company.

NJR Energy Corporation

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Subsidiaries

Natural Resources Compressor Company

New Jersey Natural Resources Company

NJNR Pipeline Company

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EXHIBIT D
PERMITTED ENCUMBRANCES

(i) Liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which reserves adequate under generally accepted accounting principles are being maintained;

(ii) Deposits or pledges to secure obligations under workmen's compensation, social security or similar laws, or under unemployment insurance;

(iii) Deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business;

(iv) Mechanics', workmen's, materialmen's or other like liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith;

(v) Minor imperfections of title on real estate, provided such imperfections do not render title unmarketable;

(vi) Any mortgage, encumbrance or other lien upon, or security interest in, any property hereafter acquired by the Borrower or any Subsidiary, created contemporaneously with such acquisition to secure or provide for the payment or financing of any part of the purchase price thereof, or the assumption of any such mortgage, encumbrance or lien upon, or security interest in, property hereafter acquired existing at the time if such acquisition, or the acquisition of any such property subject to any such mortgage, encumbrance or other lien or security interest without the assumption thereof, provided that each such mortgage, encumbrance, lien or security interest shall attach only to the property so acquired; and

(vii) UCC Financing Statements executed from time to time in favor of BLC Corporation, as Lessor and Secured Party, under a Master Leasing Agreement dated as of September 1, 1985, between the Lessor and the Borrower herein, evidencing the Lessor's interest in various vehicles, office furnishings and business equipment leased by the Borrower.

EXHIBIT E
PERMITTED INDEBTEDNESS

None

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Exhibit 4-8

U.S. $30,000,000

REVOLVING CREDIT AGREEMENT

DATED AS OF AUGUST 27, 1996

AMONG

NEW JERSEY RESOURCES CORPORATION
AS BORROWER,

UNION BANK OF SWITZERLAND
NEW YORK BRANCH
AS AGENT

AND

UNION BANK OF SWITZERLAND

THE BANK OF TOKYO MITSUBISHI, LTD. AS LENDERS

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NEW JERSEY RESOURCES CORPORATION

U.S. $30,000,000

DATED AS OF AUGUST 27, 1996

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EXHIBIT D - Permitted Encumbrances
EXHIBIT E - Permitted Indebtedness

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THIS REVOLVING CREDIT AGREEMENT is made as of August 27, 1996, among NEW JERSEY RESOURCES CORPORATION, as borrower (the "Borrower"), UNION BANK OF SWITZERLAND, New York Branch, as agent (the "Agent") and UNION BANK OF SWITZERLAND and THE BANK OF TOKYO MITSUBISHI, LTD. (the "Banks").

WHEREAS the Borrower wishes to be able to borrow from the Banks, and the Banks, severally but not jointly, are willing to lend, on a revolving basis, to the Borrower, an aggregate principal amount of up to $30,000,000, the parties agree as follows.

1. DEFINITIONS; INTERPRETATION

1.1. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated.

"Advance" means an advance made by a Bank to the Borrower pursuant to Section 2.1.

"Aggregate Advances" means, with respect to each Bank, the sum of its Advances hereunder.

"Applicable Law" means (a) any law or regulation of (i) the jurisdiction (or any agency, department, instrumentality or taxing authority thereof) under whose law the Borrower is incorporated, and (ii) any jurisdiction (or any agency, department, instrumentality or taxing authority thereof) in which the Borrower's principal office is located and (b) as to any Bank, any law or regulation of (i) the jurisdiction (or any agency, department, instrumentality or taxing authority thereof) under whose law such Bank is organized, (ii) any jurisdiction (or any agency, department, instrumentality or taxing authority thereof) in which such Bank's principal office is located and (iii) any jurisdiction (or any agency, department, instrumentality or taxing authority thereof) in which such Bank's Lending Office is located.

"Borrowing" means the aggregate of the Advances made on any Disbursement Date.

"Business Day" means any day except Saturday, Sunday and any day which shall be in New York City or London a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commission" has the meaning assigned to that term in Section 8.1(n).

"Commitment" means, in relation to any Bank, the obligation to lend the amount specified opposite its name in Schedule I, in each case as reduced in accordance with the terms hereof.

"Default" means any event or occurrence which with the giving of notice or the passage of time, or both, would constitute an Event of Default.

"Disbursement Date" in respect of any Advance, has the meaning assigned to that term in Section 2.2.

"Dollars" or "$" means lawful money of the United States.

"Effective Date" means October 1,1996.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"ERISA Affiliate" means each trade or business (whether or not incorporated) that would be treated together with the Borrower as a single employer under Section 4001 of ERISA.

"Event of Default" has the meaning assigned to that term in Section 10.1.

"Grid Note" means a promissory note of the Borrower evidencing Advances made by a Bank, in substantially the form of Exhibit A.

"IRS" has the meaning assigned to that term in Section 6.1(a)(i).

"Indebtedness" with respect to any Person, means any amount payable by such Person pursuant to an agreement or instrument involving or evidencing money borrowed or received, the advance of credit, (other than trade payables incurred in the ordinary course of business of such Person), a conditional sale or a transfer with recourse or with an obligation to repurchase, or pursuant to a lease with substantially the same economic effect as any such agreement or instrument, to which such Person is a party as debtor, borrower, lessee or guarantor.

"Indenture" means the Indenture of Mortgage and Deed of Trust dated April l, 1952 between New Jersey Natural Gas Company and Harris Trust and Savings Bank, as Trustee, as amended through the Twenty-sixth supplemental Indenture dated October 1, 1995.

"Interest Period" means, with respect to any Advance, the period commencing on the Disbursement Date, in the case of the initial Interest Period for an Advance, or on the last day of the prior Interest Period in the case of any subsequent Interest Period for an Advance. The duration of each such Interest Period shall be one, two, three or six months (or such shorter period as the Borrower, the Agent and the Banks may agree) as designated by the Borrower in a Notice of Borrowing delivered to the Agent pursuant to Section 2.2, in the case of the initial Interest Period for an Advance, or in a notice delivered to the Agent at least four Business Days prior to the end of the prior Interest Period, in the case of any subsequent Interest Period for an Advance, provided that:

(a) if the Borrower shall fail timely to elect the duration of an Interest Period, it will be deemed to have elected a three month Interest Period;

(b) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(c) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (d) below, end on the last Business Day of a calendar month; and

(d) any Interest Period which would otherwise end after the Termination Date shall end on the Termination Date.

"Lending Office", with respect to any Bank, means the office of such Bank named in Schedule I or such other office of such Bank as such Bank may have last designated as its lending office for purposes of this Agreement by notice to the Agent and the Borrower.

"Long-Term Debt" means obligations of the Borrower for borrowed money which are by their terms not due (or subject to demand) within one year.

"Majority Banks" means Banks whose Aggregate Advances total more than fifty percent (50%) of the Banks' Aggregate Advances.

"Margin" means, on a per annum basis, 30 basis points. Notwithstanding the foregoing, the Borrower agrees that if the rating (by either Rating Agency) of the First Mortgage Bonds of New Jersey Natural Gas Company is equal to BBB+ (or its equivalent) or below, the Borrower shall negotiate in good

faith with the Agent to reset the rate to an amount which is consistent with the market rate for customers with a credit rating equal to that of the Borrower.

"Officers' Certificate" means a certificate executed on behalf of the Borrower by any two officers of the Borrower.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Person" means any corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization or government, or any political subdivision, department or agency of any government.

"Plan" means any plan subject to Title IV of ERISA with respect to which the Borrower or any ERISA Affiliate would incur a liability to the PBGC or to such plan pursuant to Title IV of ERISA as a result of the termination of such plan or withdrawal or partial withdrawal of any person from such plan.

"Plan Event" means the filing of a notice of intent to terminate any Plan under Section 4041 of ERISA, the receipt of any notice by any Plan that the PBGC intends to apply for the appointment of a trustee to administer such Plan, the termination of any Plan, the complete or partial withdrawal of any Person from any Plan if such withdrawal could result in liability of the Borrower or any ERISA Affiliate to the PBGC or to such Plan, a "reportable event," as defined in Section 4043(b) of ERISA, with respect to any Plan and any other event or condition that would constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan.

"Prime Rate" means the rate which the Agent announces from time to time as its prime rate, the Prime Rate to change when and as such prime rate changes. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. The Agent may make commercial loans or other loans at rates of interest at, above or below the Prime Rate.

"Principal Subsidiary" means each of New Jersey Natural Gas Company, NJR Storage Corp., New Jersey Natural Energy Company, New Jersey Natural Resources Company and NJNR Pipeline Company, and Commercial Realty & Resources Corp., and any other Subsidiary having total assets in excess of five percent (5%) of the total assets of the Borrower and its Subsidiaries on a consolidated basis, all as set forth in the most recent audited balance sheets of the Borrower and its Subsidiaries.

"Pro Rata Share" means, with respect to any Bank and any Advance, the amount that bears the same relation to the principal amount of such Advance, as the case may be, as such Bank's Commitment bears to the Total Commitment.

"Quoted Rate" means, with respect to any Interest Period for a Borrowing, the rate of interest (expressed as an annual rate) determined by the Agent to be the arithmetic mean (rounded up to the nearest one sixteenth of one percent (1/16%)) of the respective rates of interest communicated by the several Reference Banks to the Agent as the rates at which each such Reference Bank is offering to place a deposit in Dollars, for a term coextensive with such Interest Period in an amount substantially equal to the amount of such Reference Bank's Pro Rata Share of such Borrowing, with leading banks in the London interbank marker at approximately 11:00 a.m. London time on the second Business Day next preceding the Disbursement Date for such Borrowing; provided, however, that if any of the Reference Banks fails so to communicate a rate, the Quoted Rate shall be determined on the basis of the rates communicated to the Agent by the remaining Reference Bank or Reference Banks.

"Rating Agency" means Moody's Investors Service Inc., Standard and Poor's Corporation and their respective successors and assigns.

"Reference Banks" means the respective principal New York offices of Union Bank of Switzerland and The Bank Of Tokyo-Mitsubishi, Ltd..

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any Successor to

all or a portion thereof establishing reserve requirements.

"Subsidiary" at any time, means any entity of which more than fifty percent of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) of such entity is at the time beneficially owned or controlled directly or indirectly by the Borrower and/or by one or more such entities.

"Termination Date" means October 1, 1999 unless extended pursuant to Section 2.5 or the earlier date of termination in whole of the Commitments pursuant to Section 3.2.

"Total Commitment" means the sum of the Commitments of all of the Banks in effect from time to time.

"United States" means the United States of America.

"United States Tax" has the meaning assigned to that term in Section 6.1.

"U.S. Person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States, or an estate or trust the income of which is subject to United States federal income taxation regardless of the source.

1.2. Interpretation. The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement. Unless the context otherwise requires, words denoting the singular number only shall include the plural and vice versa. The words "written" and "in writing" include any means of visible reproduction. Unless otherwise indicated, references to Sections , Exhibits and Schedules are to be construed as reference to sections of and exhibits and schedules to this Agreement.

2. COMMITMENTS; DISBURSEMENT

2.1. Commitment to Lend. On the terms and subject to the conditions set forth herein, each Bank severally but not jointly, agrees to make from time to time on or prior to the Termination Date, in an aggregate principal amount not exceeding such Bank's Commitment, one or more Advances through its Lending Office to the Borrower. Within the limits of each Bank's Commitment, the Borrower may borrow, repay pursuant to Section 3.1 or prepay pursuant to Section 3.3, and reborrow under this Section 2.1.

2.2. Notice of Borrowing. If the Borrower wishes to borrow hereunder, it shall, not later than 5:00 p.m. New York City time on the fourth Business Day preceding the date on which it wishes to borrow, give the Agent notice of (a) such date (a "Disbursement Date"), (b) the amount of the Borrowing, which amount shall be an integral multiple of $1,000,000 not less than $3,000,000 (unless the remaining unused portion of the Total Commitment is less than $3,000,000 in which case the amount designated by the Borrower shall equal the remaining unused portion of the Total commitment), (c) the account to which it wishes the proceeds of the Borrowing to be credited and (d) the Interest Period for such Borrowing. The giving of such notice shall constitute the Borrower's irrevocable commitment to borrow such amount on such Disbursement Date.

2.3. Disbursements. The Agent shall promptly, on the third Business Day prior to the anticipated Disbursement Date, give notice to each Bank of (a) the Disbursement Date for such Borrowing, (b) the amount of the Advance to be made by such Bank on such Disbursement Date, which amount shall be such Bank's Pro Rata Share of such Borrowing, and (c) the Interest Period. By 11:00 a.m. New York City time on each Disbursement Date, each Bank shall, subject to the conditions set forth herein, make available to the Agent an amount equal to the amount of the Advance to be made by such Bank on such Disbursement Date, in same-day funds, by deposit to such account as the Agent may have

theretofore designated by notice to the Banks. Subject to the conditions set forth herein, the Agent shall, on such Disbursement Date, transfer such funds by 12 noon New York City time to the account specified by the Borrower pursuant to

Section 2.2.

2.4. Evidence of Advances. Each Bank's Advance made pursuant to this Agreement shall be evidenced on the Grid Note of the Borrower held by such Bank. Upon making an Advance, each Bank shall record on the schedule contained on the Grid Note the Disbursement Date and the principal amount of the Advance. Each Bank shall also promptly so record any payments of principal or interest. In any legal action or proceeding in respect of this Agreement or any Advance, the entries made on such schedule shall be prima facie evidence of the existence and amounts of the Advances made by such Bank and of the amounts due to it under this Agreement in respect thereof. The failure to record or to record properly any such amount shall not affect the obligation of the Borrower to repay the actual principal amount of any Advance made by any Bank with all applicable interest accruing thereon.

2.5 Extension of Commitment. At least 6 months but not more than 12 months before the Termination Date, the Borrower may request the Agent and the Banks, by giving written notice of such request to the Agent, to extend the Termination Date of the Agreement for one year, specifying the terms and conditions, including fees, to be applicable to such extension. The Agent shall promptly notify the Banks of such request, and, no later than 90 days from the date on which the Agent shall have received notice from the Borrower pursuant to the preceding sentence, the Agent shall notify the Borrower of the consent or non-consent to such extension request. No extension shall be effective without the consent of the Banks. The consent of the Banks shall be conditional upon the preparation, execution and delivery of legal documentation in form and substance satisfactory to the Banks and their counsel incorporating substantially the terms and conditions contained in the extension request as the same may be modified by agreement among the Borrower and the Banks. In no event shall the Termination Date be extended beyond October 1, 2002.

3. REPAYMENT

3.1. Repayment. The Borrower shall repay the principal amount of each Advance owing to such Bank on the Termination Date.

3.2. Reduction of the Commitments. The Borrower shall have the right, upon at least five Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Commitments of the Banks, provided that each partial reduction shall be in the aggregate of $1,000,000 or a greater integral multiple thereof.

3.3. Optional Prepayment. The Borrower may, upon at least five Business Days' notice to the Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amount of any Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (a) each partial prepayment shall be in an aggregate principal amount not less than $1,000,000 or a greater integral multiple of $500,000 and (b) the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 14.2.

4. INTEREST

4.1. Basic Rate. (a) Except as otherwise expressly provided in Section 4.2 or Section 4.3, interest shall accrue on the outstanding principal amount of each Advance at a rate per annum equal to the sum of the Quoted Rate plus the Margin. The Agent shall give prompt notice to the Borrower and each Bank of the Quoted Rate after each determination thereof. Each Reference Bank shall use reasonable efforts to furnish in a timely manner a quotation for use in the determination of the Quoted Rate.

(b) Except as otherwise provided herein, accrued interest on the unpaid principal amount of each Advance owing to each Bank from the date of such Advance until the maturity thereof

(whether at stated maturity, by acceleration or otherwise) shall be payable on the last day of an Interest Period and, if such Interest Period has a duration of more than three months, on each day which occurs during such Interest Period every three months from the first day of such Interest Period.

4.2. Substitution Rate. (a) If none of the Reference Banks shall communicate a rate to the Agent for the purpose of making any determination of the Quoted Rate, or if the Majority Banks shall determine and so advise the Agent (i) that the Banks are generally unable to obtain deposits in Dollars in the London inter-bank market for the applicable Interest Period or (ii) that the Quoted Rate for such Interest Period will not adequately reflect the cost to the Majority Banks of obtaining deposits in Dollars in the London inter-bank market for such Interest Period, the Agent shall promptly (but in any event not later than 5:00 p.m. New York time on the second Business Day preceding the Disbursement Date), so notify the Borrower and the Banks.

(b) If a notice is given pursuant to Section 4.2(a), interest shall accrue on each Bank's Advance during the affected Interest Period at a rate per annum equal to the Prime Rate. The Borrower, at its discretion, shall have the right to prepay any Borrowing subject to the Prime Rate at any time, provided the Borrower has given the Bank one Business Day prior written notice.

(c) For the purpose of determining the commitment fee payable by the Borrower under Section 5.1, the unused portion of the Total Commitment shall not include the Commitment of any Bank to the extent its obligation to lend is canceled or suspended pursuant to Section 15.1, and such Bank shall not be entitled to receive any portion of the commitment fee attributable thereto.

4.3. Interest on Late Payments. If any amount payable by the Borrower hereunder is not paid on or before the due date thereof, interest shall accrue on such amount to the extent permitted by applicable law, during the period from and including the due date thereof to but excluding the date such amount is paid, at a rate per annum equal for each day in such period to the sum of 2% plus the Base Rate. For purposes hereof, the "Base Rate" means, for any day, the higher of (x) the rate announced from time to time by the Agent as its prime rate on such date, changing as and when such prime rate changes and (y) 1/2 of 1% in excess of the average rate quoted to the Agent at approximately 11:00 a.m. (New York City time) on such day (or, if such day is not a Business Day, on the next preceding Business Day) for overnight Federal Funds transactions arranged by New York Federal Funds brokers selected by Agent on such date.

5. FEES

5.1. Commitment Fee. The Borrower shall pay to the Agent for the account of the Banks a commitment fee on the average daily unused portion of the Total Commitment from and including the date hereof to but excluding the Termination Date at a rate per annum of one eighth of one percent (1/8%), payable on the last day of each February, May, August and November, commencing February 28, 1991, and on the Termination Date.

5.2. Agency Fees. The Borrower shall pay to the Agent for its own account agency fees in the amounts and at the times separately agreed upon between the Borrower and the Agent.

6. TAXES

6.1. Gross-up. (a) In the event that any amount is required by Applicable Law to be withheld or deducted from any payments due to a Bank in respect of any Advance for or on account of any present or future taxes imposed by any governmental or other taxing authority of or in the United States ("United States Tax"), the Borrower shall pay to the Agent for distribution to such Bank such additional amounts as may be necessary in order that the net amount received for distribution to such Bank after the required withholding or other payment (including any required withholding or other payment on such additional amounts) shall equal the amount the Agent would have received for distribution to such Bank

had no such withholding or other payment been made; provided, however, that no such additional amounts shall be paid:

(i) if such Bank shall have delivered an Internal Revenue Service ("IRS") Form 4224 to the Borrower pursuant to Section 6.1(c) and (A) such Bank shall at any time not be entitled to complete exemption from withholding of United States Tax for any reason other than a change in United States federal income tax law, regulation or

official interpretation after the date hereof or (B) such withholding or deduction of United States Tax is imposed in respect of similar payments to United States taxpayers generally; or

(ii) if such Bank shall have delivered an IRS Form 1001 to the Borrower pursuant to Section 6.1(c) and such Bank shall at any time not be entitled to the complete exemption from or reduction of United States Tax for any reason other than an amendment, modification or revocation of an applicable double tax treaty, or a change in official position regarding the application or interpretation of such treaty, after the date hereof; or

(iii) in the case of a Bank that has delivered an IRS Form 1001 that claims partial exemption from or reduction of United States Tax, for or on account of any such taxes imposed at a rate that date not exceed the rate applicable to such Bank on the date hereof; or

(iv) for or on account of any such taxes that could not have been imposed but for such Bank's failure to comply with its obligations under Section 6.1(c).

In the event that the Borrower or the Agent makes payments to any Bank without any reduction by reason of withholding or other payments of United States Tax, and it is later determined by any applicable governmental or taxing authority that the Borrower or the Agent is liable for withholding or other payments and such Bank would not be entitled, by virtue of clause (i), (ii), (iii) or (iv) above, to an additional amount in respect of any such deduction or withholding, then such Bank shall indemnify the Borrower or the Agent, as the case may be (on an after-tax basis), for any amounts (other than interest and penalties, where the failure by the Borrower or the Agent, as the case may be, to deduct or withhold was not the result of an action or inaction on the part of such Bank) that the Borrower or the Agent, as the case may be, remits to the governmental or taxing authority as a result of such determination. If the Borrower receives notice of any additional amount due hereunder, it shall, subject to compliance with Section 3.3 hereof, have the right to prepay the Aggregate Advances, in whole or in part, of any Bank to which such additional amount is payable.

(b) All taxes to be paid by the Borrower pursuant to Section 6.1(a) shall be paid prior to the date on which penalties attach thereto or interest accrues thereon. If any Bank pays any amount in respect of such taxes or penalties or interest thereon (other than penalties or interest where the failure by the Borrower or Agent, as the case may be, to deduct or withhold was the result of an action or inaction on the part of such Bank), the Borrower shall reimburse such Bank in Dollars for such payment on demand. If the Borrower pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing such payment or certified copies thereof to the Agent on or before the thirtieth day after payment.

(c) Each Bank that is not a U.S. Person shall deliver to the Borrower an accurate and complete original signed copy of an IRS Form 1001 or 4224 within 30 days of the signing of this Agreement, and shall deliver such additional or supplemental forms thereafter as may be required in order to maintain the effectiveness and accuracy of such forms. In addition, such Bank shall deliver to the Borrower such other forms or documentation as the Borrower may reasonably request in order to comply with United States tax laws. For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form described herein (unless such failure is due to a change in law occurring after the date on which a form originally was required to be provided) such Bank shall not be entitled to indemnification under subsection (a) with respect to United States Taxes.

6.2. Stamp Taxes. The Borrower shall pay any registration or transfer taxes, stamp duties or similar levies, and any penalties or interest that may be due with respect thereto, that may be

imposed by any jurisdiction in connection, with this Agreement or the Grid Notes. If the Agent or any Bank pays any amount in respect of any such taxes, duties, levies, penalties or interest, the Borrower shall reimburse the Agent or such Bank for such payment on demand.

7. CONDITIONS PRECEDENT

7.1. Conditions to be Satisfied on or Before the Effective Date. The obligation of the Banks to make the initial Advances hereunder is subject to the condition that the Agent receive, on or before the Effective Date, one executed copy and certified copies or additional executed copies sufficient for all the Banks of each of the documents listed below, each dated the date of its delivery, in form and substance satisfactory to the Agent:

(a) The Grid Notes for distribution by the Agent to each Bank, duly executed and delivered.

(b) Opinions of Debovise & Plimpton, counsel to the Borrower, as to the matters set forth in Exhibit B.

(c) Copies of all corporate action taken by the Borrower to authorize this Agreement, the borrowings hereunder and the Grid Notes, certified as of the date hereof.

(d) Such other documents as the Agent may reasonably require.

7.2 Termination of Existing Revolving Credit Agreement. Reference is made to that certain Revolving Credit Agreement, dated as of December 31,1990, by and among Borrower, the Lenders party thereto and Union Bank of Switzerland, New York Branch, as Agent (as amended, the "Existing Credit Agreement"). The Borrower hereby requests that the "Commitments" under the Existing Credit Agreement be terminated immediately upon this Agreement becoming effective. Each Bank party hereto that is also party to the Existing Credit Agreement agrees that;

(a) the Existing Credit Agreement, and all "Commitments" and all other obligations under the Existing Credit Agreement (other than obligations which, by their terms, are contemplated to survive termination of the Existing Credit Agreement) shall cease and be terminated on the Effective Date; and

(b) to the extent that any notice is required under the Existing Credit Agreement in order to effect the termination contemplated in this Section 7.2, such requirement is hereby waived;

7.3. Further Conditions to be Satisfied at or Before Each Disbursement Date. The obligation of each Bank to make each Advance hereunder (including its initial Advance) is subject to the further conditions that (a) the Borrower shall have complied and shall then be in compliance with all the terms, covenants and conditions of this Agreement which are binding upon it, (b) there shall have occurred no Default or Event of Default, (c) the representations and warranties contained in Section 8.1 shall be true with the same effect as though such representations and warranties had been made at the initial Disbursement Date and (d) there shall have been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Borrower since the date of the financial statements furnished to the Agent as of the date hereof. The Borrower's notice of borrowing pursuant to Section 2.2 hereof shall be deemed to constitute a certification to the foregoing effect.

8. REPRESENTATIONS AND WARRANTIES

8.1. Representations and Warranties. The Borrower represents and warrants to each Bank as follows:

(a) The Borrower is a corporation duly organized and validly existing under the law of New Jersey and has the power and authority to own its property, to conduct its business as currently conducted and to consummate the transactions contemplated in this Agreement.

(b) Each Principal Subsidiary is an entity duly organized and validly existing under the law of its jurisdiction of incorporation or organization and has the power and authority to own its property and to conduct its business as currently conducted.

(c) The Borrower has taken all necessary corporate action to authorize the execution and delivery of this Agreement and all other documents

to be executed and delivered by it in connection with this Agreement, the performance of its obligations under the Agreement and the Grid Notes and the consummation of the transactions contemplated in this Agreement.

(d) This Agreement has been duly executed and delivered by the Borrower and constitutes, and each of the Grid Notes, when duly executed and delivered by the Borrower, will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(e) All governmental authorizations and actions of any kind necessary to authorize the Advances or required for the validity or enforceability against the Borrower of this Agreement or the Grid Notes have been obtained or performed and are valid and subsisting in full force and effect.

(f) No Default or Event of Default has occurred and is continuing or will occur by reason of the consummation of the transactions contemplated in this Agreement.

(g) No consent or approval of, or notice to, any creditor of the Borrower is required by the terms of any agreement or instrument evidencing any Indebtedness of the Borrower for the execution or delivery of, or the performance of the obligations of the Borrower under, this Agreement or the Grid Notes or the consummation of the transactions contemplated in this Agreement, and such execution, delivery, performance and consummation will not result in any breach or violation of, or constitute a default under, the charter or by-laws of the Borrower or any Principal subsidiary or any material agreement, instrument, judgment, order, law, rule or regulation applicable to the Borrower or any Principal Subsidiary or to any property of the Borrower or any Principal Subsidiary.

(h) There are no actions, proceedings or claims pending, or, to the knowledge of the Borrower, threatened, which would reasonably be expected to have a materially adverse effect on the business, operations, property or consolidated financial condition of the Borrower and its Subsidiaries, taken as a whole, or impair the ability of the Borrower to perform its obligations under, or affect the validity or enforceability of, this Agreement or the Grid Notes.

(i) The Borrower's financial statements for the most recent fiscal year fairly present the financial condition of the Borrower as of the close of such fiscal year, have been prepared in accordance with generally accepted accounting principles, consistently applied, and have been certified by Deloitte & Touche, or other independent public accountants of recognized national standing, as fairly presenting the financial condition of the Borrower as at the close of such fiscal year and the results of its operations for such year.

(j) There has been no material adverse change since December 31, 1995 in the business, operations, property or consolidated financial condition of the Borrower or in the Borrower's ability to perform its obligations under this Agreement or the Grid Notes.

(k) The execution and delivery by the Borrower of this Agreement and the Grid Notes are not subject to any tax, duty, fee or other charge, including, without limitation, any registration or

transfer tax, stamp duty or similar levy, imposed by or within the United States or any political subdivision or taxing authority thereof or therein that has not been paid by the Borrower.

(l) The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(m) The Borrower and its Subsidiaries are exempted from regulation by the Securities and Exchange Commission (the "Commission") under the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"), except under Section 9(a)(2) thereof, pursuant to a filing made with the

Commission under Section 3 of the Holding Company Act. Such filing is in full force and effect, and no proceedings are pending or, to the knowledge of the Borrower, threatened for the revocation or denial of such exemption.

(n) The Borrower and its Subsidiaries have filed all material tax returns and reports required to be filed by them in any jurisdiction, and all taxes, assessments, fees and other governmental charges or levies imposed upon the Borrower and each Subsidiary or upon any of their respective properties, assets, income, profits or franchises, that are due and payable, have been paid where the failure to so file, or the failure to so pay, would materially affect the Borrower's ability to perform its obligations hereunder, except for any taxes, assessments, fees, charges or levies which are being contested in good faith and for which reserves which are adequate under generally accepted accounting principles have been established.

(o) No Plan has incurred a material "accumulated funding deficiency" within the meaning of Section 302 of ERISA or Section 412 of the Code whether or not such accumulated funding deficiency has been waived. No Plan has engaged in any "prohibited transaction", as such term is defined in Section 4975 of the Code, as amended, that might result in a material liability of the Borrower or any ERISA Affiliate to any person. No Plan Event has occurred that might result in a material liability of the Borrower or any ERISA Affiliate to the PBGC or to any Plan.

(p) None of the transactions contemplated in this Agreement (including, without limitation, the Borrowings and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including, without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System).

(q) No contractual obligation of the Borrower or any Subsidiary and no requirement of law materially adversely affects, or insofar as the Borrower may reasonably foresee may so affect, the business, operations, property or consolidated financial condition of the Borrower.

(r) All factual information heretofore or contemporaneously furnished in writing by or on behalf of the Borrower to the Banks for purposes of or in connection with this Agreement, the Grid Notes or any transaction contemplated hereby is, and all other such factual information hereafter furnished in writing by or on behalf of the Borrower to the Banks will be true and accurate in every material respect on the date as of which such information is dated or certified and as of the date of execution and delivery of this Agreement and the Grid Notes, and not incomplete by omitting to state any material fact necessary to make such information not misleading in view of the circumstances under which such information is given.

(s) Exhibit C contains an accurate list as of the date hereof of all the presently existing Subsidiaries of the Borrower and accurately sets forth with respect to each Subsidiary the laws under which it is incorporated or organized and the percentage of its voting stock owned by the Borrower or any other Subsidiary (other than directors' qualifying shares). All of the issued and outstanding shares of capital stock of such Subsidiaries have been duly authorized and issued and are fully paid and nonassessable.

8.2. Repetition of Representations and Warranties. Each of the representations and warranties set forth in Section 8.1 shall be deemed to be repeated on each Disbursement Date as if made at and as of such time.

9. COVENANTS

9.1. Use Or Proceeds. The Borrower shall use the proceeds of the Advances for its general corporate purposes.

9.2. Governmental Authorizations. The Borrower shall obtain, make and keep in full force and effect all authorizations from and registrations with governmental authorities that may be required for the validity or enforceability against the Borrower of this Agreement or the Grid Notes.

9.3. Financial Statements and Other Information. The Borrower will deliver to the Agent, with a copy for each Bank, the following:

(a) as soon as available but in no event more than 45 days after the end of each of the Borrower's fiscal quarters, consolidated (and company only as to the Borrower and each Principal Subsidiary) balance sheets of the Borrower and its Subsidiaries as of the close of such period and consolidated (and company only as to the Borrower and each Principal Subsidiary) statements of income and retained earnings and statements of cash flow from the beginning of the then current fiscal year and from the beginning of such fiscal quarter to the close of such period, certified by the chief financial officer of the Borrower and accompanied by a certificate of said officer stating whether any Default or Event of Default has occurred and, if so, stating the facts with respect thereto, and providing calculations which establish the Borrower's compliance with the requirements or restrictions imposed by Sections 9.11, 9.12 and 9.13;

(b) as soon as available but in no event more than 90 days after the close of each of the Borrower's fiscal years, a copy of the annual audit report relating to the Borrower and its Subsidiaries on a consolidated basis and relating to the Borrower and New Jersey Natural Gas Company separately in reasonable detail satisfactory to the Agent and in each case prepared in accordance with generally accepted accounting principles by Deloitte & Touche or other independent public accountants of recognized national standing, together with financial statements (audited, in the case of the Borrower and New Jersey Natural Gas Company) consisting of consolidated (and company only as to the Borrower and each Principal Subsidiary) balance sheets of the Borrower and its Subsidiaries as of the end of such fiscal year and consolidated (and company only as to the Borrower and each Principal Subsidiary) statements of income and cash flow, retained earnings, paid-in capital and surplus of the Borrower and its Subsidiaries for such fiscal year;

(c) as soon as available but in no event more than 90 days after the close of each of the Borrower's fiscal years, a letter or opinion of the accountants who prepared the annual audit report relating to the Borrower and its Subsidiaries stating whether anything in such accountants' examination has revealed the occurrence of any event which constitutes a Default or Event of Default and, if so, stating the facts with respect thereto;

(d) promptly upon receipt thereof, copies of any reports and material sections of management letters submitted to the Borrower by such accountants in connection with any annual or interim audit of the books of the Borrower and its Subsidiaries, together with the Borrower's responses, if any;

(e) as soon as available, copies of all financial statements, reports, notices and proxy statements sent by the Borrower in a general mailing to all its stockholders, of all reports on Forms 10-Q, 8-K and 10-K under the Securities Exchange Act of 1934, of all final prospectuses filed pursuant to Rule 424(b) under the Securities Act of 1933 and of all other material information filed by the Borrower with any securities exchange or with the Commission or any governmental authority succeeding to any or all of the functions of the Commission;

(f) copies of the indentures pursuant to which any outstanding debt of the Borrower or any Subsidiary is issued (other than indentures previously delivered to the Agent); and

(g) such additional information, reports or statements as the Agent from time to time may reasonably request.

Any financial statement, report or other information obtained by any Bank pursuant to this Section 9.3, or by delivery by or on behalf of the Borrower at or prior to the date hereof, other than documents which are publicly available, shall be used by such Bank solely for purposes relating to such Bank's participation in the Advances, provided that any Bank may disclose any such information to any governmental authority, regulatory agency, legislature, court, or any officer, subdivision or committee thereof, its independent accountants or its counsel, or, if such Bank is directed to do so by order of any court or any other governmental body having appropriate authority, to any other Person.

9.4. Notices Of Default. The Borrower shall promptly give notice to the Agent of each Default or Event of Default and each other event that has or would be reasonably expected to have a materially adverse effect on its ability to perform its obligations under this Agreement or the Grid Notes.

The notice shall specify the nature and period of existence of such event and what action the Borrower has taken or is taking or proposes to take with respect thereto.

9.5. Negative Pledge. (a) The Borrower will not, and will not permit any Principal Subsidiary other than New Jersey Natural Gas Company to, create or permit to exist any mortgage, lien or encumbrance, pledge of, or other security interest in, or file or permit the filing of any financing statement under the Uniform Commercial Code or similar notice under any other statute with respect to, any asset of the Borrower or any Principal Subsidiary, except (i), as set forth in Exhibit D hereto and (ii) security for indebtedness referred to in Section 9.14 (iii) hereof.

(b) In case any mortgage, lien, encumbrance, pledge or security interest arises in violation of Section 9.5(a), the Borrower shall make or cause to be made provision whereby the Grid Notes and all other amounts due from the Borrower hereunder will be secured equally and ratably with all other obligations secured thereby, and in any case, the Banks shall have the benefit, to the full extent that they may be entitled thereto under Applicable Law, of any equitable mortgage, encumbrance, pledge or security interest so equally and ratably securing the Grid Notes and such other amounts. Any violation of Section 9.5(a) shall nevertheless constitute an Event of Default.

9.6. Consolidation, Merger, Sale of Assets, etc. The Borrower will not sell or otherwise dispose of any voting securities of any Principal Subsidiary, and the Borrower will not, and will not permit any Principal Subsidiary to, directly or indirectly, sell, lease or otherwise dispose of all or substantially all of its properties and assets, or consolidate with or merge into any other Person, or permit any other Person to consolidate with or merge into it, except that

(a) a Principal Subsidiary may sell or otherwise transfer all or substantially all of its properties and assets to the Borrower or to another Subsidiary (which, if not already such, shall thereupon become a Principal Subsidiary);

(b) a Principal Subsidiary may be consolidated with or merged into any other Subsidiary (in which case the surviving Subsidiary shall remain or become, as the case may be, a Principal Subsidiary);

(c) the Borrower may be consolidated with any other Person, or any other Person may be merged into the Borrower, if

(i) the Borrower is the survivor of such merger or consolidation and

(ii) upon the consummation of such merger or consolidation and immediately after giving effect thereto (and deeming the Borrower to have incurred at the time of such

consummation all indebtedness of such other Person that then remains outstanding), no Default or Event of Default would exist; and

(d) the Borrower may sell or otherwise transfer all or substantially all of its properties and assets to another corporation, and shall thereupon be released from all of its obligations under this Agreement and the Grid Notes, if

(i) the acquiring corporation (A) shall be organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, and (B) shall expressly assume the obligations of the Borrower under this Agreement and the Grid Notes under documentation satisfactory in form and substance to the Banks; and

(ii) immediately after giving effect to such transaction and such assumption (and deeming all Indebtedness of such acquiring corporation outstanding prior to such transaction and remaining outstanding immediately after such transaction to have been incurred by such corporation as part of such transaction and such assumption), no Default or Event of Default would exist

9.7. Preservation of Existence, Rights and Franchises; Conduct of Business. The Borrower shall at all times preserve and keep in full force and effect its corporate existence and that of each of its Principal Subsidiaries, except as permitted by Section 9.6. The Borrower shall at all times preserve and keep in full force and effect its rights and franchises material to its business and those of each of its Principal Subsidiaries, and the Borrower shall, and shall cause each of its Principal Subsidiaries to, take all action necessary to comply with the rules and regulations, as in effect from time to time, of any governmental authority to which it is subject, the noncompliance with which would reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Agreement or the Grid Notes; provided, however, that nothing in this Section 9.7 shall prevent a consolidation, merger or transfer of assets that is permitted by Section 9.6, if immediately after, and giving effect to, such transaction, the Borrower and its Principal Subsidiaries would be in compliance with this Section 9.7.

9.8. Insurance. The Borrower and each Principal Subsidiary shall maintain insurance on their property with financially sound and reputable insurers to the extent and against the risks customary for companies in similar businesses.

9.9. ERISA Compliance. The Borrower shall not take any action or omit to take any action, and shall not permit any ERISA Affiliate within its control to take any action or omit to take any action, with respect to any Plan, that under ERISA might result in a lien or charge upon the property of the Borrower or might otherwise materially adversely affect the business, profits, properties or condition (financial or otherwise) of the Borrower. Without limiting the generality of the foregoing, the Borrower shall not permit, and shall not permit any ERISA Affiliate within its control to permit, any Plan to (a) engage in any "prohibited transaction", as such term is defined in Section 4975 of the Code without securing an exemption therefor or (b) incur any material "accumulated funding deficiency", as such term is defined in Section 302 of ERISA, whether or not waived.

9.10. Payment of Taxes, etc. The Borrower and each Principal Subsidiary shall pay and discharge, or cause to be paid or discharged, as the same may become due and payable, all taxes, assessments and other governmental charges, levies or claims of any kind against it or on or with respect to any of its property, as well as claims of any kind which, if unpaid, might become a lien (except as permitted by Section 9.5) upon any or its properties; provided, however. that the foregoing shall not require the Borrower or any Principal Subsidiary to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge, levy, claim or lien so long as it shall contest the validity thereof in good faith by appropriate proceedings and shall have set aside on its books reserves with respect thereto which are adequate under generally accepted accounting principles.

9.11. Borrower Debt. The Borrower will not incur or permit to exist Indebtedness of the Borrower to exceed 45%, of the sum of the Borrower's tangible net worth and its Long Term Debt. As

used herein, "tangible net worth" means the excess of total assets over total liabilities, total assets and total liabilities each to be determined as to both classification of items and amounts in accordance with generally accepted accounting principles consistently maintained by the Borrower in the preparation of the financial statements referred to in Section 9.3(b); provided, that there shall be excluded from total assets (i) all assets which would be classified as intangible assets under generally accepted accounting principles, including but not limited to goodwill and deferred charges, (ii) cash set apart and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of capital stock, (iii) leasehold improvements, and (iv) applicable reserves, allowances and other similar properly deductible items.

9.12. Interest Coverage. The Borrower will have in each of its fiscal years net earnings before income taxes and interest expense in an amount at least 2 times interest charges during such fiscal year with respect to all Indebtedness of the Borrower. The Borrower will ensure that New Jersey Natural Gas Company will comply with item (15) of Section 4.01 B of the Indenture in connection with the issuance of any additional series of bonds.

9.13. Debt Ratio. The Borrower will cause New Jersey Natural Gas Company at all times to comply with Section 9.18 of the Indenture whether or not any Series G Bonds (as defined in the Indenture) are outstanding. The Borrower will not permit all Indebtedness of the Borrower and its Subsidiaries on a consolidated basis to exceed 65% of the sum of (x) Indebtedness of the Borrower and its Subsidiaries on a consolidated basis and (y) consolidated tangible net worth. As used herein, "consolidated tangible net worth" means the excess of total consolidated assets over total consolidated liabilities, total consolidated assets and total consolidated liabilities each to be determined as to both classification of items and amounts in accordance with generally accepted accounting principles consistently maintained by the Borrower in the preparation of the financial statements referred to in Section 9.3(b); provided, that there shall be excluded from total consolidated assets (i) all assets which would be classified as intangible assets under generally accepted accounting principles, including but not limited to goodwill and deferred charges, (ii) cash set apart and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of capital stock, (iii) leasehold improvements, and (iv) applicable reserves, allowances and other similar properly deductible items; and provided further, that there shall be excluded from total consolidated liabilities deferred income taxes.

9.14. Subsidiary Borrowing. The Borrower will not permit New Jersey Natural Resources Company and NJNR Pipeline Company, or Commercial Realty & Resources Corp. to incur or suffer to exist Indebtedness, except (i) indebtedness to the Borrower or another Subsidiary, and (ii) indebtedness not exceeding $250,000 in the aggregate for each such Subsidiary.

9.15. Holding Company Act Compliance. The Borrower will maintain in effect the exemption described in Section 8.1 (m) hereof and will comply (and will cause each Subsidiary to comply) in all material respects with the provisions of the Holding Company Act to which it is subject.

10. EVENTS OF DEFAULT

10.1. Events of Default. If one or more of the following events of default (each an "Event of Default") shall occur and be continuing, the Agent and the Banks shall be entitled to the remedies set forth in Section 10.2:

(a) the Borrower fails to pay the principal amount of any Advance when due or interest on any Advance or any other amount payable hereunder within 5 days after such interest or other amount becomes due and payable;

(b) the Borrower defaults in the performance of or compliance with any covenant, obligation or term contained herein or in any Grid Note and, if such default is capable of remedy, such default has not been remedied within 30 days after the Agent shall have given the Borrower written notice of such default;

(c) any representation or warranty made in writing by or on behalf of the Borrower herein or delivered in connection herewith at any time proves to have been incorrect in any material respect as of the date made or deemed to have been repeated;

(d) any Indebtedness (other than the Advances) of the Borrower or any of its Subsidiaries in excess of $5,000,000 is not paid when due or becomes or is declared to be due and payable prior to the expressed maturity thereof, or there shall have occurred an event which would cause any such Indebtedness to become, or allow any such Indebtedness to be declared to be, due and payable;

(e) the Borrower or any Principal Subsidiary makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts as they become due, or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law, or files any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation relating to creditors' rights, or a decree or order for relief is entered in respect of the Borrower or any Principal Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law, or the Borrower or any Principal Subsidiary files any answer

admitting or not contesting the material allegations of a petition filed against the Borrower or any Principal Subsidiary in any such proceeding, or seeks or consents to or acquiesces in the entry of an order for relief or the appointment of, or taking possession by, any trustee, receiver, assignee, custodian, secuestrator or liquidator of the Borrower or such Principal Subsidiary or of all or a substantial part of the properties of the Borrower or such Subsidiary;

(f) within 60 days after the commencement of an action against the Borrower or any Principal Subsidiary seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such action is not dismissed and all orders or proceedings thereunder affecting the operations or the business of the Borrower or such Principal Subsidiary are not stayed, or if the stay of any such order or proceeding is thereafter set aside, or if, within 60 days after the appointment without the consent or acquiescence of the Borrower or any Principal Subsidiary of any trustee, receiver, assignee, custodian, sequestrator or liquidator of the Borrower or such Principal Subsidiary or all or any substantial part of the properties of the Borrower or such Principal Subsidiary, such appointment is not vacated;

(g) any governmental authority or court takes any action that, in the reasonable opinion of the Majority Banks, materially adversely affects the business, operations, property or financial condition of the Borrower or any Principal Subsidiary or the ability of the Borrower to perform its obligations under this Agreement or the Grid Notes;

(h) final judgments in an aggregate amount of $500,000 or more are entered against the Borrower or any Principal Subsidiary and such judgments remain undischarged, and the execution thereof unstayed for a period of more than 60 days; or

(i) any Plan or Plans are involuntarily terminated, or a trustee is appointed to administer any such Plan or Plans under Section 4042 of ERISA or the PBGC shall institute proceedings to terminate, or to have a trustee appointed to administer, any such Plan or Plans, and such proceeding shall not be dismissed within 30 days, or the Borrower or any Subsidiary incurs a withdrawal liability with respect to any such Plan or Plans under Section 4201 of ERISA, but only if such termination, appointment, institution of proceedings, or withdrawal liability would result in a liability of the Borrower or any Subsidiary that would be material to the consolidated financial condition of the Borrower.

10.2. Default Remedies. If any Event of Default (other than an Event of Default specified in Section 10.1(e) or 10.1(f)) shall occur and be continuing, the Agent may with the consent of the Majority Banks, and shall upon the request of the Majority Banks, (a) declare the obligations of each Bank hereunder to be terminated, whereupon such obligations shall forthwith terminate, and (b) declare all amounts payable hereunder or under the Grid Notes by the Borrower that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall

become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower. If an Event of Default specified in Section 10.1(e) or 10.1(f) occurs, the obligations of each Bank hereunder shall be immediately terminated and all amounts payable hereunder or under the Grid Notes by the Borrower that would otherwise be due after the date of such Event of Default shall become immediately due and payable without any declaration or other act on the part of the Agent or the Banks.

10.3. Right of Setoff. If any amount payable hereunder is not paid as and when due, the Borrower authorizes each Bank to proceed at any time and from time to time, to the fullest extent permitted by law, without prior notice or demand, by right of setoff, banker's lien, counterclaim or otherwise, against any assets of the Borrower which may at any time be in the possession of such Bank or any of its affiliates, at any branch or office, and/or against any other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower to the full extent of all amounts payable to the Banks hereunder, whether or not such amounts shall be due and payable. Any Bank so proceeding shall forthwith give notice to the Agent and the Borrower of any action taken by such Bank pursuant to this Section , provided that the failure

to give such notice shall not affect the validity of any such action.

10.4. Rights Not Exclusive. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

11. PAYMENTS; COMPUTATIONS.

11.1. Making of Payments. Each payment by the Borrower under this Agreement or the Grid Notes shall be made in Dollars, in same-day funds or such other funds as the Agent may at the time determine to be customary for the settlement in New York City of international banking transactions denominated in Dollars, by 11:00 a.m. New York City time on the date such payment is due, to the Agent by deposit to such account as the Agent may have last designated by notice to the Borrower.

11.2. Computations. Interest and the commitment fees payable hereunder shall be computed on the basis of a 360-day year and actual days elapsed.

12. APPLICATION, DISTRIBUTION AND SHARING OF PAYMENTS.

12.1. Sharing of Payments. If any Bank at any time obtains total or partial payment of any amount payable hereunder other than pursuant to Section 4.2, 15.1 or 15.2 or by distribution by the Agent pursuant to Section 6.1, such Bank shall forthwith pay to the Agent the amount so obtained, and the Agent shall apply and distribute such amount were a payment was made by the Borrower; provided, however, that, if any Bank at any time obtains total or partial payment of any amount payable thereunder by exorcising a right of setoff, banker's lien or counterclaim, such Bank shall forthwith purchase from the other Banks such participations in the Aggregate Advances made by such other Banks as shall be necessary to cause such purchasing Bank to share such amount ratably with such other Banks; and provided further, however, that, if all or any of such amount is thereafter recovered from such purchasing Bank, the purchase shall be rescinded and the purchase price restored to the extent of such recovery, but with such adjustments of interest as shall be equitable. Any Bank so purchasing a direct participation from another Bank pursuant to this Section 12.1 may, to the fullest extent permitted by law, exercise all of its rights of collection with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation. Nothing herein contained shall in any way affect the right of any Bank to retain any amount obtained with respect to indebtedness other than indebtedness under this Agreement or any Grid Note.

13. THE AGENT

13.1. The Agent. (a) Each Bank authorizes the Agent to exercise on its behalf the powers specifically delegated to the Agent herein and all other powers reasonably incidental thereto. The relationship between the Agent and each Bank is that of agent and principal only, and nothing herein shall

be deemed to constitute the Agent a trustee for any Bank or to impose on the Agent any obligations other than those for which express provision is made herein.

(b) Neither the Agent nor any director, officer, employee or agent of the Agent shall have any responsibility for (i) any failure of the Borrower to fulfill any obligation under this Agreement or the Grid Notes, (ii) the truth of any representation or warranty made by the Borrower in this Agreement or any other document delivered in connection with this Agreement or (iii) the validity or enforceability against the Borrower of this Agreement or the Grid Notes.

(c) Neither the Agent nor any of the directors, officers, employees or agents of the Agent shall have any responsibility for any action taken or omitted to be taken in connection with this Agreement or the Grid Notes, except for gross negligence or willful misconduct.

(d) The Agent shall be entitled to rely in good faith on any document believed by it to be genuine and to have been sent or signed by the

proper person and on the opinions and statements of any legal counsel or other professional advisors selected by it and shall not be liable to any other party for any consequence of any such reliance.

(e) Each Bank acknowledges that it has made such independent investigation and evaluation of the creditworthiness of the Borrower as it has judged appropriate and prudent in connection with the making of its Aggregate Advances. Except as expressly provided herein, the Agent shall have no duty to provide any Bank with any credit or other information with respect to the Borrower.

(f) The Agent and its affiliates may, without liability to account to any Bank therefor, make loans to, accept deposits from, and generally engage in any kind of business with the Borrower as though it were not the Agent.

(g) The Agent may treat each Bank as the holder of each Grid Note delivered for such Bank pursuant to this Agreement for all purposes whatsoever unless and until the Agent receives notice, in form and substance satisfactory to it, of a transfer or assignment thereof and the written agreement of the person or persons to whom such Grid Note has been transferred or assigned to be bound by the terms hereof.

(h) The Agent may resign at any time by giving written notice to the Banks and the Borrower or be removed with or without cause by the Majority Banks by notice to the Agent and the Borrower. Upon the giving of either such notice, the Majority Banks shall have the right to appoint another Bank as successor Agent. If a successor Agent has not been so appointed and accepted such appointment on or before the sixtieth day after such notice is given, the retiring Agent may appoint a successor Agent. Upon the acceptance of appointment as Agent hereunder by a successor Agent and notice of such acceptance to the Borrower and the Banks, such successor agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. Notwithstanding the resignation or removal of any retiring Agent hereunder, the provisions of this Section 13 shall continue to inure to the benefit of such Agent in respect of any action taken or omitted to be taken by such Agent in its capacity as such.

13.2. Covenant to Reimburse. Each Bank shall reimburse the Agent (to the extent not reimbursed by the Borrower) ratably in accordance with the proportionate share of such Bank determined, if the Agent seek such reimbursement, with respect to a time when there are no Advances outstanding hereunder, on the basis of the respective Commitments of the Banks, or, it thereafter, on the basis of respective principal amounts of the Aggregate Advances maintained at the time for all expenses incurred by the Agent in the exercise of its responsibilities as Agent, including, without limitation, the reasonable fees and expenses of legal and other professional advisors.

13.3. Non-Receipt of Funds by the Agent. (a) Unless the Agent has received written notice from the Borrower prior to the date on which any payment by the Borrower is due hereunder that

the Borrower does not intend to make such payment as and when due, the Agent may assume that the Borrower has so made such payment and, in reliance upon such assumption, the Agent may (but shall not be required to) make available to each Bank on the date such payment is due an amount equal to the portion of such assumed payment that such Bank is entitled to hereunder. If the Borrower has not in fact made such payment to the Agent, each such Bank shall, on demand, repay to the Agent the amount so made available to it, together with interest on such amount accrued for each day from and including such payment date to but excluding the date of such repayment at a rate per annum determined and certified by the Agent to be its cost of funds.

(b) On each Disbursement Date, the Agent shall be entitled to assume that each Bank (other than any Bank that has given the Agent notice to the contrary) has made funds available to the Agent as required by Section 2.3, and the Agent, acting in reliance upon such assumption, may (but shall not be required to) transfer funds to the Borrower in an amount equal to the aggregate of the respective amounts due from all Banks from which no such notice has been received. If any Bank that has not given such notice fails to make funds

available as required by Section 2.3 and the Agent has credited to the Borrower an amount equal to such aggregate, the Agent shall be entitled at its option to recover an amount equal to the expected Advance of such Bank on demand from either such Bank or the Borrower (without prejudice to the rights of the Borrower against such Bank) together with interest on such amount accrued for each day from and including the Disbursement Date, to but excluding the date of such recovery at a rate per annum determined and certified by the Agent to be its cost of funds.

14. INDEMNIFICATION

14.1. Expenses. The Borrower shall reimburse the Agent on demand for all reasonable expenses (including the reasonable fees and expenses of the Agent's counsel) incurred as a consequence of, or in connection with the negotiation, preparation or execution of this Agreement or any amendment to this Agreement and the preservation or enforcement of any right of the Agent or any Bank under this Agreement or the Grid Notes.

14.2. Other Costs. If the Borrower (a) fails, after giving the notice referred to in Section 2.2, to fulfill the conditions set forth in Section 7 at or before the respective times specified for their fulfillment or otherwise defaults in its irrevocable commitment pursuant to Section 2.2, (b) fails to pay any amount payable hereunder as and when due or (c) makes, for any reason whatsoever, any prepayment of principal of any Advance on any day other than the last day of an Interest Period, the Borrower shall reimburse each Bank on demand for all losses, additional costs or expenses, that it may reasonably incur as a consequence thereof including, without limitation, any loss incurred by each Bank in connection with its reemployment of the amount so prepaid or of those funds acquired by each Bank to fund an Advance, as the case may be, but excluding any loss of anticipated profits.

15. CHANGES IN APPLICABLE LAW; INCREASED COSTS

15.1 Changes in Applicable Law. Each Bank shall forthwith advise the Agent and the Borrower if it determines that:

(a) after the date hereof, the adoption of or any change in any Applicable Law or in the interpretation thereof by any governmental or other regulatory authority administering such Applicable Law or by any court of competent jurisdiction, and/or

(b) compliance by such Bank with any requirement or directive arising after the date hereof from any central bank or other regulatory authority administering Applicable Law (whether or not such requirement or directive has the force of law),

makes it (or makes it apparent that it will become) unlawful to comply with, or otherwise prevents such Bank from complying with, some or all of the obligations contemplated by this Agreement. Such notice shall specify the obligations whose performance is thereby prevented. Such notice may, at the option of such Bank, demand prepayment by the Borrower of any outstanding Advance made by such Bank if in

accordance with this Section 15.1 it is unlawful for such Bank to continue to fund or maintain such Advance or any portion thereof.

The obligations so specified in such notice shall forthwith be canceled or suspended to the extent specified in such notice, effective whenever such performance is so prevented and, if so demanded in such notice, the Borrower shall, on or prior to the later of (i) two Business' Days after receipt of such notice or (ii) the date as of which such performance is prevented, prepay the outstanding amount specified therein in full, or any lesser portion thereof necessary to eliminate such situation, with accrued interest thereon. Each prepayment made by the Borrower pursuant to this Section 15.1 shall be distributed to the Bank entitled thereto.

15.2. Increased Costs. If as a result of:

(a) after the date hereof, the adoption of or any change in any Applicable Law or in the interpretation thereof by any governmental or other regulatory authority administering such Applicable Law or by

any court of competent jurisdiction, and/or

(b) compliance by any Bank with any requirement or directive arising after the date hereof from any central bank or other fiscal, monetary or any other regulatory authority administering Applicable Law (whether or not such requirement or directive has the force of law),

(x) the capital required to be maintained by any Bank as a result of its Commitment or its Advances shall be increased such that the rate of return on such Bank's capital with respect to its Commitment and Advances is reduced below that which such Bank could have achieved but for such adoption, change or compliance (taking into account such Bank's policies regarding capital adequacy), or (y) there shall be any increase in the cost to any Bank of making, maintaining or giving effect to its obligations under this Agreement (including, without limitation, any increased costs resulting from any reserve requirements) or making or maintaining any Advance or any reduction in any amounts receivable by any Bank under this Agreement (other than such an increase in costs or reduction in amounts receivable attributable to (i) a tax on or measured by the net income of such Bank imposed by the jurisdiction in which it is constituted or doing business; or (ii) without prejudice to such Bank's rights under Section 6.1, United States Tax or any tax described in clause (i) imposed by withholding with respect to a payment hereunder); then the Borrower shall from time to time, forthwith on receipt of a certificate from such Bank, pay to such Bank such amounts as are certified therein to be sufficient to indemnify such Bank against such increased cost, reduction in any amount so receivable and/or reduction in rate of return on capital. The certificate provided by the Bank shall be prima facie evidence of the amounts claimed (provided that such certificate is accompanied by a statement of the details on which the calculation of such amounts was based).

15.3. Alternative Arrangements. If a determination or certification in accordance with Section 15.1 or 15.2 above is made by, or any of the circumstances specified in Section 6.1, 15.1 or 15.2 above shall arise in relation to, any Bank, such Bank shall, in consultation with the Borrower, during a period ending not later than 30 days after the giving of such notice under Section 15.1 or such certificate under Section 15.2 or after the date on which any tax under Section 6.1 becomes payable, as the case may be, use its reasonable endeavors to make alternative arrangements that remove or minimize the application of Section 6.1 or this Section 15, as the case may be, and that are not in the sole judgment of such Bank otherwise disadvantageous to it.

16. GENERAL

16.1. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York.

16.2. Jurisdiction. (a) Any action or proceeding relating in any way to this Agreement or any Grid Note may be brought and enforced in the courts of the State of New York or of the United States of America for the Southern District of New York, and the Borrower irrevocably submits to the jurisdiction of each such court. Any process or other legal summons for the purpose of any such action or

proceeding may be served by mailing a copy thereof by registered mail addressed to the Borrower as provided for notices hereunder.

(b) The Borrower irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any such action or proceeding relating in any way to this Agreement or any Grid Note brought in the Supreme Court of the State of New York, County of New York, or the United States District Court for the Southern District of New York and any claim that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) The Borrower further irrevocably waives, to the fullest extent permitted by Applicable Law, any claim that any action or proceeding commenced by the Agent or any Bank relating in any way to this Agreement or any Grid Note should be dismissed or stayed by reason, or pending the resolution, of any action or proceeding commenced by the Borrower relating in any way to this Agreement or any Grid Note, whether or not commenced earlier. To the fullest extent permitted by Applicable Law, the Borrower shall take all measures

necessary for any such action or proceeding commenced by the Agent or any Bank to proceed to judgment prior to the entry of judgment in any such action or proceeding commenced by the Borrower.

16.3. Loan Currency. Each reference in this Agreement to Dollars is of the essence. The obligation of the Borrower in respect of any amount due under this Agreement or the Grid Notes shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the person entitled to receive such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after premium and costs of exchange) on the Business Day immediately following the date on which such person receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due, the Borrower shall pay such additional amounts, in Dollars, as may be necessary to compensate for such shortfall. Any obligation of the Borrower not discharged by such payment shall be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

16.4. Notices. Except as otherwise expressly provided herein, all notices pursuant to this Agreement shall be given by telecopier, telex cable or by notice in writing hand-delivered or by airmail, postage prepaid. All such notices shall be sent to the telecopier, telex number or address (as the case may be) specified for the intended recipient in Schedule I, or, in the case of the Borrower, to New Jersey Resources Corporation, 1350 Campus Parkway, P.O. Box 1468, Wall, New Jersey 07719, Attention: Senior Vice President and Chief Financial Officer, or, in the case of the Agent, to Union Bank of Switzerland, New York Branch, 299 Park Avenue, New York, New York 10171 Attention: Robert W. Casey, Jr., or to such other number of addresses as such recipient say have last specified by notice to the other parties. All such notices shall be effective upon receipt.

16.5. Remedies and Waivers. No failure or delay on the part of the Agent or any Bank in exercising any right hereunder shall operate as a waiver of, or impair, any such right. No single or partial exercise of any such right shall preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right shall be effective unless given in writing. No waiver of any such right shall be deemed a waiver of any other right hereunder.

16.6. Amendment. This Agreement may be amended only by an instrument in writing executed by the Borrower and the Majority Banks; provided, however, that execution of such instrument by the Borrower and all the Banks shall be required for any amendment that (a) subjects the Banks to any additional obligation hereunder, (b) reduces the Advances or any fee payable hereunder, (c) alters any provision of Section 4, (d) postpones any date fixed for, or changes the currency of, payment of the Advances or any other amount payable by the Borrower under this Agreement or any of the Grid Notes, (e) changes the number of Banks, or the manner of determining the number of Banks, required for the Banks or any of them to take any action hereunder or (f) alters Sections 6, 12, 15 or this Section 16.6; and

provided further, that amendment of any provision of this Agreement affecting the rights or duties of the Agent hereunder shall, in addition, require execution of such instrument by the Agent.

16.7. Assignment; Participations. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Agent and each Bank and their respective successors and assigns; provided, however, that the Borrower may not assign any of its rights or obligations under this Agreement without the prior written consent of the Agent and all the Banks.

(b) Any Bank may at any time assign or otherwise transfer its Grid Note or any of its rights or obligations hereunder in whole or in part; provided, however, that if the assignee or transferee is other than an office, Subsidiary or affiliate of such Bank, such assignment or transfer shall not be made without the consent of the Borrower and notification to the Agent; and provided further, that no such assignment or transfer shall result in any additional liability of the Borrower on account of United States Taxes or for increased costs under Section 6.1 or 15.2 or violate any applicable provision of the securities laws of the United States or any state thereof. The Borrower

shall, from time to time at the request of any Bank, execute and deliver such documents as may be necessary to give full force and effect to such assignment or transfer, including, without limitation, a new Grid Note in exchange for any Grid Note held by such Bank. If any Bank assigns or otherwise transfers any of its rights or obligations hereunder, subject to Section 13.1(h), each reference in this Agreement to such Bank shall be deemed to be a reference to such Bank and the person or persons to whom such rights or obligations were assigned or transferred to the extent of their respective interests.

(c) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Advances provided that no Bank shall grant a participation in its Commitment unless (A) such participation involves an amount equal to $1,000,000 or any greater multiple of $500,000 and (B) after giving effect thereto such Bank has either no remaining unparticipated Commitment or an unparticipated Commitment of at least $1,000,000. In the event of any such grant by a Bank of a participating interest to a Participant, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrowers and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement, provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (a), (b), (c) or (d) of Section 16.6 without the consent of the Participant. Each Participant shall be entitled to the benefits of Sections 6, 14 and 15 hereof to the extent that such Bank would be entitled to such benefits if the participation had not been granted.

16.8. Determinations by the Agent or any Bank. Except as otherwise provided herein, each determination by the Agent or any Bank hereunder shall, in the absence of manifest error, be conclusive and binding on the parties.

16.9. Survival. The obligations of the Borrower under Section 6.1, Section 6.2, Section 14 and Section 15 shall survive the repayment of the Advances and the cancellation of the Grid Notes and the termination of the other obligations of the Borrower hereunder.

16.10. Severability of Provisions. Any provision Of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

16.11. Counterparts. This Agreement may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same agreement.

16.12. Integration of Terms. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes all oral statements and prior writings with respect thereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered in New York City as of the date and year first written above.

Borrower:

NEW JERSEY RESOURCES CORPORATION

By: /S/ GLENN C LOCKWOOD

Agent and Bank:

UNION BANK OF SWITZERLAND
New York Branch

By: /S/ ROBERT W CASEY

By:

Bank:
THE BANK OF TOKYO MITSUBISHI, LTD.

By: /S/ MICHAEL C ROMER

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SCHEDULE I

DETAILS OF BANKS AND COMMITMENTS

Union Bank of Switzerland, New York Branch:. Commitment: $20,000,000

Lending Branch: New York

Address for notices: 299 Park Avenue
New York, New York 10171
Attention: Paul Morrison.
Telex No: 129299
Fax: 212-821-3878

The Bank Of Tokyo Mitsubishi, Ltd. Commitment: $10,000,000

Lending Branch:

Address for notices: 1251 Avenue of the Americas
New York, New York 10020
Attention: Stephen E. Goddard
Telex No: 229049
Fax: 212-782-6445

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EXHIBIT A

PROMISSORY NOTE

U.S. $ 20,000,000 00 Dated: October 1, 1996

FOR VALUE RECEIVED, the undersigned, NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of

UNION BANK OF SWITZERLAND, NEW YORK BRANCH

(the "Bank") for the account of its Lending Office (as defined in the Credit Agreement referred to below) the principal amount of each Advance (as defined below) owing to the Bank by the Borrower pursuant to the Credit Agreement (as defined below) on the Termination Date (as defined in the Credit Agreement).

The Borrower promises to pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Union Bank of Switzerland, New York Branch ("UBS"), as Agent, at 299 Park Avenue, New York, New York 10171, in same-day funds. Each Advance owing to the Bank by the Borrower and the maturity thereof, and all payments made on account of principal thereof, shall be recorded by the Bank and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Revolving Credit Agreement dated as of August 27, 1996 (the "Credit Agreement"), among the Borrower, the Bank and

certain other banks parties thereto, and UBS, as Agent for the Bank and such other banks.

The Credit Agreement, among other things, (i) provides for the making of advances (the "Advances") by the Bank to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

NEW JERSEY RESOURCES CORPORATION

By: _____
Title:

GRID

<TABLE>
<CAPTION>

DISBURSEMENT DATE	AMOUNT OF ADVANCE	MATURITY OF ADVANCE	AMOUNT OF PRINCIPAL PAID OR PREPAID	UNPAID PRINCIPAL BALANCE	NOTATION MADE BY
<S>	<C>	<C>	<C>	<C>	<C>

</TABLE>

[OPINION OF COUNSEL]

Union Bank of Switzerland
299 Park Avenue
New York, New York 10171

Re: $30,000,000 Revolving Credit and Term Loan for
New Jersey Resources Corporation

New Jersey Resources Corporation (hereinafter the "Company") or "Borrower") has entered into a revolving Credit and Term Loan Agreement (hereinafter the "Agreement") with UNION BANK OF SWITZERLAND, New York Bank, as agent (hereinafter the "Agent"), and UNION BANK OF SWITZERLAND, New York Branch and THE BANK OF TOKYO MITSUBISHI, LTD., (hereinafter the "Banks").

We are New Jersey counsel to the Company and in that capacity are familiar with the affairs of the Company, including those relating to the transactions that are contemplated by the Agreement. We have examined such corporate records of the Company and other instruments, documents and certificates as we have deemed necessary for a basis of this opinion which is being rendered to you as part of the Agreement. We have also engaged in conferences with officers of the Company and have ascertained or verified to our satisfaction such additional facts and made such further investigation as we deemed necessary as a basis for this opinion. Our opinion in this regard is limited to the laws of the State of New Jersey. Based upon the foregoing we are of the opinion that:

(i). The Borrower is a corporation duly organized and validly existing under the law of New Jersey and has the power and authority to own its property, to conduct its business as currently conducted and to consummate the transactions contemplated in the Agreement.

(ii). Each Subsidiary is an entity duly organized and validly existing under the law of its jurisdiction of incorporation or organization and has the power and authority to own its property and to conduct its business as currently conducted.

(iii). The Borrower has taken all necessary action to authorize the execution and delivery of the Agreement and all other documents to be executed

and delivered by it in connection with the Agreement, the performance of its obligations and under the Agreement and Grid Notes and the consummation of the transactions contemplated in the Agreement.

(iv). The Agreement has been duly executed and delivered by the Borrower and constitutes, and each of the Grid Notes, when duly executed and delivered by the Borrower, will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(v). All governmental authorizations and actions of any kind necessary to authorize the Advances or required for the validity or enforceability against the Borrower of the Agreement or Grid Notes have been obtained or performed and are valid and subsisting in full force and effect.

(vi). No consent or approval of, or notice to, any creditor of the Borrower is required by the terms of any agreement or instrument evidencing any indebtedness of the Borrower for the execution or delivery of, or the performance of the obligations of the Borrower under the Agreement or the Grid Notes or the consummation of the transactions contemplated in the Agreement, and such execution, delivery, performance and consummation will not result in any breach or violation of, or constitute a default under, the charter or by-laws of the Borrower or any subsidiary or any agreement, instrument, judgment, order,

law, rule or regulation applicable to the Borrower or any Subsidiary or to any property of the Borrower or any Subsidiary.

(vii). There are not actions, proceedings or claims pending or, to our best knowledge, threatened the adverse determination of which would have a materially adverse effect on the business, operations, property or consolidated financial condition of the Borrower and its Subsidiaries or impair the ability of the Borrower to perform its obligations under, or affect the validity or enforceability of, the Agreement or the Grid Notes.

(viii.) The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(ix). The Borrower and its Subsidiaries are exempted from regulation by the Commission under the Holding Company Act, except under Section 9(a)(2) thereof, pursuant to a filing made with the Commission under Section 3 of said Act. Such filing is in full force and effect, and no proceedings are pending or, to our best knowledge, threatened for the revocation or denial of such exemption.

(x). None of the transactions contemplated in the Agreement (including, without limitation, the borrowings thereunder and the use of the proceeds thereof) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended (or any regulations issued pursuant thereto, including without limitation, Regulations G, T, U and X of the Board of Governors of the Federal Reserve System).

(xi). All of the issued and outstanding shares of capital stock of the subsidiaries listed on Exhibit C to the Agreement have been duly authorized and issued and are fully paid and nonassessable.

Very truly yours,

NEW JERSEY RESOURCES CORPORATION

EXHIBIT C

LIST OF SUBSIDIARIES

<TABLE>
<CAPTION>

NAME	PLACE OF INCORPORATION	% OF VOTING STOCK OWNED BY THE BORROWER
<S>	<C>	<C>

1.	New Jersey Natural Gas Company	New Jersey	100% of common stock (96.0% of voting stock, inclusive of 210,045 shares of outstanding redeemable cumulative Preferred Stock not owned by the Borrower).
2.	NJR Energy Services Corp.	New Jersey	100% (all common stock)
	subsidiaries:		
	New Jersey Natural Energy Company	New Jersey	100% (all common stock)
	NJR Energy Corporation	New Jersey	100% (all common stock)
	subsidiaries:		
.	New Jersey Natural Resources Company	New Jersey	100% (all common stock)
	NJNR Pipeline Company	New Jersey	100% (all common stock)
	New Jersey Storage Corp.	New Jersey	100% (all common stock)
3.	NJR Development Corp.	New Jersey	100% (all common stock)
	Subsidiary:		
	Commercial Realty & Resources Corp.	New Jersey	100% (all common stock)

</TABLE>

NEW JERSEY RESOURCES CORPORATION

EXHIBIT D

PERMITTED ENCUMBRANCES

(i) Liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which reserves adequate under generally accepted accounting principles are being maintained;

(ii) Deposits or pledges to secure obligations under workmen's compensation, social security or similar laws, or under unemployment insurance;

(iii) Deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business;

(iv) Mechanics', workmen's, materialmen's or other like liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith;

(v) Minor imperfections of title on real estate, provided such imperfections do not render title unmarketable;

(vi) Any mortgage, encumbrance or other lien upon, or security interest in, any property hereafter acquired by the Borrower or any Subsidiary, created contemporaneously with such acquisition to secure or provide for the payment or financing of any part of the purchase price thereof, or the assumption of any such mortgage, encumbrance or lien upon, or security interest in, property

hereafter acquired existing at the time of such acquisition, or the acquisition of any such property subject to any such mortgage, encumbrance or other lien or security interest without the assumption thereof, provided that each such mortgage, encumbrance, lien or security interest shall attach only to the property so acquired;

(vii) Any pledge or assignment of, encumbrance or other liens upon, or security interest in, the partnership interest of the Company or its Subsidiaries in Iroquois Gas Transmission System L.P., a Delaware limited partnership, or any other partnership created in connection with the development, construction, financing or operation of the Iroquois pipeline which will transport natural gas from Canada to the north-eastern section of the United States.

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EXTRACT FROM THE MINUTES OF A JOINT MEETING OF THE BOARDS OF DIRECTORS OF NEW JERSEY RESOURCES CORPORATION, NEW JERSEY NATURAL GAS COMPANY, AND COMMERCIAL REALTY & RESOURCES CORP., HELD ON _____, 1996

RESOLVED, that the Company enter into a three-year Revolving Credit Facility with Union Bank of Switzerland, as Agent for the Participating Banks, in the amount of $30,000,000, substantially upon the terms and conditions set forth in the Summary of Terms and Conditions submitted at this meeting, which are hereby approved, and upon such other or further terms and conditions as shall be approved by the appropriate officers of the Company, the proceeds of which shall be used to refinance the existing $30,000,000 Term Loan with the said Participating Banks; and it is further

RESOLVED, that the appropriate officers of the Company are hereby authorized to execute and deliver an appropriate loan agreement, promissory note and such other documents and certificates on behalf of the Company as may be deemed necessary or appropriate to carry out the intent of the foregoing resolution.

* * * * * * * * * * * * * * * * * * *

I hereby certify this ___ day of October, 1996 that the foregoing is a true and correct extract from the Minutes of a joint meeting of the Boards of Directors of New Jersey Resources Corporation, New Jersey Natural Gas Company, and Commercial Realty & Resources Corp. held on _____, 1996 and that the resolutions set forth in such extract were duly adopted and have not been amended or rescinded and are in full force and effect.

Name:
Title:

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NEW JERSEY RESOURCES CORPORATION
CERTIFICATE OF INCUMBENCY

I, _____, Senior Vice President, General Counsel and Secretary, do hereby certify that each of the following persons listed below have been duly elected to the office or offices set forth opposite his or her name and have held such office or offices at all times since _____, 1996 through and including the date hereof, and the signature appearing opposite his or her name is his or her genuine signature:

<TABLE>
<CAPTION>

NAME	TITLE	SIGNATURE
<S>	<C>	<C>
Laurence M. Downes	President, CEO	_____
Glenn C. Lockwood	Senior Vice President & Chief Financial Officer ,	_____

_____
Name:Title:

Dated: October 1, 1996
</TABLE>

E&A INCENTIVE PLAN

EXHIBIT 10-5A

Contract #:331400

SERVICE AGREEMENT
FOR RATE SCHEDULE FTS-4

This Service Agreement, made and entered into this 21st day of June, 1995, by and between TEXAS EASTERN TRANSMISSION CORPORATION, a Delaware Corporation (herein called "Pipeline") and NEW JERSEY NATURAL GAS COMPANY (herein called "Customer", whether one or more),

W I T N E S S E T H:

WHEREAS, there currently exists between Pipeline and Customer two service agreements under Rate Schedule FTS-4 (Pipeline's Contract Nos. 330403 and 330875) which specify an MDQ of 5,000 dth and 35,000 dth, respectively; and

WHEREAS, Pipeline and Customer desire to enter into one service agreement under Rate Schedule FTS-4 which shall supersede the two existing Rate Schedule FTS-4 service agreements; and

WHEREAS, transportation rights under the new Rate Schedule FTS-4 service agreement are consistent with the existing rights under the two existing Rate Schedule FTS-4 service agreements it supersedes;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties do covenant and agree as follows:

ARTICLE I

SCOPE OF AGREEMENT

Subject to the terms, conditions and limitations hereof and of Pipeline's Rate Schedule FTS-4, Pipeline agrees to deliver on a firm basis for Customer's account quantities of natural gas up to the following quantity:

Maximum Daily Quantity (MDQ) 40,000 dth;

provided, however, during the period from April 1 of each calendar year continuing through October 31 of that year, Customer may not tender, without the consent of Pipeline, a daily quantity in excess of the product of the Penn-Jersey Summer Capacity Factor multiplied by 5,000 dth (plus Applicable Shrinkage) plus the product of the Southern Route Summer Capacity Factor multiplied by 35,000 dth (plus Applicable Shrinkage).

SERVICE AGREEMENT
FOR RATE SCHEDULE FTS-4
(Continued)

Pipeline shall receive for Customer's account, at the Point(s) of Receipt, for transportation hereunder daily quantities of gas up to Customer's MDQ, plus Applicable Shrinkage. Pipeline shall transport and deliver for Customer's account, at the Point(s) of Delivery, such daily quantities tendered up to such Customer's MDQ.

Pipeline shall not be obligated to, but may at its discretion, receive at any Point of Receipt on any day a quantity of gas in excess of the applicable Maximum Daily Receipt Obligation (MDRO), plus Applicable Shrinkage, but shall not receive in the aggregate at all Points of Receipt on any day a quantity of gas in excess of the applicable MDQ, plus Applicable Shrinkage, as specified in the executed service agreement. Pipeline shall not be obligated to, but may at its discretion, deliver at any Point of Delivery on any day a quantity of gas in excess of the applicable Maximum Daily Delivery Obligation (MDDO), but shall not deliver in the aggregate at all Points of Delivery on any day a quantity of gas

in excess of the applicable MDQ, as specified in the executed service agreement.

ARTICLE II

TERM OF AGREEMENT

This Service Agreement shall commence on July 1, 1995, and shall continue in force and effect until December 1, 2008, and from year to year thereafter unless terminated by either party upon twelve months' prior written notice. Subject to Section 22 of Pipeline's General Terms and Conditions and without prejudice to such rights, this Service Agreement may be terminated at any time by Pipeline in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty (30) days after payment is due; provided, Pipeline gives thirty (30) days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Pipeline of such outstanding bill.

Any portions of this Service Agreement necessary to correct or cash-out imbalances under this Service Agreement as required by the General Terms and Conditions of Pipeline's FERC Gas Tariff, Volume No. 1, shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished.

SERVICE AGREEMENT
FOR RATE SCHEDULE FTS-4
(Continued)

ARTICLE III

RATE SCHEDULE

This Service Agreement in all respects shall be and remain subject to the applicable provisions of Rate Schedule FTS-4 and of the General Terms and Conditions of Pipeline's FERC Gas Tariff on file with the Federal Energy Regulatory Commission, all of which are by this reference made a part hereof.

Customer shall pay Pipeline for all services rendered hereunder and for the availability of such service in the period stated, the applicable prices established under Pipeline's Rate Schedule FTS-4 as filed with the Federal Energy Regulatory Commission and as the same may be hereafter legally amended or superseded.

Customer agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Pipeline's Rate schedule FTS-4, (b) Pipeline's Rate Schedule FTS-4 pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule FTS-4; provided however, Pipeline shall not have the right without the consent of Customer to make any filings pursuant to Section 4 of the Natural Gas Act to change the MDQ specified in Article I, to change the term of the service agreement as specified in Article II, to change Point(s) of Receipt specified in Article IV, to change the Point(s) of Delivery specified in Article IV or to change the firm character of the service hereunder. Pipeline agrees that Customer may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Pipeline's existing FERC Gas Tariff as may be found necessary to assure that the provisions in (a), (b), or (c) above are just and reasonable.

ARTICLE IV

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

Natural gas to be received by Pipeline for Customer's account for service hereunder shall be received on the outlet side of the measuring station at or near the following designated Point(s) of Receipt, and natural gas to be delivered by Pipeline for Customer's account hereunder shall be delivered at the

outlet side of the measuring stations at or near the following designated Point(s) of Delivery, in accordance with the Maximum Daily Receipt Obligation (MDRO) plus Applicable Shrinkage, Maximum Daily Delivery Obligations (MDDO), receipt and delivery pressure obligations and measurement responsibilities indicated below for each:

SERVICE AGREEMENT
FOR RATE SCHEDULE FTS-4
(Continued)

<TABLE>
<CAPTION>

	Point of Receipt	Maximum Daily Receipt Obligation	Receipt Pressure Obligation	Measurement Responsibilities
<C>		<C>	<C>	<C>
1.	A point of interconnection between the facilities of CNG Transmission Corporation and Pipeline at the Leidy Storage Field in Potter County, Pennsylvania (Pipeline's M&R No. 75931)	5,000 dth plus applicable shrinkage	At any pressure requested by Pipeline not to exceed the maximum allowable operating pressure	Pipeline
2.	A point of interconnection between the facilities of CNG Transmission Corporation and Pipeline at Pipeline's Compressor Station 23 (Chambersburg) in Franklin County, Pennsylvania (Pipeline's M&R No. 79923)	35,000 dth plus applicable shrinkage	At any pressure requested by Pipeline not to exceed the maximum allowable operating pressure	Pipeline

</TABLE>

<TABLE>
<CAPTION>

	Point of Delivery	Maximum Daily Delivery Obligation	Delivery Pressure Obligation	Measurement Responsibilities
<C>		<C>	<C>	<C>
1.	In Middlesex County, New Jersey and designated by Pipeline as Measuring Station 70953	40,000 dth	350 psig	Pipeline

</TABLE>

further provided, however, that, until changed by a subsequent Agreement between Pipeline and Customer, Pipeline's aggregate maximum daily delivery obligation at the point of delivery described above, including Pipeline's maximum daily delivery obligations under this and all other Service Agreements existing between Pipeline and Customer, shall in no event exceed the following:

Point of Delivery	Aggregate Maximum Daily Delivery Obligation
No. 1	314,863 dth

ARTICLE V

QUALITY

All natural gas tendered to Pipeline for Customer's account shall conform to the quality specifications set forth in Section 5 of Pipeline's General Terms and Conditions. Customer agrees that in the event Customer tenders for service hereunder and Pipeline agrees to accept natural gas which does not comply with Pipeline's quality specifications, as expressly provided for in Section 5 of Pipeline's General Terms and Conditions, Customer shall pay all costs associated with processing of such gas as necessary to comply with such quality specifications.

ARTICLE VI

ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Pipeline's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Service Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or regular mail to the post office address of the parties hereto, as the case may be, as follows:

(a) Pipeline: TEXAS EASTERN TRANSMISSION CORPORATION
5400 Westheimer Court
Houston, TX 77056-5310

(b) Customer: New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, New Jersey 07719

or such other address as either party shall designate by formal written notice.

ARTICLE VII

ASSIGNMENTS

Any Company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Customer, or of Pipeline, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Service Agreement; and either Customer or Pipeline may assign or pledge this Service Agreement under the provisions of any mortgage, deed of trust, indenture,

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SERVICE AGREEMENT
FOR RATE SCHEDULE FTS-4
(Continued)

The interpretation and performance of this Service Agreement shall be in accordance with the laws of the State of Texas without recourse to the law governing conflict of laws.

This Service Agreement and the obligations of the parties are subject to all present and future valid laws with respect to the subject matter, State and Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

CANCELLATION OF PRIOR CONTRACT(S)

This Service Agreement supersedes and cancels, as of the effective date of this Service Agreement, the contract(s) between the parties hereto as described below:

Service Agreement dated _____, between Pipeline and Customer under Pipeline's Rate Schedule FTS-4 (Pipeline's Contract Nos. 330403 and 330875)

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SERVICE AGREEMENT
FOR RATE SCHEDULE FTS-4
(Continued)

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be signed by their respective Presidents, Vice Presidents or other duly authorized agents and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

TEXAS EASTERN TRANSMISSION CORPORATION

By /s/ Robert B. Evans

Vice President

ATTEST:

/s/ Robert W. Reed

ROBERT W. REED
CORPORATE SECRETARY

NEW JERSEY NATURAL GAS COMPANY

By /s/ Gary A. Edinger

Gary A. Edinger
Senior Vice President-Gas Supply

ATTEST:

/s/ Oleta J. Harden

Oleta J. Harden
Senior Vice President &
General Counsel

EXHIBIT 10-5B

Contract #: 400188

SERVICE AGREEMENT
FOR RATE SCHEDULE SS-1

This Service Agreement, made and entered into this 21st day of June, 1995, by and between TEXAS EASTERN TRANSMISSION CORPORATION, a Delaware Corporation (herein called "Pipeline") and NEW JERSEY NATURAL GAS COMPANY (herein called "Customer," whether one or more),

W I T N E S S E T H:

WHEREAS, there currently exists between Pipeline and Customer five service agreements under Rate Schedule SS-1 (Pipeline's Contract Nos. 400118, 400162, 400163, 400207 and 411999) which specify an MDWQ of 59,171 dth and an MSQ of 3,550,230 dth, an MDWQ of 588 dth and an MSQ of 69,445 dth, an MDWQ of 1,095 dth and an MSQ of 65,700 dth, an MDWQ of 2,257 dth and an MSQ of 266,561 dth, and an MDWQ of 303 dth and an MSQ of 21,210 dth, respectively; and

WHEREAS, Pipeline and Customer desire to enter into one service agreement under Rate Schedule SS-1 which shall supersede the five existing Rate Schedule SS-1 service agreements referenced above; and

WHEREAS, withdrawal rights under the new Rate Schedule SS-1 service agreement are consistent with the existing rights of the five existing Rate Schedule SS-1 service agreements it supersedes;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties do covenant and agree as follows:

ARTICLE I

SCOPE OF AGREEMENT

Subject to the terms, conditions and limitations hereof and of Pipeline's Rate Schedule SS-1, Pipeline agrees to provide firm service for Customer under Rate Schedule SS-1 and to receive and store for Customer's account quantities of natural gas up to the following quantity:

Maximum Daily Injection Quantity (MDIQ)	20,423 dth
Maximum Storage Quantity (MSQ)	3,973,146 dth

Pipeline agrees to withdraw from storage for Customer, at Customer's request, quantities of gas up to Customer's Maximum Daily Withdrawal Quantity (MDWQ) of 63,414 dekatherms, or such lesser quantity as determined pursuant to Rate Schedule SS-1, from Customer's Storage Inventory, plus Applicable Shrinkage, and to deliver for Customer's account such quantities. Pipeline's obligation to withdraw gas on any day is governed by the provisions of Rate Schedule SS-1, including but not limited to Section 6.

SERVICE AGREEMENT
FOR RATE SCHEDULE SS-1
(Continued)

ARTICLE II

TERM OF AGREEMENT

The term of this Service Agreement shall commence on July 1, 1995 and shall continue in force and effect until April 30, 2000 and year to year thereafter unless this Service Agreement is terminated as hereinafter provided. This Service Agreement may be terminated by either Pipeline or Customer upon five (5) years prior written notice to the other specifying a termination date of any year occurring on or after the expiration of the primary term. Subject to Section 22 of Pipeline's General Terms and Conditions and without prejudice to such rights, this Service Agreement may be terminated at any time by Pipeline in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty (30) days after payment is due; provided, Pipeline gives thirty (30) days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Pipeline of such outstanding bill.

THE TERMINATION OF THIS SERVICE AGREEMENT WITH A FIXED CONTRACT TERM OR THE PROVISION OF A TERMINATION NOTICE BY CUSTOMER TRIGGERS PREGRANTED ABANDONMENT UNDER SECTION 7 OF THE NATURAL GAS ACT AS OF THE EFFECTIVE DATE OF THE TERMINATION. PROVISION OF A TERMINATION NOTICE BY PIPELINE ALSO TRIGGERS CUSTOMER'S RIGHT OF FIRST REFUSAL UNDER SECTION 3.13 OF THE GENERAL TERMS AND CONDITIONS ON THE EFFECTIVE DATE OF THE TERMINATION.

In the event there is gas in storage for Customer's account on April 30 of the year of termination of this Service Agreement, this Service Agreement shall continue in force and effect for the sole purpose of withdrawal and delivery of said gas to Customer for an additional one-hundred and twenty (120) days.

ARTICLE III

RATE SCHEDULE

This Service Agreement in all respects shall be and remain subject to the applicable provisions of Rate Schedule SS-1 and of the General Terms and Conditions of Pipeline's FERC Gas Tariff on file with the Federal Energy Regulatory Commission, all of which are by this reference made a part hereof.

Customer shall pay Pipeline, for all services rendered hereunder and for the availability of such service in the period stated, the applicable prices established under Pipeline's Rate Schedule SS-1 as filed with the Federal Energy Regulatory Commission and as the same may be hereafter revised or changed.

Customer agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Pipeline's Rate Schedule SS-1, (b) Pipeline's Rate Schedule SS-1, pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule SS-1. Notwithstanding the foregoing, Customer does not agree that Pipeline shall have the unilateral right without the consent of Customer subsequent to the execution of this Service Agreement and Pipeline shall not have the right during the effectiveness of this Service Agreement to make any filings pursuant to Section 4 of the Natural Gas Act to change the MDIQ, MSQ and MDWQ specified in Article I, to change the term of the service agreement as specified in Article II, to change Point(s) of Receipt specified in Article IV, to change the Point(s) of Delivery specified in Article IV, or to change the firm character of the service hereunder. Pipeline agrees that Customer may protest or contest the aforementioned filings, and Customer does not waive any rights it may have with respect to such filings.

ARTICLE IV

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

The natural gas received by Pipeline for Customer's account for storage injection pursuant to this Service Agreement shall be those quantities scheduled for delivery pursuant to Service Agreements between Pipeline and Customer under Rate Schedules CDS, FT-1, SCT, PTI or IT-1 which specify as a Point of Delivery the "SS-1 Storage Point". For purposes of billing of Usage Charges under Rate Schedules CDS, FT-1, SCT, PTI or IT-1, deliveries under Rate Schedules CDS, FT-1, SCT, PTI or IT-1 for injection into storage scheduled directly to the "SS-1 Storage Point" shall be deemed to have been delivered 60% in Market Zone 2 and 40% in Market Zone 3. In addition, at Customer's request any positive or negative variance between scheduled deliveries and actual deliveries on any day at Customer's Points of Delivery under Rate Schedules CDS, FT-1, SCT, or IT-1 shall be deemed for billing purposes delivered at the Point of Delivery and shall be injected into or withdrawn from storage for Customer's account. In addition to accepting gas for storage injection at the SS-1 Storage Point, Pipeline will accept gas

tendered at points of interconnection between Pipeline and third party facilities at Oakford and Leidy Storage Fields provided that such receipt does not result in Customer tendering aggregate quantities for storage in excess of the Customer MDIQ.

The Point(s) of Delivery at which Pipeline shall deliver gas shall be specified in Exhibit A of the executed service agreement.

Exhibit A and B are hereby incorporated as part of this Service Agreement for all intents and purposes as if fully copied and set forth herein at length.

ARTICLE V

QUALITY

All natural gas tendered to Pipeline for Customer's account shall conform and be subject to the provisions of Section 5 of the General Terms and Conditions. Customer agrees that in the event Customer tenders for service hereunder and Pipeline agrees to accept natural gas which does not comply with Pipeline's quality specifications, as expressly provided for in Section 5 of Pipeline's General Terms and Conditions, Customer shall pay all costs associated with processing of such gas as necessary to comply with such quality specifications.

ARTICLE VI

ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Pipeline's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Service Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or regular mail to the post office address of the parties hereto, as the case may be, as follows:

(a) Pipeline: Texas Eastern Transmission Corporation
5400 Westheimer Court
Houston, Texas 77056-5310

(b) Customer: NEW JERSEY NATURAL GAS COMPANY
1415 WYCKOFF ROAD
P. O. BOX 1464
WALL, NJ 07719

or such other address as either party shall designate by formal written notice.

ARTICLE VII

ASSIGNMENTS

Any Company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Customer, or of Pipeline, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Service Agreement; and either Customer or Pipeline may assign or pledge this Service Agreement under the provisions of any mortgage, deed of trust, indenture, bank credit agreement, assignment, receivable sale, or similar instrument which it has executed or may execute hereafter; otherwise, neither Customer nor Pipeline shall assign this Service Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other; provided further, however, that neither Customer nor Pipeline shall be released from its obligations hereunder without the consent of the other. In addition, Customer may assign its rights to capacity pursuant to Section 3.14 of the General Terms and Conditions. To the extent Customer so desires, when it releases capacity pursuant to Section 3.14 of the General Terms and Conditions, Customer may require privity between Customer and the Replacement Customer, as further provided in the applicable

ARTICLE VIII

INTERPRETATION

The interpretation and performance of this Service Agreement shall be in accordance with the laws of the State of Texas without recourse to the law governing conflict of laws.

This Service Agreement and the obligations of the parties are subject to all present and future valid laws with respect to the subject matter, State and Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

CANCELLATION OF PRIOR CONTRACT(S)

This Service Agreement supersedes and cancels, as of the effective date of this Service Agreement, the contract(s) between the parties hereto as described below:

Service Agreement(s) dated, _____
between Pipeline and Customer under Pipeline's Rate Schedule SS-1 (Pipeline's Contract Nos. 400118, 400162, 400163, 400207 and 411999).

IN WITNESS WHEREOF, the Parties hereto have caused this Service Agreement to be signed by their respective Presidents, Vice Presidents, or other duly authorized agents and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

TEXAS EASTERN TRANSMISSION CORPORATION

By /s/ Robert B. Evans

Vice President

ATTEST:

/s/ Robert W. Reed

ROBERT W. REED
CORPORATE SECRETARY

NEW JERSEY NATURAL GAS COMPANY

By /s/ Gary A. Edinger

Gary A. Edinger
Senior Vice President-Gas Supply

ATTEST:

/s/ Oleta J. Harden

Oleta J. Harden
Senior Vice President &
General Counsel

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Contract #: 400188

EXHIBIT A, POINT(S) OF DELIVERY, DATED 6/21/95,
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE SS-1
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION
("Pipeline") AND NEW JERSEY NATURAL GAS COMPANY
("Customer"), DATED 6/21/95:

<TABLE>
<CAPTION>

Point of Delivery	Description	Maximum Daily Delivery Obligation	Delivery Pressure Obligation	Measurement Responsibilities	Owner	Operator
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. 70060	New Jersey Natural Somerset Co., NJ	17,828 dth	400 pounds per square inch gauge	TE	TE	New Jersey Natural
2. 70059	New Jersey Natural Middlesex Co., NJ	5,190 dth	100 pounds per square inch gauge	TE	TE	New Jersey Natural
3. 70953	New Jersey Natural-Freehold Middlesex Co., NJ	38,590 dth	325 pounds per square inch gauge	TE	TE	New Jersey Natural
4. 71076	New Jersey Natural-Hanover Morris Co., NJ	7,447 dth	300 pounds per square inch gauge	TE	TE	New Jersey Natural
5. 71423	New Jersey Natural-Montville Morris Co., NJ	2,257 dth	150 pounds per square inch gauge	TE	TE	New Jersey Natural
6. 70087	Algonquin - Lambertville NJ, Hunterdon CO., NJ	1,058 dth	As requested by customer, not to exceed 750 PSIG	TE	TE	Algonquin
7. 71078	Algonquin - Hanover, NJ Morris CO., NJ	1,516 dth	As requested by customer, not to exceed 750 PSIG	TE	TE	Algonquin
8. 72210	New Jersey Natural Jamesburg Middlesex Co., NJ	None	325 pounds per square inch gauge	TE	TE	New Jersey Natural
9. 79828	AGT - New Jersey Natural for nomination purposes	0	N/A	N/A	N/A	N/A

</TABLE>

provided, however, that until changed by a subsequent Agreement between Pipeline and Customer, Pipeline's aggregate maximum daily delivery obligations at each of the points of delivery described above, including Pipeline's maximum daily delivery obligations under this and all other Service Agreements existing between Pipeline and Customer, shall in no event exceed the following:

9

Contract #: 400188

EXHIBIT A, POINT(S) OF DELIVERY (continued)
NEW JERSEY NATURAL GAS COMPANY

<TABLE>

<CAPTION>

Point of Delivery	Aggregate Maximum Daily Delivery Obligation
<S>	<C>
No.1	49,828 dth
No.2	5,190 dth
No.3	314,863 dth
No.4	14,533 dth
No.5	5,190 dth
No.6	4,649 dth
No.7	2,776 dth

</TABLE>

SIGNED FOR IDENTIFICATION:

PIPELINE: /s/ Robert B. Evans

CUSTOMER: /s/ Gary A. Edinger

SUPERSEDES EXHIBIT A DATED

Contract #: 400188

EXHIBIT B, WITHDRAWAL QUANTITIES, DATED 6/21/95
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE SS-1
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("PIPELINE")
AND NEW JERSEY NATURAL GAS COMPANY ("CUSTOMER"), DATED 6/21/95:

Pipeline shall not be obligated to withdraw for Customer on any day a total daily quantity in excess of the following:

(A) the MDWQ if Customer's Storage Inventory is equal to or less than 3,973,146 Dth, but more than 929,300 Dth;

(B) a daily entitlement of 53,370 Dth if Customer's Storage Inventory is equal to or less than 929,300 Dth, but more than 545,000 Dth;

(C) a daily entitlement of 43,279 Dth if Customer's Storage Inventory is equal to or less than 545,000 Dth, but more than 146,900 Dth;

(D) a daily entitlement of 2,558 Dth if Customer's Storage Inventory is equal to or less than 146,900 Dth.

Contract #:400188

EXHIBIT B, (Continued)
NEW JERSEY NATURAL GAS COMPANY

If at any time during the period from November 16 through April 15 of each contract year the aggregate storage inventory of all Customers under Rate Schedule SS-1 equals or is less than 30% of the aggregate MSQ of all Customers under Rate Schedule SS-1, then for the balance of the period ending April 15 for such contract year injections into storage or transfers of title of gas in storage inventory shall not be included in Customer's Storage Inventory for purposes of determining Customer's daily withdrawal rights pursuant to this Exhibit B. Pipeline shall notify Customer verbally and then in writing when the

aggregate storage inventory of all Customers under Rate Schedule SS-1 and/or when Customer's individual storage inventory equals or is less than 40% and 30% of the aggregate MSQ or Customer's individual MSQ, respectively.

SIGNED FOR IDENTIFICATION:

PIPELINE: /s/ Robert B. Evans

CUSTOMER: /s/ Gary A. Edinger

SUPERSEDES EXHIBIT B DATED:

EXHIBIT 10-5C

Contract #: 820007

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS

This Service Agreement, made and entered into this 15th day of November, 1995, by and between TEXAS EASTERN TRANSMISSION CORPORATION, a Delaware Corporation (herein called "Pipeline") and NEW JERSEY NATURAL GAS COMPANY (herein called "Customer", whether one or more),

W I T N E S S E T H:

WHEREAS, Customer and Pipeline currently are parties to service agreements under Pipeline's Rate Schedule CDS (Pipeline Contract Nos. 800226, 800300 and 800391) which specify an MDQ of 100,405 dth, 5,439 dth and 3,671 dth, respectively; and

WHEREAS, Customer and Pipeline desire to enter into this Service Agreement to supersede Customer's existing Rate Schedule CDS service agreements (Pipeline Contract Nos. 800226, 800300 and 800391);

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties do covenant and agree as follows:

ARTICLE I

SCOPE OF AGREEMENT

Subject to the terms, conditions and limitations hereof, of Pipeline's Rate Schedule CDS, and of the General Terms and Conditions, transportation service hereunder will be firm. Subject to the terms, conditions and limitations hereof and of Sections 2.3 and 2.4 of Pipeline's Rate Schedule CDS, Pipeline shall deliver to those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Delivery), for Customer's account, as requested for any day, natural gas quantities up to Customer's MDQ.

Customer's MDQ is as follows:

Maximum Daily Quantity (MDQ) 109,560 dth;

provided, however, subject to the provision of at least two (2) years prior written notice to the other party hereto, either Customer or Pipeline shall have the right to reduce the MDQ under this Service Agreement, with such reduction to be effective as of November 1, 2000 or any November 1 thereafter, by a quantity not

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

in excess of 36,520 dth in any given year. In the event either Customer or Pipeline exercises its right to reduce the MDQ of this Service Agreement as set forth in this ARTICLE I, any such reductions will be subject to either Pipeline's right of pregranted abandonment or Customer's right of first refusal, as applicable, as set forth in ARTICLE II of this Service Agreement.

Subject to variances as may be permitted by Sections 2.4 of Rate Schedule CDS or the General Terms and Conditions, Customer shall deliver to Pipeline and Pipeline shall receive, for Customer's account, at those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Receipt) daily quantities of gas equal to the daily quantities delivered to Customer pursuant to this Service Agreement up to Customer's MDQ, plus Applicable Shrinkage as specified in the General Terms and Conditions.

Pipeline shall not be obligated to, but may at its discretion, receive at any Point of Receipt on any day a quantity of gas in excess of the applicable Maximum Daily Receipt Obligation (MDRO), plus Applicable Shrinkage, but shall not receive in the aggregate at all Points of Receipt on any day a quantity of gas in excess of the applicable MDQ, plus Applicable Shrinkage. Pipeline shall not be obligated to, but may at its discretion, deliver at any Point of Delivery on any day a quantity of gas in excess of the applicable Maximum Daily Delivery Obligation (MDDO), but shall not deliver in the aggregate at all Points of Delivery on any day a quantity of gas in excess of the MDQ.

In addition to the MDQ and subject to the terms, conditions and limitations hereof, Rate Schedule CDS and the General Terms and Conditions, Pipeline shall deliver within the Access Area under this and all other service agreements under Rate Schedules CDS, FT-1, and/or SCT, quantities up to Customer's Operational Segment Capacity Entitlements, excluding those Operational Segment Capacity Entitlements scheduled to meet Customer's MDQ, for Customer's account, as requested on any day.

ARTICLE II

TERM OF AGREEMENT

The term of this Service Agreement shall commence on the later of (i) November 1, 1995 or (ii) the first day of the first month after the date Customer fully executes this Service Agreement, and shall continue in force and effect until October 31, 2002 and year to year thereafter unless this Service

Agreement is terminated as hereinafter provided. Subject to the MDQ termination limitations set forth in Article I of this Service Agreement, this Service Agreement may be terminated by either Pipeline or Customer upon two (2) years prior written notice to the other specifying a termination date of any year occurring on or after the expiration of the primary term. Subject to Section 22 of Pipeline's General Terms and Conditions and without prejudice to such rights, this Service Agreement may be terminated at any time by Pipeline in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty (30) days after payment is due; provided, Pipeline gives thirty (30) days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Pipeline of such outstanding bill.

THE TERMINATION OF THIS SERVICE AGREEMENT WITH A FIXED CONTRACT TERM OR THE PROVISION OF A TERMINATION NOTICE BY CUSTOMER TRIGGERS PREGRANTED ABANDONMENT UNDER SECTION 7 OF THE NATURAL GAS ACT AS OF THE EFFECTIVE DATE OF THE TERMINATION. PROVISION OF A TERMINATION NOTICE BY PIPELINE ALSO TRIGGERS CUSTOMER'S RIGHT OF FIRST REFUSAL UNDER SECTION 3.13 OF THE GENERAL TERMS AND CONDITIONS ON THE EFFECTIVE DATE OF THE TERMINATION.

Any portions of this Service Agreement necessary to correct or cash-out imbalances under this Service Agreement as required by the General Terms and Conditions of Pipeline's FERC Gas Tariff, Volume No. 1, shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished.

ARTICLE III

RATE SCHEDULE

This Service Agreement in all respects shall be and remain subject to the applicable provisions of Rate Schedule CDS and of the General Terms and Conditions of Pipeline's FERC Gas Tariff on file with the Federal Energy Regulatory Commission, all of which are by this reference made a part hereof.

Customer shall pay Pipeline, for all services rendered hereunder and for the availability of such service in the period stated, the applicable prices established under Pipeline's Rate Schedule CDS as filed with the Federal Energy Regulatory Commission, and as same may hereafter be legally amended or superseded.

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SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

Customer agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Pipeline's Rate Schedule CDS, (b) Pipeline's Rate Schedule CDS pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule CDS. Notwithstanding the foregoing, Customer does not agree that Pipeline shall have the unilateral right without the consent of Customer subsequent to the execution of this Service Agreement and Pipeline shall not have the right during the effectiveness of this Service Agreement to make any filings pursuant to Section 4 of the Natural Gas Act to change the MDQ specified in Article I, to change the term of the agreement (including the notice of termination) as specified in Article II, to change Point(s) of Receipt specified in Article IV, to change the Point(s) of Delivery specified in Article IV, or to change the firm character of the service hereunder. Pipeline agrees that Customer may protest or contest the aforementioned filings, and Customer does not waive any rights it may have with respect to such filings.

ARTICLE IV

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

The Point(s) of Receipt and Point(s) of Delivery at which Pipeline shall receive and deliver gas, respectively, shall be specified in Exhibit(s) A and B of the executed service agreement. Customer's Zone Boundary Entry Quantity and Zone Boundary Exit Quantity for each of Pipeline's zones shall be specified in Exhibit C of the executed service agreement.

Exhibit(s) A, B and C are hereby incorporated as part of this Service Agreement for all intents and purposes as if fully copied and set forth herein at length.

ARTICLE V

QUALITY

All natural gas tendered to Pipeline for Customer's account shall conform to the quality specifications set forth in Section 5 of Pipeline's General Terms and Conditions.

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SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

Customer agrees that in the event Customer tenders for service hereunder and Pipeline agrees to accept natural gas which does not comply with Pipeline's quality specifications, as expressly provided for in Section 5 of Pipeline's General Terms and Conditions, Customer shall pay all costs associated with processing of such gas as necessary to comply with such quality specifications. Customer shall execute or cause its supplier to execute, if such supplier has retained processing rights to the gas delivered to Customer, the appropriate agreements prior to the commencement of service for the transportation and processing of any liquefiable hydrocarbons and any PVR quantities associated with the processing of gas received by Pipeline at the Point(s) of Receipt under such Customer's service agreement.

In addition, subject to the execution of appropriate agreements, Pipeline is willing to transport liquids associated with the gas produced and tendered for transportation hereunder.

ARTICLE VI

ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Pipeline's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Service Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or regular mail to the post office address of the parties hereto, as the case may be, as follows:

(a) Pipeline: TEXAS EASTERN TRANSMISSION CORPORATION
5400 Westheimer Court
Houston, TX 77056-5310

(b) Customer: NEW JERSEY NATURAL GAS COMPANY
1415 WYCKOFF ROAD
P. O. BOX 1464
WALL, NJ 07719

or such other address as either party shall designate by formal written notice.

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

ARTICLE VII

ASSIGNMENTS

Any Company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Customer, or of Pipeline, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Service Agreement; and either Customer or Pipeline may assign or pledge this Service Agreement under the provisions of any mortgage, deed of trust, indenture, bank credit agreement, assignment, receivable sale, or similar instrument which it has executed or may execute hereafter; otherwise, neither Customer nor Pipeline shall assign this Service Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other; provided further, however, that neither Customer nor Pipeline shall be released from its obligations hereunder without the consent of the other. In addition, Customer may assign its rights to capacity pursuant to Section 3.14 of the General Terms and Conditions. To the extent Customer so desires, when it releases capacity pursuant to Section 3.14 of the General Terms and Conditions, Customer may require privity between Customer and the Replacement Customer, as further provided in the applicable Capacity Release Umbrella Agreement.

ARTICLE VIII

INTERPRETATION

The interpretation and performance of this Service Agreement shall be in accordance with the laws of the State of Texas without recourse to the law governing conflict of laws.

This Service Agreement and the obligations of the parties are subject to all present and future valid laws with respect to the subject matter, State and Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS
(Continued)

ARTICLE IX

CANCELLATION OF PRIOR CONTRACT(S)

This Service Agreement supersedes and cancels, as of the effective date of this Service Agreement, the contract(s) between the parties hereto as described below:

The restated service agreements, tendered but not signed, between Pipeline and Customer under Pipeline's Rate Schedule CDS (Pipeline's Contract Nos. 800226, 800300 and 800391) reflecting Pipeline's implementation of Order No. 636, et seq.

SERVICE AGREEMENT
FOR RATE SCHEDULE CDS

(Continued)

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be signed by their respective Presidents, Vice Presidents or other duly authorized agents and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

TEXAS EASTERN TRANSMISSION CORPORATION

By /s/ Robert B. Evans

Vice President

ATTEST:

/s/ Robert W. Reed

ROBERT W. REED
CORPORATE SECRETARY

NEW JERSEY NATURAL GAS COMPANY

By /s/ Gary A. Edinger

Gary A. Edinger
Senior Vice President-Energy Services

ATTEST:

/s/ Oleta J. Harden

Oleta J. Harden
Secretary

Contract #:820007

EXHIBIT A, TRANSPORTATION PATHS
FOR BILLING PURPOSES, DATED, 11/15/95.
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE CDS
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("Pipeline"), AND
NEW JERSEY NATURAL GAS COMPANY ("Customer"),
DATED: 11/15/95

(1) Customer's firm Point(s) of Receipt:

<TABLE>
<CAPTION>

Point of Receipt	Description	Maximum Daily Receipt Obligation (plus Applicable Shrinkage) (dth)	Measurement Responsibilities	Owner	Operator
<S>	<C>	<C>	<C>	<C>	<C>
70217	UNITED GAS KOSCIUSKO, MS ATTALA CO., MS	2,792	UNIT GAS PL	UNIT GAS PL	UNIT GAS PL
71200	CHEVRON - VENICE, LA PAQUEMINES PA., LA	1,475	CHEVRON USA	CHEVRON USA	CHEVRON USA
71750	COLUMBIA GULF - ST. LANDRY PA., LA ST. LANDRY PA., LA	2,196	COL GULF	COL GULF	COL GULF

72601	SEAGULL SHORELINE SYSTEM - MATAGORDA CO., TX. MATAGORDA CO., TX	6,542	SEAGULL SHOR	SEAGULL SHOR	SEAGULL SHOR

</TABLE>

* Included in Firm Receipt Point Entitlements as set forth in Section 14 of Pipeline's General Terms and Conditions at the Kosciusko, Mississippi Point of Receipt.

(2) Customer shall have Pipeline's Master Receipt Point List ("MRPL"). Customer hereby agrees that Pipeline's MRPL as revised and published by Pipeline from time to time is incorporated herein by reference.

Customer hereby agrees to comply with the Receipt Pressure obligation as set forth in Section 6 of Pipeline's General Terms and Conditions at such Point(s) of Receipt.

Contract #820007

EXHIBIT A, TRANSPORTATION PATHS, continued
NEW JERSEY NATURAL GAS COMPANY

<TABLE>
<CAPTION>

Transportation Path	Transportation Path Quantity (Dth/D)
<S>	<C>
M1 to M3	109,560

</TABLE>

SIGNED FOR IDENTIFICATION

PIPELINE: /s/ Robert B. Evans

CUSTOMER: /s/ Gary A. Edinger

SUPERSEDES EXHIBIT A DATED ----------

Contract #:820007

EXHIBIT B, POINT(S) OF DELIVERY, DATED 11/15/95,
TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE CDS
BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("Pipeline"), AND
NEW JERSEY NATURAL GAS COMPANY ("Customer"),
DATED 11/15/95:

<TABLE>
<CAPTION>

Point of Delivery	Description	Maximum Daily Delivery Obligation (dth)	Delivery Pressure Obligation	Measurement Responsibilities	Owner	Operator
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1. 70011	COLUMBIA GAS (MFGRS.) - EAGLE, PA CHESTER CO., PA	3,671	AS PROVIDED IN SECTION 6 OF THE GENERAL TERMS AND CONDITIONS OF PIPELINE'S FERC GAS TARIFF	TX EAST TRAN	TX EAST TRAN	COL GAS TRAN
2. 70059	NEW JERSEY NATURAL -	4,636	100 POUNDS PER	TX EAST TRAN	TX EAST	NJ NAT GAS

	PERTH AMBOY, NJ MIDDLESEX CO., NJ		SQUARE INCH GAUGE		TRAN	
3. 70060	NEW JERSEY NATURAL - BOUND BROOK, NJ SOMERSET CO., NJ	44,511	400 POUNDS PER SQUARE INCH GAUGE	TX EAST TRAN	TX EAST TRAN	NJ NAT GAS
4. 70087	ALGONQUIN - LAMBERTVILLE, NJ HUNTERDON CO., NJ	4,649	AS REQUESTED BY CUSTOMER, NOT TO EXCEED 750 PSIG	TX EAST TRAN	TX EAST TRAN	ALGONQUIN
5. 70953	NEW JERSEY NATURAL - FREEHOLD, NJ MIDDLESEX CO., NJ	100,450	325 POUNDS PER SQUARE INCH GAUGE	TX EAST TRAN	TX EAST TRAN	NJ NAT GAS
6. 71076	NEW JERSEY NATURAL - HANOVER, NJ MORRIS CO., NJ	12,982	300 POUNDS PER SQUARE INCH GAUGE	TX EAST TRAN	TX EAST TRAN	NJ NAT GAS
7. 71078	ALGONQUIN - HANOVER, NJ MORRIS CO., NJ	2,776	AS REQUESTED BY CUSTOMER, NOT TO EXCEED 750 PSIG	TX EAST TRAN	TX EAST TRAN	ALGONQUIN
8. 71423	NEW JERSEY NATURAL - MONTVILLE, NJ MORRIS CO., NJ	4,636	100 POUNDS PER SQUARE INCH GAUGE	TX EAST TRAN	TX EAST TRAN	NJ NAT GAS
9. 72210	NEW JERSEY NATURAL - JAMESBURG, MIDDLESEX, NJ	NONE	325 POUNDS PER SQUARE INCH GAUGE	TE EAST TRAN	TX EAST TRAN	NJ NAT GAS

Contract #: 820007

EXHIBIT B, POINT(S) OF DELIVERY (Continued)
NEW JERSEY NATURAL GAS COMPANY

Point of Delivery	Description	Maximum Daily Delivery Obligation (dth)	Delivery Pressure Obligation	Measurement Responsibilities	Owner	Operator
10. 79513	SS-1 STORAGE POINT	20,423 04/01-10/31 20,423 11/01-03/31	N/A	N/A	N/A	N/A
11. 79560	SS STORAGE INJECTION POINT	SUCH QUANTITIES ACCEPTED BY PIPELINE NOT TO EXCEED 31,143	N/A	N/A	N/A	N/A
12. 79828	AGT - NEW JERSEY NATURAL - FOR NOMINATION PURPOSES	-0-	N/A	N/A	N/A	N/A

provided, however, that until changed by a subsequent Agreement between Pipeline and Customer, Pipeline's aggregate maximum daily delivery obligations under this and all other firm Service Agreements existing between Pipeline and Customer, shall in no event exceed the following:

EXHIBIT B, POINT(S) OF DELIVERY (Continued)
NEW JERSEY NATURAL GAS COMPANY

<TABLE>
<CAPTION>

Point of Delivery	Aggregate Maximum Daily Delivery Obligation (dth)
<S>	<C>
No. 2	5,190
No. 3	49,828
No. 4	4,649
No. 5	314,863
No. 6	14,533
No. 7	2,776
No. 8	5,190
No. 10	20,423

</TABLE>

and further provided, however, that Pipeline's maximum daily delivery obligation shall not exceed 374,734 dth in the aggregate at Points of Delivery 70059, 70060, 70953, 71076, 71078, 71423 and 72210.

SIGNED FOR IDENTIFICATION

PIPELINE: /s/ Robert B. Evans

CUSTOMER: /s/ Gary A. Edinger

SUPERSEDES EXHIBIT B DATED ----------

EXHIBIT C, ZONE BOUNDARY ENTRY QUANTITY AND ZONE BOUNDARY EXIT QUANTITY, DATED 11/15/95, TO THE SERVICE AGREEMENT UNDER RATE SCHEDULE CDS BETWEEN TEXAS EASTERN TRANSMISSION CORPORATION ("PIPELINE") AND NEW JERSEY NATURAL GAS COMPANY ("CUSTOMER"), DATED 11/15/95:

ZONE BOUNDARY ENTRY QUANTITY
Dth/D

To

<TABLE>
<CAPTION>

FROM	STX	ETX	WLA	ELA	M1-24	M1-30	M1-TXG	M1-TGC	M2-24	M2-30	M2-TXG	M2-TGC	M2	M3
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STX								3,122						
ETX					11,685		4,724							
WLA							1,437	3,122						
ELA						87,038								
M1-24									11,685					
M1-30										87,038				
M1-TXG											6,161			
M1-TGC												6,244		
M2-24														
M2-30														

M2-TXG														
M2-TGC														
M2														109,560
M3														

</TABLE>

Contract #:820007

EXHIBIT C (Continued)
NEW JERSEY NATURAL GAS COMPANY

ZONE BOUNDARY EXIT QUANTITY
Dth/D
To

<TABLE>
<CAPTION>

FROM	STX	ETX	WLA	ELA	M1-24	M1-30	M1-TXG	M1-TGC	M2-24	M2-30	M2-TXG	M2-TGC	M2	M3
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STX														
ETX														
WLA														
ELA														
M1-24									11,685					
M1-30										87,038				
M1-TXG											6,161			
M1-TGC												6,244		
M2-24														
M2-30														
M2-TXG														
M2-TGC														
M2														109,560
M3														

</TABLE>

SIGNED FOR IDENTIFICATION:

PIPELINE: /s/ Robert B. Evans

CUSTOMER: /s/ Gary a. Edinger

SUPERCEDES EXHIBIT C DATED

EXHIBIT 10-6

New Jersey Resources Corporation
Officer Incentive Plan

Purpose

The purpose of the New Jersey Resources Corporation Officer Incentive Compensation Plan (the "Plan") is to provide a meaningful incentive opportunity geared to the achievement of specified corporate and individual goals for officers of the Company who contribute to the operating efficiency and success of the Company.

Participation

Participation will be limited to officers of the Corporation, and subsidiaries whose Board of Directors adopt this Plan. Participation will be determined on the basis of responsibility level within the Company, and each participant will be assigned to an Incentive Plan Group which reflects his/her company unit and level of responsibility. The Chief Executive officer will recommend specific participants, and their incentive Plan Group to the Board of Directors.

If an individual becomes eligible for Plan participation after the beginning of the Plan Year, which shall correspond to the Company's fiscal year, the Chief Executive Officer will take into consideration factors such as (a) the individuals overall contribution and (b) the portion of the year the individual participated in the Plan in determining the size of any award.

If a participant's employment is terminated during a Plan Year for reason of death, disability, or normal or early retirement, the Chief Executive Officer shall have discretion in recommending an incentive award commensurate with the individuals service and contribution for that portion of the Plan Year that the participant was employed. In case of death where an incentive award is to be paid, the Company shall make payment according to the participant's beneficiary designation form which shall be maintained under this Plan.

In the event a participant is transferred from one position to another during the Plan Year and such transfer shall have an affect either on the participant's qualification, basis for award, or on the amount available as an incentive award, the participant's award shall be prorated accordingly for the Plan Year. Should a transfer result in a demotion of the participant, any award would be at the sole discretion of the Board of Directors.

No participant and no person claiming by, under, or through a participant shall have at any time a vested right or interest in any incentive award proposed or determined under the terms, conditions, and provisions of this Plan. All determinations, decisions, and directions shall be made by Board of Directors giving due consideration to recommendations of the Chief Executive Officer, and shall be final and conclusive. The interest of any participant or of any person claiming by, under, or through such participant shall not be assignable or transferable either by voluntary or involuntary assignment or by operation of the law and shall not be subject to the claims of any creditor of a participant.

Corporate Objectives

The Chief Executive Officer will propose for Board of Directors approval, corporate and subsidiary objectives on which overall awards will be determined for each Incentive Plan Group. Such objectives, and the measures used, will be based on key financial, operating efficiency, and/or other objectives of the Company as determined from time to time. Each measure will be stated in terms of "target", "threshold", and "maximum" performance levels.

The applicable corporate and/or subsidiary actual results for the Plan Year must equal or exceed the "threshold" level or performance before any incentive award is triggered for each Incentive Plan Group. The "maximum" performance level, when achieved, will produce the maximum incentive award opportunity. A separate "minimum hurdle" level of annual Company-wide profitability may be established by the Board of Directors before any incentive awards will be paid, such as payment of dividends on common stock.

Performance objectives, once established, will not be modified unless unforeseen circumstances occur which would have substantially influenced the setting of goals had such circumstances been known at that time. These may include but are not limited to acquisitions, divestitures, natural catastrophe, or other events of similar magnitude. Any such change will require the approval of the Board of Directors.

Incentive Opportunities

A Target Award will be established for each Incentive Group each year. The Target Award will be earned for achievement of "target" performance. "Threshold" and "maximum" performance incentive award levels will be established in relation to the target performance levels. Target, threshold, and maximum award levels will be recommended by

the Chief Executive Officer for approval by the Board of Directors as appropriate from time to time.

Total incentive opportunities will be identified for each Incentive Plan Group in two portions, a Group Performance Award and an Individual Performance Award, with the Group Performance Award portion decreasing in successively lower-level Incentive Plan Groups.

Individual Goals and Objectives

Each participant, except the Chief Executive Officer, will be rated by their immediate supervisors on attainment of individual goals and objectives at the end of each Plan Year. Such ratings will be expressed on a scale of 0 to 120% of target as the Individual Performance Rating. The Chief Executive Officer will not be rated individually but will be rewarded based 100% on attainment of corporate objectives.

Determining Participant Awards

Incentive awards will be based on each participant's salary grade midpoint. Actual corporate performance will be measured in relation to defined corporate objectives to determine the "Funded Award" percentage for each participant.

Approval

The Chief Executive Officer will reserve full authority to approve, adjust, or disapprove each officer Incentive Award.

Form and Timing of Payment

Payment of incentive awards shall be made in cash less applicable Social Security deductions and required federal, state, and local income tax withholding. The incentive awards shall be paid to participants as near to the end of the Plan Year as the Board of Directors determines to be reasonable and proper. Incentive awards will be based on the participant's actual base salary earnings over the course of the Plan Year.

Merger, Consolidation, or Other Acquisition

In the event of a merger, consolidation, or acquisition in which New Jersey Resources Corporation is not the surviving corporation, the Plan Year will be deemed to have ended as of the date of such event. At the time of such event, performance levels will be determined (in terms of actual results relative to target performance) by the Chief Executive Officer with the approval of the Board of Directors

and appropriate incentives will be paid as soon as practical.

Continuation, Amendment, and Termination

Unless affected by terms of merger, consolidation, or acquisition, this Plan shall continue in effect until such time as it shall be amended, suspended, or terminated by resolution of the Board of Directors which specifically reserves the right to such amendment, modification, suspension, or termination of the Plan at any time as it shall be determined to be in the beat interests of the Company.

Exhibit 10-7

AMENDED AND RESTATED LEASE AGREEMENT

dated as of December 21, 1995

between

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,
NATIONAL ASSOCIATION, not in its individual
capacity but solely as Owner Trustee

as Lessor

and

NEW JERSEY NATURAL GAS COMPANY,
a New Jersey corporation,
as Lessee

New Jersey Natural Gas Company
Leveraged Lease of
Monmouth Shores Corporate Office Park
building and site

Wall, New Jersey

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AMENDED AND RESTATED LEASE AGREEMENT

AMENDED AND RESTATED LEASE AGREEMENT dated as of December 21, 1995, between STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as Owner Trustee, as the Lessor, and NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation, as the Lessee.

WHEREAS, the Lessor is the owner of the Facility;

WHEREAS, the Lessee desires to lease from the Lessor the Facility upon the terms and subject to the conditions set forth herein; and

WHEREAS, the Lessor is willing to lease the Facility to the Lessee upon the terms and subject to the conditions set forth herein;

WHEREAS, the Lessor and the Lessee desire to amend and restate that certain Lease Agreement dated as of December 20, 1995 by and between Seller, as lessor, and the Lessee, as lessee by the execution and delivery of this Lease;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

S1. DEFINITIONS AND CONSTRUCTION. For purposes of this Lease (including the foregoing recitals), capitalized terms used herein and not otherwise defined in this Lease shall have the meanings (and rules of usage) assigned to them in Appendix A. Any term defined by reference to an agreement, instrument or other document shall have the meaning so assigned to it whether or not such document is in effect. Unless otherwise indicated, references in this Lease to sections, paragraphs, clauses, appendices, schedules and exhibits are to the same contained in or attached to this Lease.

S2. LEASE; LEASE TERM.

(a) LEASE. Upon the terms and subject to the conditions of this Lease, the Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, the Facility.

(b) LEASE TERM. The interim term of this Lease (the "Interim Term") shall commence on the Closing Date and shall terminate at 11:59 p.m., New York City time, on the day before the Basic Term Commencement Date or such earlier date as provided herein. The basic term (the "Basic Term") shall commence on (and include) the Basic Term Commencement Date and shall terminate at 11:59 p.m., New York City time, on June 30, 2021 or such earlier date as provided herein. The term of this Lease shall also include each Renewal Term hereunder.

(c) DESCRIPTIONS. The Premises to be leased on the Closing Date is described in Exhibit A, and the Site to be leased on the Closing Date is described in Exhibit B.

S3. RENT; ADJUSTMENTS TO RENT.

(a) BASIC RENT. The Lessee shall pay to the Lessor, as basic rent ("Basic Rent") for the Premises, the following amounts:

(i) on each Rent Payment Date occurring during the Basic Term, the amounts (payable in advance) set forth on Schedule 1;

(ii) on each Rent Payment Date occurring during a Renewal Term, if any, an amount determined as provided in Sections 12 and 13.

(b) SUPPLEMENTAL RENT. The Lessee shall pay to the Lessor during the Lease Term, or (in the case of Excepted Rights and Payments) to whoever shall be entitled thereto, as supplemental rent ("Supplemental Rent"), the following amounts:

(i) if and when due, any amount payable hereunder as

Casualty Value, Termination Value or EBO Price; and

(ii) when due, amounts payable by the Lessor in respect of Make-Whole Amount (other than any Make-Whole Amount payable pursuant to Section 7.4(b) of the Indenture) and any other amounts (other than principal and interest) payable on the Facility Notes or under the Indenture except to the extent such amounts are payable as a result of (x) an Indenture Event of Default that is not also an Event of Default, or (y) a refinancing of the Facility Notes not made at the Lessee's request unless such refinancing results from an Event of Default; and

(iii) when due, or when no due date is specified, on demand, any amount (other than Basic Rent, Casualty Value, Termination Value or EBO Price) that the Lessee is required to pay to the Lessor (or any co-trustee or separate trustee appointed pursuant to the Trust Agreement), the Owner Participant, the Indenture Trustee (or any note registrar, paying agent, co-trustee or additional trustee appointed pursuant to the Indenture), any Loan Participant, any Indemnified Person and any Related Party to any Indemnified Person, under this Lease or any other Transaction Document to which the Lessee is a party;

(iv) on demand to the extent permitted by Applicable Law,

interest on (A) any Basic Rent not paid when due and (B) any other Rent not paid when due, in each case from and including the due date thereof to but excluding the date of payment thereof (unless payment is made after 12:00 noon, local time at the place of receipt, in which event such date of payment shall be included) at a rate per annum equal to the Default Rate; and

(v) when due, any other amounts, liabilities and obligations other than Basic Rent which the Lessee has assumed or is otherwise obligated to pay under this Lease or any other Transaction Document.

(c) METHOD OF PAYMENT. Subject to Section 11(c), each payment of Rent shall be made in immediately available funds no later than 12:00 noon, New York City time, on the date such payment shall be due and payable hereunder, and shall be paid either (i) in the case of payments other than Excepted Rights and Payments, as provided in Section 11(c), or if Section 11(c) is inapplicable, then to the Lessor by wire transfer to the bank account of the Lessor specified in Schedule 2 to the Participation Agreement or such other account at such other place as may be specified in writing from time to time by the Lessor (any such notification by the Lessor being effective for any payment of Rent due not earlier than five (5) Business Days after the date the Lessee receives such notification, and such bank account to be located in the contiguous continental United States), or (ii) in the case of payments with respect to Excepted Rights and Payments, to such Person as shall be entitled to receive such payment at such address as such Person may specify by notice to the Lessee (the address for the Lessor to be its address determined in accordance with Section 17); provided, however, that with respect to payments to the Owner Participant with respect to Excepted Rights and Payments, all such payments shall be paid by wire transfer to the account of the Owner Participant specified in Schedule 2 to the Participation Agreement or such other account at such other place as may be specified in writing from time to time by the Owner Participant (any such notification by the Owner Participant being effective for any such payment due not earlier than five (5) Business Days after the date the Lessee receives such notification, and such bank account to be located in the contiguous continental United States). If the date on which any payment of Rent is due hereunder is not a Business Day, such payment shall be made as aforesaid on the next succeeding Business Day, with the same force and effect as if made on the nominal due date provided for in this Lease. Payments shall in all events only be made within the contiguous continental United States.

(d) ADJUSTMENTS TO RENT. The amounts of Casualty Value and Termination Value set forth, respectively, in Schedule 2 and Schedule 3, and the EBO Price set forth in Schedule 5, shall in

each case be adjusted (upward or downward, except in the case of the EBO Price which shall be adjusted upward only) in accordance with the requirements of Section 11.1(d) of the Participation Agreement.

(e) SUFFICIENCY OF BASIC RENT AND SUPPLEMENTAL RENT. Notwithstanding any other provision of this Lease or of any other Transaction Document, (i) the amount of the installment of Basic Rent payable on each Rent Payment Date shall be at least equal to the aggregate amount of principal (other than principal due by reason of prepayment or acceleration) and accrued interest due and payable on such Rent Payment Date in respect of all Facility Notes then Outstanding and (ii) the amount of each payment of Casualty Value, Termination Value or EBO Price (when added to all other amounts required to be paid by the Lessee under this Lease in respect of any Event of Loss or termination of this Lease) shall be at least equal to an amount sufficient, as of the date of payment, to pay in full the principal of, Make-Whole Amount (except any Make-Whole Amount owed pursuant to Section 7.4(b) of the Indenture), if any, and accrued interest on all Outstanding Facility Notes on and as of such date of payment.

S4. NET LEASE. This Lease is a net lease and the Lessee hereby acknowledges and agrees that the Lessee shall pay all costs, charges, Taxes (other than Taxes imposed on, based on or measured by net income), assessments and other expenses of every character, foreseen or unforeseen, for the payment of which the Lessee or, subject to the exclusions set forth in Section 7.1(b) of

the Participation Agreement, any Indemnitee is or shall become liable by reason of the Lessee's or such Indemnitee's estate, right, title or interest in the Premises and the Site, or that are connected with or arise out of the possession, use, occupancy, maintenance, ownership, leasing, subleasing, repair, rebuilding or improvement of, or addition to, the Premises or the Site or any portion of either thereof, or that are connected with or arise out of any obligation of the Lessee under any of the Transaction Documents, or any interest thereunder, including, without limitation, those specifically referred to in this Lease. The Lessee's obligation to pay all Rent hereunder, and the rights

of the Lessor in and to such Rent, shall be absolute, unconditional and irrevocable and shall not be affected by any circumstance of any character, including, without limitation: (i) any set-off, abatement, counterclaim, suspension, recoupment, reduction, deduction, deferment, diminution, rescission, defense or other right or claim that the Lessee or any Affiliate thereof may have against the Lessor, the Owner Participant, the Indenture Trustee, any Loan Participant, any vendor or manufacturer of or contractor or subcontractor for the Premises or any part of any thereof, or any other Person for any reason whatsoever; (ii) any defect in, failure of or Lien on the title, merchantability, condition, design, quality, compliance with specifications, operation or fitness for use of all or any part of the Premises or the Site or the failure of the Premises or the Site to comply with Applicable Law; (iii) any damage to, or removal, abandonment, dismantling, requisition, taking, salvage, contamination, release of Hazardous Substances, condemnation, loss, theft or destruction of all or any part of the Premises or the Site or any interference, interruption or cessation in the use or possession of the Premises or the Site or any part thereof by the Lessee or by any other Person for any reason whatsoever or of whatever duration; (iv) any restriction, prevention or curtailment of or interference with any use of all or any part of the Premises or the Site, including eviction; (v) to the maximum extent permitted by law, any receivership, conservatorship, insolvency, bankruptcy, reorganization or similar proceeding by or against the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, any Loan Participant, the Remainderman or any other Person; (vi) the invalidity, illegality or unenforceability of this Lease, any other Transaction Document or any other instrument referred to herein or therein or any other infirmity herein or therein or any lack of right, power or authority of the Lessor, the Lessee, the Owner Participant, the Indenture Trustee, the Remainderman, any Loan Participant or any other Person to enter into this Lease, any other Transaction Document or to perform the obligations hereunder or thereunder or consummate the transactions contemplated hereby or thereby or any doctrine of Force Majeure, impossibility, frustration or failure of consideration; (vii) the breach or failure of any warranty or

representation made in this Lease or any other Transaction Document by the Lessee, the Lessor, the Owner Participant, the Indenture Trustee, any Loan Participant, the Remainderman or any other Person; (viii) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by the Lessor, the Owner Participant, the Indenture Trustee, the Remainderman or any Loan Participant; (ix) any claim that the Lessee has or might have against any Person, including without limitation the Lessor, any vendor, manufacturer, contractor, the Owner Participant, the Indenture Trustee, the Remainderman or any Loan Participant; (x) any failure on the part of the Lessor to perform or comply with any of the terms of this Lease, any other Transaction Document or of any other agreement whether or not related to the Overall Transaction; (xi) any action by any court, administrative agency or other Governmental Authority; or (xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing. The Lessee hereby waives, to the extent permitted by Applicable Law, any and all rights that it may now have or that at any time hereafter may be conferred upon it, by statute or otherwise, to modify, terminate, cancel, quit or surrender this Lease or to effect or claim any diminution or reduction of Rent payable by the Lessee hereunder, except in accordance with the express terms hereof. The Lessee agrees that, if for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise (other than a termination of the entire Lease expressly provided for in this Lease), then, except as provided herein, the Lessee shall pay, to the maximum extent permitted by Applicable Law, to the Lessor or any other Person entitled thereto, an amount equal to each installment

of Basic Rent and all Supplemental Rent at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Each payment of Rent made by the Lessee hereunder shall be final and the Lessee shall not seek or have any right to recover all or any part of such payment from the Lessor or any Person for any reason whatsoever. All covenants, agreements and undertakings of the Lessee herein shall be performed at its cost, expense and risk unless expressly otherwise stated. Nothing in this Section 4 or

elsewhere shall be construed as a guaranty by the Lessee of any Fair Market Sales Value, Fair Market Rental Value, residual value, utility or useful life of the Facility or as a guaranty of the Facility Notes. The Lessee's absolute and irrevocable covenant to pay Rent, as provided in this Section 4, shall not affect the Lessee's rights, at law or in equity, otherwise to enforce the Lessor's obligations under this Lease or any other Transaction Documents.

S5. USE OF THE FACILITY AND RELINQUISHMENT OF POSSESSION.

(a) USE. The Facility shall be used by the Lessee as an office building, and for no other purpose. The Lessee shall maintain in full force and effect all Governmental Actions necessary for such use, occupancy or operation of the Facility.

(b) TERMINATION. Unless the Lessee has theretofore acquired the Facility as provided herein or in the Participation Agreement, on the Lease Termination Date, the Lessee shall vacate and surrender possession of the Facility to the Lessor (or to a Person specified by the Lessor to the Lessee in writing). At the time of such surrender, the Facility and the Site shall be free and clear of all Liens (other than Liens described in clauses (a) (excluding the rights and interests of the Lessee in the Transaction Documents), (b), (c), (g), (h) and (i) of the definition of "Permitted Liens" and Remainderman Liens); broom clean in all areas vacated by the Lessee or its Affiliates and in the condition and state of repair required by Section 8(a)(i). Simultaneously with such surrender, the Lessee shall deliver to the Lessor (or to such Person) the following items:

(i) originals or clear copies, if same are required to be left on the Premises, of all transferable operating licenses, other licenses, certificates of occupancy, other certificates, permits, authorizations and approvals relating to the use and occupancy of the Premises and the Site,

(ii) to the extent in the possession of the Lessee or

any Affiliate thereof: (x) plans and specifications for all mechanical, electrical and HVAC Systems pertaining to the Premises, (y) as-built drawings, blueprints, operating and repair manuals, engineering logs and preventative maintenance records relating to the Premises or the Site, and (z) plans and specifications for any Modifications whether made by Lessee or made by tenants at the Premises and, with respect to those made by tenants, any consents of the Lessee related thereto,

(iii) the current rent roll for the Premises (listing each tenant which is not an Affiliate of the Lessee by name, and specifying with respect to each such tenant, the square footage of such tenant's space, the rental rate per square footage, the rental rate per month, any amount owed for special tenant services, parking charges, prepaid rent, if any, and security deposit, if any), together with (1) the amount of any rent paid by any tenant at the Premises to the Lessee or any Affiliate of the Lessee attributable to any period after the Lease Termination Date and (2) with respect to security deposits, either (x) all security deposits then held by the Lessee or any Affiliate of the Lessee with respect to any such tenants or (y) an assignment of all of the Lessee's or such Affiliate's rights with respect to such

security deposits not theretofore rightfully applied and not so held,

(iv) for all lessees and sublessees which are not Affiliates of the Lessee, the originals (if available) or true copies of all then existing leases (other than this Lease) and subleases of the Premises (together with all amendments thereto) to which the Lessee or any Affiliate of the Lessee is a party or which shall be in the possession or control of the Lessee or any such Affiliate, and

(v) keys to the Building and all locks located therein in the possession of the Lessee or any Affiliate of the Lessee.

In addition, in connection with such surrender, the Lessee shall also use commercially reasonable efforts to assign to the Lessor (or such Person) (x) all then existing maintenance and management contracts relating to the Premises and the Site with Persons other than Affiliates of the Lessee, (y) all then existing warranties against dealers, manufacturers, vendors, contractors and subcontractors relating to the Premises, the Site or any portion thereof not theretofore assigned to the Lessor, and (z) all then existing claims against dealers, manufacturers, vendors, contractors and subcontractors which are not Affiliates of the Lessee relating to the Premises, the Site or any portion thereof not theretofore assigned to the Lessor; provided, however, that the Lessee shall not be required to make any payment in order to obtain any consent to any such assignment unless the Lessor shall pay or reimburse the Lessee, on an After-Tax Basis, for the amount of any such payment. The obligations of the Lessee under this Section 5(b) shall survive the termination of the Lease.

S6. WARRANTY OF THE LESSOR.

(a) QUIET ENJOYMENT. The Lessor covenants and warrants that, unless an Event of Default shall have occurred and be continuing, the Lessee's quiet and peaceable possession, use and enjoyment of the Facility in accordance with this Lease, shall not be interfered with or disturbed by the Lessor or any other Person lawfully claiming by, through or under the Lessor; provided, however, that the Lessor shall not be liable to the Lessee for any violation of this Section 6(a) by the Indenture Trustee or any Loan Participant. The right of quiet enjoyment under this Lease described above is independent of, and shall not affect, the Lessor's rights otherwise to initiate legal actions seeking to enforce the obligations of the Lessee under this Lease or Lessor's rights under Section 19.

(b) DISCLAIMER OF OTHER WARRANTIES. The warranty set forth

in Section 6(a) is in lieu of all other warranties of the Lessor, whether written, oral or implied, with respect to this Lease or the Premises, the Site or the Estate for Years, other than as expressly provided by the Lessor in the Transaction Documents. Subject to Section 6(a), the Premises and the Site are leased in their present condition without representation or warranty by the Lessor and subject to the rights of the parties in possession, to the existing state of title, to all Applicable Laws now or hereafter in effect and, without limiting the generality of the foregoing, to all present and future Liens (exclusive, however, of Lessor Liens and Owner Participant Liens). The Lessee has examined the Facility and the Site and title thereto and has found all of the same satisfactory for all purposes. NONE OF THE LESSOR, THE BANK , THE REMAINDERMAN NOR THE OWNER PARTICIPANT HAS MADE AN INSPECTION OF THE PREMISES AND THE SITE OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND, EXCEPT AS PROVIDED IN SECTION 6(a), NONE OF THE LESSOR, THE BANK, THE REMAINDERMAN NOR THE OWNER PARTICIPANT MAKES ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION, VALUE, HABITABILITY OR DURABILITY THEREOF, OR AS TO THE TITLE THERETO OR OWNERSHIP THEREOF OR OTHERWISE (EXCEPT THAT THE LESSOR, IN ITS INDIVIDUAL CAPACITY, REPRESENTS AND WARRANTS THAT ON THE CLOSING DATE, THE LESSOR SHALL HAVE RECEIVED WHATEVER RIGHT, TITLE AND INTEREST TO THE FACILITY AS

WAS CONVEYED TO THE LESSOR BY THE LESSEE, THE SELLER OR ANY AFFILIATE THEREOF AND THE PREMISES AND THE SITE WILL BE FREE OF LESSOR LIENS ATTRIBUTABLE TO THE LESSOR IN ITS INDIVIDUAL CAPACITY), IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE LESSEE. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PREMISES AND THE SITE OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, NONE OF THE LESSOR, THE BANK, THE REMAINDERMAN NOR THE OWNER PARTICIPANT SHALL HAVE RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 6(b) HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION BY THE LESSOR, THE BANK, THE REMAINDERMAN AND THE OWNER PARTICIPANT OF, AND THE LESSEE DOES HEREBY DISCLAIM, ANY AND ALL WARRANTIES BY THE LESSOR, THE BANK,

THE REMAINDERMAN AND THE OWNER PARTICIPANT OTHER THAN AS SET FORTH IN SECTION 6(a), EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OF HABITABILITY OR OF COMPLIANCE WITH APPLICABLE LAWS, WITH RESPECT TO THE PREMISES AND THE SITE OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANOTHER LAW NOW OR HEREAFTER IN EFFECT OR OTHERWISE, EXCEPT THAT THE LESSOR HEREBY REPRESENTS AND WARRANTS THAT THE PREMISES AND THE SITE ARE AND SHALL BE FREE OF LESSOR LIENS ARISING BY, THROUGH OR UNDER IT.

(c) ENFORCEMENT OF CERTAIN WARRANTIES. Unless an Event of Default shall have occurred and be continuing and the Lessor shall have notified the Lessee that the Lessee is no longer permitted to continue enforcement of its rights under this Section 6(c), the Lessor authorizes the Lessee (directly or through agents), at the Lessee's expense, to assert for the Lessor's account, during the Lease Term, all of the Lessor's rights (if any) under any applicable warranty and any other claim (under this Lease or any Bill of Sale) that the Lessee or the Lessor may have against the Seller or any vendor, manufacturer, contractor or subcontractor with respect to the Premises, the Site or any Modification, and the Lessor agrees to cooperate, at the Lessee's expense (on an After-Tax Basis to the Owner Participant or the Lessor to the extent a Tax is imposed on Lessor rather than the Owner Participant, to the extent the Lessee would be liable to indemnify the Owner Participant with respect to any recovery from such claim under the terms of the Tax Indemnification Agreement), with the Lessee and its agents in asserting such rights. Any amount recovered by the Lessee under any such warranty or other claim against any vendor, manufacturer, contractor or subcontractor shall be applied in accordance with Section 9(f) or (g), as applicable.

(d) TITLE INSURANCE. The Lessee has obtained title insurance policies in favor of the Lessor, the Indenture Trustee and the Remainderman as set forth in Section 3.1(18) of the Participation Agreement. During the Lease Term, proceeds of any recovery under any or all of said title insurance policies (but

in the case of any proceeds of title insurance received by the Indenture Trustee, prior to the foreclosure of the Lien of the Indenture or assignment in lieu of foreclosure (whether to the Indenture Trustee, its designee or any other Person)) shall be applied as follows:

(i) If the proceeds relate to a total failure of title, then (without limiting any rights of the Lessor or the Owner Participant under the Participation Agreement for a breach of any warranty of title made by the Lessee or the Seller) such total failure of title shall be treated as a Requisition of Title with respect to which the Lessor shall have accepted the Lessee's rejectable offer under Section 9(c)(iii), and the Lessee shall purchase the Facility on the first Determination Date occurring at least thirty (30) days after the date the Title Underwriter confirms in writing the total failure of title (which date shall be deemed the Event of Loss Purchase Date) pursuant to the provisions of Section 11.2(a) of the Participation Agreement, which purchase shall be deemed an Event of Loss Purchase. In such event, upon compliance with all of the provisions of Section 11.2(a) of the Participation Agreement, all such title insurance proceeds shall be allocated among (x) the Lessor, as owner of the Building and the Estate for Years and as holder of rights under the Option and Estate for Years Agreement and the Three Party Agreement, (y) the Remainderman, as owner

of the Remainder and as holder of rights under the Option and Estate for Years Agreement and the Three Party Agreement and (z) the Lessee, as their respective interests may appear.

(ii) If the proceeds relate to title defects, events or circumstances which constitute less than a total failure of title, (A) said proceeds shall be used to cure such title defects, events or circumstances (or to reimburse any Person who has effected, in whole or in part, such cure), and shall be held, pending such use, in accordance with the provisions of Sections 9(f)(i) and (if applicable) 9(g) and (B) the balance, if any, shall be distributed in accordance with

Section 9(f)(iii).

S7. LIENS. The Lessee shall not directly or indirectly create, grant, incur or suffer to exist any Lien on or with respect to the Facility or the Site, the Lessor's title thereto or interest therein, as the case may be, or any title or interest of the Lessee therein, except Permitted Liens. The Lessee, at its own expense, shall promptly take such action as may be necessary duly to discharge any such Lien that may arise. WITHOUT LIMITING THE OBLIGATION OF THE BANK OR THE OWNER PARTICIPANT TO DISCHARGE LESSOR LIENS OR OWNER PARTICIPANT LIENS, RESPECTIVELY, NOTICE IS HEREBY GIVEN THAT THE LESSOR IS NOT AND SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO THE LESSEE, OR TO ANYONE HOLDING THE FACILITY, THE SITE OR ANY PART THEREOF THROUGH OR UNDER THE LESSEE, AND THAT NO MECHANICS' OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF THE LESSOR IN AND TO THE FACILITY, THE SITE OR ANY PART THEREOF.

S8. OPERATION AND MAINTENANCE; MODIFICATIONS; IDENTIFICATION.

(a) OPERATION AND MAINTENANCE.

(i) STANDARD. The Lessee shall do each of the following: (1) operate and maintain all parts of the Premises and the Site in good repair and condition and will take all actions and will make all Modifications (if any), structural or nonstructural changes, repairs and upgrades which may be required to keep all parts of the Premises and the Site in good repair and condition consistent with customary standards applicable to the maintenance of first class commercial office buildings of similar age and size in the area of Wall Township, New Jersey and consistent with the condition delivered to the Lessee on the Basic Term Commencement Date (ordinary wear and tear excepted); (2) operate and maintain the Premises and the Site and make Modifications (if any) in compliance in all material respects with all Applicable Laws and applicable Governmental Actions; (3) operate and maintain the Premises and the Site in at least substantially the same manner and in accordance with the same standards as the Lessee or its Affiliates maintains any other similar property owned, leased or subleased by the Lessee or any such Affiliate and without in any way discriminating against the Premises or the Site, whether by reason of its leased status or otherwise; (4) operate, service, maintain or repair the Premises and the Site in all material respects as may be required to comply with the conditions of all insurance policies required to be maintained pursuant to Section 10; and (5) comply in all material respects with all easements existing from time to time with respect to the Premises and the Site and maintain all services of public utilities, in each case as may be necessary for the use and operation of the Premises and the Site as a first class commercial office building in the area of Wall Township, New Jersey. Neither the Lessor nor the Remainderman shall have any obligation to operate, service, maintain, alter, repair, rebuild or replace the Premises and the Site or any part thereof, and

the Lessee expressly waives the right to perform any such action at the expense of the Lessor pursuant to any Applicable Law.

(ii) PAYMENT OF TAXES AND OTHER IMPOSITIONS. Without limiting the provisions of Section 7.1 of the Participation Agreement, upon the written request of the Lessor or the Remainderman, the Lessee shall provide the Lessor or the Remainderman as the case may be, with evidence of the payment of any Taxes, utility charges or other impositions, the failure of which to be paid would cause the imposition of a Lien (other than a Permitted Lien) upon the Premises or the Site.

(iii) ENCROACHMENTS. The Lessee shall undertake no addition to or improvement of the Premises which encroaches onto property not a part of the Site unless it shall have obtained a license, easement, encroachment or other agreement in form and substance reasonably satisfactory to the Lessor and the Remainderman from the Person owning the property into which the addition or improvement encroaches.

(b) INSPECTION. Upon not less than five (5) Business Days' notice to the Lessee (unless an Event of Default shall have occurred and be continuing, in which case no such notice shall be required), the Lessor, the Remainderman, the Indenture Trustee, any Participant and their respective authorized representatives shall, at such party's sole cost, risk and expense (unless an Event of Default shall have occurred and be continuing, in which case at the Lessee's cost and expense), have the right to inspect and/or environmentally assess the Premises and the Site from time to time during normal business hours; provided, however, that (i) any inspection pursuant to this Section 8(b) shall be subject to rights of existing tenants and subtenants, Applicable Law and the Lessee's standard security and safety rules established from time to time and (ii) each Person conducting any inspection pursuant to this Section 8(b) shall be accompanied by an authorized representative of the Lessee unless an Event of Default shall have occurred and be continuing, in which case no such

accompaniment shall be required. No inspection pursuant to this Section 8(b) shall unreasonably interfere with the use, operation or maintenance of the Premises or the Site or the normal conduct of the business of the Lessee or any Affiliate tenant or occupant thereof or that of any applicable sublessee. No person entitled to make any inspection or inquiry referred to in this Section 8(b) shall have any duty to make any such inspection or inquiry, or shall incur any obligation or liability by reason of not making any such inspection or inquiry.

(c) MODIFICATIONS. The Lessee, at its cost and expense and subject to Section 8(g), shall make any Modification required by any Applicable Law or Governmental Action or as required in order for the Lessee to maintain any insurance policy required to be maintained by the Lessee pursuant to Section 10. In addition, the Lessee, at its cost and expense, from time to time may make any Modification that the Lessee may deem desirable in the conduct of its business, subject to the immediately succeeding sentence. All Modifications made pursuant to either of the first two sentences of this Section 8(c) shall be completed in a good and workmanlike manner and in a manner that does not (i) decrease the Fair Market Sales Value, utility, residual value or remaining useful life of the Site or the Premises from that immediately prior to making such Modification assuming that the Facility was in the condition required by this Lease or (ii) cause the Premises or the Site to be characterized as "limited use property" within the meaning of Revenue Procedure 76-30, 1976-2 C.B. 647; provided, however, that Modifications required by Applicable Law or insurance requirements which are completed in a good and workmanlike manner shall in all cases be deemed to have satisfied the requirements of this sentence. All such Modifications, upon completion, and the making of all such Modifications shall comply with all Applicable Laws and with the applicable conditions of all insurance policies required to be maintained by the Lessee pursuant to Section 10.

(d) TITLE TO MODIFICATIONS. Title to each Modification shall vest as follows:

(i) in the case of each Nonseverable Modification the Lessor shall, without further act, effective on the date such Nonseverable Modification shall have been incorporated into the Premises or the Site, acquire title to such Nonseverable Modification;

(ii) in the case of each Severable Modification which is in replacement of or in substitution for a portion of the Premises, the Lessor shall, without further act, effective on the date such Severable Modification shall have been incorporated into the Premises or the Site, acquire title to such Severable Modification; and

(iii) in the case of each Severable Modification which does not become the property of the Lessor pursuant to clause (ii), the Lessee shall retain title to such Severable Modification.

Immediately upon title to a Modification vesting in the Lessor pursuant to subparagraphs (i) or (ii) of this Section 8(d), such Modification shall, without further act, become subject to this Lease and be deemed part of the Facility for all purposes hereof. Modifications, title to which remains in the Lessee pursuant to subparagraph (iii) of this Section 8(d), shall not be or be deemed to be a part of the Facility.

(e) REMOVAL OF PROPERTY. Subject to compliance with Applicable Law and any applicable insurance requirements under insurance policies maintained by the Lessee under Section 10, the Lessee may remove from time to time any Severable Modification to which the Lessee has title in accordance with Section 8(d)(iii), and any other property to which the Lessee shall have title; provided, however, that the Lessee, at its expense and in any event prior to the Lease Termination Date (or in the event of a termination under Section 16(a), promptly thereafter), shall repair any damage to the Premises or the Site caused by such removal. If any Part is removed by the Lessee from the Premises for the purpose of making any Modification or of replacement

thereof with another Part, title to such removed Part shall remain the property of the Lessor, no matter where such removed Part is located, until such time as the Modification has been completed or the Part constituting a replacement thereof shall have been incorporated into the Premises, at which time, without further act, title to such removed Part shall vest in the Lessee or in such Person as shall be designated by the Lessee, free of the Lien of the Indenture, and such Part shall not thereafter be part of the Premises. Each replacement Part shall be free and clear of all Liens (except Permitted Liens), shall upon installation become a part of the Premises (with title thereto vesting in the Lessor), and shall be in as good operating condition as, and shall have a Fair Market Sales Value, residual value, utility and remaining useful life at least equal to, that of the Part removed, it being assumed for purposes of this sentence that such removed Part was in at least the condition and state of repair required by Section 8(a).

(f) TRADE FIXTURES AND OTHER EQUIPMENT. The trade fixtures, personal property, machinery, equipment and the like in the Premises which are owned by the Lessee or are owned by the Seller and were not transferred to the Lessor under the Bill of Sale are acknowledged by the Lessor to be the property of the Lessee and the Seller, respectively (and do not constitute part of the Facility) and, without the Lessor's prior written approval, the Lessee or the Seller, as the case may be, may make such improvements and alterations thereto as it may desire, at its own expense. Subject to Section 8(e), any such trade or other fixtures and any trade or other fixture of the Lessee hereafter made or installed by or for the Lessee and not constituting a Nonseverable Modification or a Severable Modification title to which has passed to the Lessee, shall remain the property of the Lessee or the Seller, as the case may be, and in case of damage or destruction thereto by fire or other causes, the Lessee or the Seller, as the case may be, shall have the right to recover the value thereof as its own loss from any insurance company with which it has insured the same, or to claim an award in the event of condemnation but in either case only in the event the amount of insurance proceeds or condemnation awards

otherwise payable with respect to the Facility is not reduced. The Lessee may remove all or any of such things, at any time during the Lease Term (or in the case of a termination under Section 16(a), promptly thereafter) or, at its option, the Lessee may abandon the same, in whole or in part, to the Lessor at the expiration or earlier termination of the Lease Term by vacating the Premises without removing the same, in which case title to such property shall vest in the Lessor and such property shall become part of the Premises for the purposes of Section 5(b); provided that in the case of any such removal by the Lessee, the Lessee shall repair any damage to the Premises or the Site caused by such removal; and provided, further, that the Lessee shall pay, or reimburse the Lessor or the Remainderman, as the case may be, for, any reasonable costs incurred by the Lessor in connection with the removal or disposal by it of such abandoned property.

(g) CONTEST OF REQUIREMENTS OF LAW. If, with respect to any requirement of Applicable Law or any Governmental Action relating to the use, operation or maintenance of the Premises or the Site, (i) the Lessee is contesting diligently and in good faith by appropriate proceedings such requirement or Governmental Action (in which case such contest shall be completed prior to the date the Facility is to be returned to the Lessor hereunder), or (ii) compliance with such requirement or Governmental Action shall have been excused or exempted by a valid nonconforming use permit, waiver, extension or forbearance exempting the Premises or the Site from such requirement or Governmental Action or (iii) the Lessee shall be making a good faith effort and shall be diligently taking appropriate steps to comply with such requirement or Governmental Action (in which case such compliance shall be effected prior to the date the Facility is to be returned to the Lessor hereunder), then the failure by the Lessee to comply with such requirement or Governmental Action shall not constitute a Default or Event of Default hereunder; provided, however, that in the case of each of clauses (i) through (iii) above, such contest or noncompliance does not involve (A) a material risk of foreclosure, sale, forfeiture or loss of, or imposition of any Lien other than a Permitted Lien on, any part

of the Premises or the Site, (B) a material risk of extending the ultimate imposition of such Applicable Law or Governmental Action beyond the termination of the Basic Term or the current Renewal Term, as the case may be (unless there shall have been furnished indemnification reasonably satisfactory to the Lessor and the Remainderman), (C) a risk of any material civil liability or any risk of criminal liability being imposed on the Lessor, the Site, the Premises, the Owner Participant, the Indenture Trustee, any Loan Participant or the Remainderman (unless, with respect to civil liability, there shall have been furnished indemnification satisfactory to each such party), (D) any interference with the payment of Rent, (E) risk of any material adjustment of, or material interference with, the use, possession or disposition of the Premises or the Site or (F) a material risk of reduction of the value, utility or remaining useful life of the Premises or the Site; provided, however, that the Lessee shall not be obligated to cure any noncompliance with respect to the Premises or the Site including, without limitation, any prior nonconforming structure or uses to the extent such noncompliance does not constitute a current violation of Applicable Law. The Lessee shall provide the Lessor and the Indenture Trustee with notice of any contest of the type described in clause (i) above in detail sufficient to enable the Lessor and the Indenture Trustee to ascertain whether such contest may have any material adverse effect of the types described in clauses (A) through (F) above. Notwithstanding the foregoing, compliance with Applicable Laws regarding Taxes and contests of Taxes shall not be subject to this Section 8(g), but rather shall be subject to the provisions of Section 7.1 of the Participation Agreement or the provisions of the Tax Indemnification Agreement, whichever is applicable to the Taxes at issue.

(h) IMPROVEMENTS. The Lessee shall not construct, or cause to be constructed, any additional building or buildings, any additional structure or structures, or any comparable additional improvement or improvements, in each case that would materially increase the gross square footage of the Building or any other building or structure on the Site or that would reduce the value of the Building or any other building or structure on the Site

(each an "Additional Improvement" and collectively, "Additional Improvements") without the Lessor's and the Remainderman's prior written consent (which consent

shall not be unreasonably withheld or delayed and shall not be conditioned upon the payment to the Lessor or the Owner Participant of any fee for receipt of such consent); provided, however, that the Lessor's consent shall not be required for any Additional Improvement if the following conditions are satisfied with respect thereto:

(i) the scheduled period of construction from commencement of construction until such Additional Improvement is under roof and enclosed shall not extend beyond the date which is one (1) year prior to the end of the Lease Term; and

(ii) the Lessee shall deliver to the Lessor certificates of any additional insurance which the Lessee shall obtain in connection with construction of such Additional Improvement, with the Additional Insureds being named additional insureds thereunder; provided, however, that in the case of any insurance obtained by the Lessee from any contractors, the Lessee shall not be required to deliver such insurance certificates to the Lessor, but shall use commercially reasonable efforts to so obtain such certificates.

Title to all Additional Improvements shall, without further act, automatically vest in the name of the Lessor.

(i) REPORTS. To the extent permissible under Applicable Law, the Lessee shall, at the Lessee's cost and expense, prepare (or cause to be prepared) and file in a timely fashion, or, if the Lessor shall be required pursuant to Applicable Law to file, the Lessee, at the Lessee's cost and expense, shall prepare or cause to be prepared and delivered to the Lessor within a reasonable time prior to the date for filing, and the Lessor shall, upon receipt thereof from the Lessee, file all reports, applications, permits, requests or other filings with respect to the Premises or the Site or the condition or operation thereof

that shall be required to be filed with any Governmental Authority and if, in the Lessee's reasonable judgment, it is necessary or appropriate for the Lessor to sign, approve or join in any such report, application, permit, request or other filing, the Lessor shall not unreasonably refuse to sign, approve or join therein promptly after the receipt of the Lessee's written request therefor and reasonable opportunity to review same (with appropriate consultants reasonably acceptable to the Lessee), and any reasonable out-of-pocket expenses incurred by the Lessor, the Owner Participant or the Remainderman in connection therewith shall be promptly paid on an After-Tax Basis by the Lessee upon receipt of bills therefor.

(j) ENVIRONMENTAL COMPLIANCE.

(i) The Lessee shall promptly notify the Owner Participant, the Lessor, the Indenture Trustee and the Remainderman, with reasonable detail, in writing of (A) any fact, circumstance, condition, occurrence, omission or release (as that term is defined under Environmental Laws) at, around, under or from the Site or the Premises that may result in material expense relating to any Environmental Laws or Hazardous Substances, such notice to be given no later than ten days after the condition is discovered or such occurrence takes place, and (B) any pending or threatened Claim against the Lessee, the Site or the Premises relating to an alleged violation of Environmental Laws, such notice to be given no later than ten days after such Claim is commenced or threatened. Upon request, the Lessee shall provide copies of all written communications and other documents relating to any such notice.

(ii) The Lessee shall take any and all actions, at the Lessee's sole cost and expense, necessary to conduct and complete any investigation, study, sampling and testing and undertake any cleanup, removal, remedial, corrective, responsive or other action, in each case as necessary to abate, correct, remove and clean up or remediate any violation of applicable Environmental Laws or any release

at, on, under, around or from the Site or the Premises in compliance

with Environmental Laws.

(iii) The Lessee will not cause or permit the use, release, generation, treatment, storage, recycling or disposal (as those terms are defined under Environmental Laws) of any Hazardous Substances on the Site or the Premises or the transportation of Hazardous Substances to or from the Site or the Premises, other than in de minimis quantities in the ordinary course of business and in compliance with Environmental Laws. The Lessee will not permit the Site or the Premises to be used or operated by the Lessee, its sublessees, and/or its and their respective agents, employees, contractors and invitees in a manner which creates any liability under any Environmental Laws.

(iv) The Lessee shall comply with all Environmental Laws now or hereafter applicable to the use, modification, operation, construction or maintenance of the Site or the Premises and the Lessee shall have sole responsibility for all expenses (including attorney, professional or consultant fees or costs) associated with such compliance, including compliance with any such Environmental Laws directed to any Participant, the Owner Trustee, the Indenture Trustee, the Lessor or the Remainderman or to which any Participant, the Owner Trustee, the Indenture Trustee, the Lessor or the Remainderman may become subject with respect to its interests in the Premises and the Site. The Lessee covenants that it shall not install or permit the installation by the Lessee, its sublessees and/or its or their respective agents, employees, contractors and invitees of any above ground or underground storage tanks (other than septic tanks), surface impoundments or asbestos containing materials.

(v) The Lessee shall (on its behalf and on behalf of the Lessor), at the Lessee's sole cost and expense, comply with the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. ("ISRA"). The Lessee shall (on its behalf and on

behalf of the Lessor), at the Lessee's sole cost and expense, make all submissions to, provide all information to, and comply with all requirements of, the Department of Environmental Protection or its successor.

S9. EVENT OF LOSS.

(a) DAMAGE, LOSS OR CASUALTY EVENT.

(i) If an Event of Loss shall occur, or if any substantial part of the Premises or the Site shall suffer damage, destruction, loss, condemnation, confiscation, theft or seizure that does not constitute an Event of Loss, the Lessee shall promptly, and in any case within ten (10) days after such event, so notify the Lessor, the Remainderman and the Indenture Trustee and, at the Lessee's sole expense, shall diligently pursue collection of insurance or condemnation proceeds in a manner reasonably acceptable to the Lessor, the Owner Participant and the Remainderman.

(ii) If a Casualty shall occur, the Lessee shall, within ninety (90) days of the occurrence of such Casualty, notify the Lessor and the Remainderman in writing of its election to either (A) so long as no Default or Event of Default shall have occurred and be continuing, reconstruct the Premises and the Site pursuant to Section 9(b)(ii) or (B) whether or not a Default or an Event of Default shall have occurred and be continuing, (x) if such Casualty occurs during the Basic Term, make an irrevocable, rejectable purchase offer for the Facility pursuant to Section 9(c)(i) or (y) if such Casualty occurs during any Renewal Term, make an irrevocable, rejectable purchase offer for the Facility pursuant to Section 9(c)(ii). For any Casualty which occurs during the Basic Term, failure to give such a notice within such 90-day period or, if the Lessee has given notice pursuant to clause (A) of this Section 9(a)(ii) that it will reconstruct the Premises and the Site, failure of the Lessee to reconstruct the Premises and the Site in accordance with Section 9(b)(ii), shall be deemed to be a rejectable

purchase offer for the Facility pursuant to clause (B)(x) of this Section 9(a)(ii) and Section 9(c), and for any Casualty which occurs during any Renewal Term, failure to give such notice within such 90-day period shall be deemed to be an election of the provisions of clause (B)(y) of this Section 9(a)(ii). Unless the Lessee shall elect to reconstruct the Premises and the Site, such Casualty shall be a "Casualty Event" and constitute an Event of Loss.

(b) REPAIR.

(i) If the Premises or the Site or any part thereof shall suffer damage that does not constitute a Casualty or an Event of Loss, the Lessee shall make or cause to be made such repairs as are necessary to ensure that the Premises and the Site are restored to the condition and value thereof immediately preceding such damage, assuming the Premises and the Site had been maintained in the condition and state of repair required under Section 8(a)(i); provided, however, that the Lessee shall have the right to use any insurance proceeds received by reason of such damage for such repairs pursuant to the terms and conditions of Section 9(f); and provided, further, that such repairs shall be commenced promptly (in any event within six (6) months of such damage subject to Force Majeure delays) and be completed promptly (subject to Force Majeure delays), but in any event such repairs shall be completed not later than the Lease Termination Date.

(ii) So long as no Event of Default shall have occurred and be continuing, if a Casualty occurs and the Lessee has given notice pursuant to Section 9(a)(ii) that it will reconstruct the Premises and the Site, then the Lessee shall promptly commence the reconstruction of the Premises and the Site (such that the resulting Premises and the Site shall have a Fair Market Sales Value, residual value, utility and remaining useful life at least equal to that which the Premises and the Site had immediately prior to its destruction or damage (assuming that the Premises and the

Site had been maintained in the condition required under the terms of this Lease) and otherwise be in the condition and state of repair required under Section 8(a)(i)) and shall thereafter promptly complete the reconstruction (subject to Force Majeure delays), but in any event such reconstruction shall be completed not later than the Lease Termination Date.

(iii) Should any damage, loss, condemnation, requisition by a Governmental Authority, confiscation, theft or seizure occur with respect to the Premises or the Site (whether or not constituting an Event of Loss), no Rent shall be abated hereunder at any time by virtue thereof.

(c) CASUALTY EVENT; REQUISITION OF TITLE; REQUISITION OF USE; PAYMENT OF CASUALTY VALUE.

(i) CASUALTY DURING BASIC TERM. In the event the Lessee shall elect (or be deemed to have elected) pursuant to Section 9(a)(ii)(B)(x) to make an irrevocable, rejectable offer to purchase the Facility (which, for this purpose, shall include, without limitation, all rights of the Lessor under the Option and Estate For Years Agreement and the Three Party Agreement and the Ground Lease, if applicable), then the Lessee shall purchase the Facility on a Determination Date (which shall be the Determination Date next following the date one hundred fifty (150) days following the occurrence of the Casualty Event) at a purchase price equal to the sum of (A) Casualty Value determined as of such Determination Date, plus (B) all Supplemental Rent due and owing on such Determination Date, plus (C) all Basic Rent payable in arrears and due and owing on such Determination Date (it being understood that the Lessee shall pay when due any Basic Rent due and payable on a Rent Payment Date which occurs on or after the date of such Casualty Event but prior to the Determination Date), plus (D) without duplication of

any such amounts included within clauses (A), (B) and (C) above, all accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents as of the Determination Date.

If the Lessee has elected (or is deemed to have elected) pursuant to Section 9(a)(ii)(B)(x) to make an irrevocable, rejectable offer to purchase the Facility and the Lessor accepts such offer by a writing signed by the Lessor with a copy to the Indenture Trustee or fails to expressly reject such offer in the manner provided in the final paragraph of this Section 9(c)(i) within sixty (60) days from the date of the Lessee's offer or deemed offer, the Lessee shall pay the purchase price specified in the immediately preceding paragraph to the Indenture Trustee (so long as the Indenture has not been satisfied or discharged)

or thereafter to the Lessor, on the Determination Date specified in the immediately preceding paragraph. Upon payment in full of all amounts payable pursuant to the immediately preceding paragraph, (x) the Lease Term shall end, (y) the obligations of the Lessee hereunder (other than any obligations expressed herein as surviving termination of this Lease) shall terminate as of the date of such payment and (z) the Lessor shall Transfer to the Lessee, or if the Lessee shall so designate, to the property damage insurer, all right, title and interest of the Lessor in, to and under the Facility.

Anything herein to the contrary notwithstanding, if the Lessee shall fail to pay all amounts due under and pursuant to this Section 9(c)(i), no sale shall be consummated, this Lease shall continue in full force and effect and it shall be deemed that Lessee has rescinded its offer pursuant to Section 9(a)(ii)(B)(x) and the Lessee shall be required to repair, replace, restore or rebuild in accordance with Section 9(a)(ii)(A).

In the event that the Lessor expressly rejects in writing the offer of the Lessee to purchase the Facility as provided in the first paragraph of this Section 9(c)(i) at the purchase price stated therein (which rejection shall be effective only if it is signed by an Authorized Officer of the Lessor and so long as the Indenture has not been satisfied and discharged consented to in writing by the Indenture Trustee, it being agreed that such consent shall be deemed to have been given if the Lessor shall have irrevocably deposited with the Indenture Trustee an amount equal to the principal amount of, accrued and unpaid interest on and Make-Whole Amount, if any, and any other amounts due and owing under the Indenture with respect to the Outstanding Facility Notes), the Lessee shall, on the date that would otherwise have been the purchase date pursuant to the first paragraph of this Section 9(c)(i), pay the following amount to the Indenture Trustee (so long as the Indenture has not been satisfied and discharged) or thereafter to the Lessor (or, with respect to Supplemental Rent, the Person entitled thereto) or such amount shall be retained (in the case of the proceeds of insurance) by the Indenture Trustee (so long as the Indenture has not been satisfied or discharged) or

thereafter by the Lessor: the sum of (A) the amounts payable by the Lessee under Section 9(e)(ii), plus (B) all Supplemental Rent then due plus (C) all Basic Rent payable in arrears due and owing on such payment date (it being understood that Lessee shall pay when due any Basic Rent due on any Rent Payment Date which occurs on or after the date of such Event of Loss but before such payment date), plus (D) without duplication of any amounts included within clauses (A), (B) and (C) above, all accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents as of such payment date. Upon payment in full of such amount (1) the Lease Term shall end and (2) the obligations of the Lessee hereunder (other than any obligations expressed herein as surviving termination of this Lease) shall terminate as of the date of

such payment.

(ii) CASUALTY DURING A RENEWAL TERM. In the event the Lessee shall elect (or be deemed to have elected) pursuant to Section 9(a)(ii) to have a Casualty constitute a Casualty Event during any Renewal Term, and to make an irrevocable, rejectable offer to purchase the Facility (which, for this purpose, shall include, without limitation, all rights of the Lessor under the Option and Estate For Years Agreement and the Three Party Agreement and the Ground Lease, if applicable), then the Lessee shall purchase the Facility on a Determination Date (which shall be the Determination Date next following the date one hundred fifty (150) days following the occurrence of the Casualty Event) at a purchase price equal to the sum of (A) Casualty Value determined as of such Determination Date, plus (B) all Supplemental Rent due and owing on such Determination Date, plus (C) all Basic Rent payable in arrears and due and owing on such Determination Date (it being understood that the Lessee shall pay when due any Basic Rent due and payable on

a Rent Payment Date which occurs on or after the date of such Casualty Event but prior to the Determination Date), plus (D) without duplication of any such amounts included within clauses (A), (B) and (C) above, all accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents as of the Determination Date. Casualty Value during any Renewal Term shall equal a value based on a straight-line amortization of the difference between the Fair Market Sales Value of the Facility as of the commencement of such Renewal Term and the estimated Fair Market Sales Value of the Facility as of the expiration of such Renewal Term; provided, however, that both such Fair Market Sales Values shall be determined or estimated prior to the commencement of such Renewal Term pursuant to the Appraisal Procedure.

(iii) REQUISITION OF TITLE OR REQUISITION OF USE. The giving of notice by the Lessee pursuant to Section 9(a)(i) that a Requisition of Title or a Requisition of Use shall have occurred shall be deemed to be an irrevocable, rejectable offer by the Lessee to purchase the Facility (which for this purpose shall include, without limitation, all rights of the Lessor under the Option and Estate For Years Agreement and the Three Party Agreement and the Ground Lease, if applicable) on a Determination Date (which shall be the Determination Date next following the date one hundred fifty (150) days following the occurrence of such Requisition of Use or Requisition of Title) at a purchase price equal to the sum of (A) Casualty Value determined as of such Determination Date, plus (B) all Supplemental Rent due and owing on such Determination Date, plus (C) all Basic Rent payable in arrears and due and owing on such Determination Date (it being understood that Lessee shall pay when due any Basic Rent due and payable on a Rent Payment Date which occurs on or after the date of such Requisition of Use or Requisition of Title but prior to the Determination Date), plus (D) without duplication of any amounts included within clauses (A), (B) and (C) above, all

accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents as of such Determination Date.

If the Lessor accepts such offer by a writing signed by the Lessor with a copy to the Indenture Trustee or fails to expressly reject such offer in the manner provided in the final paragraph of this Section 9(c)(iii) within sixty (60) days from the date of the Lessee's offer, the Lessee shall on the Determination Date specified in the first paragraph of this Section 9(c)(iii), pay the purchase price specified in the first paragraph of this Section 9(c)(iii) to the Indenture Trustee so long as the Indenture has not been satisfied and discharged) or thereafter to the Lessor. Upon payment in full of all amounts described in clauses (A), (B), (C) and (D) of the first

paragraph of this Section 9(c)(iii), (x) the Lease Term shall end, (y) the obligations of the Lessee hereunder (other than any obligations expressed herein as surviving termination of this Lease) shall terminate as of the date of such payment.

Anything herein to the contrary notwithstanding, if the Lessee shall fail to pay all amounts due under and pursuant to this Section 9(c)(iii), no sale shall be consummated, this Lease shall continue in full force and effect and it shall be deemed that Lessee has rescinded its offer pursuant to the first paragraph of this Section 9(c)(iii) and the Lessee shall be required to pursue collection of condemnation proceeds in accordance with Section 9(a)(i).

In the event that the Lessor expressly rejects in writing the offer of the Lessee to purchase the Facility as provided in the first paragraph of this Section 9(c)(iii) at the purchase price stated therein (which rejection shall be effective only if it is signed by an Authorized Officer of the Lessor and so long as the Indenture has not been satisfied and discharged consented to in writing by the Indenture Trustee, it being agreed that such consent shall be deemed to have been given if the Lessor shall have

irrevocably deposited with the Indenture Trustee the principal amount of, accrued and unpaid interest on and Make-Whole Amount, if any, and any other amounts due and owing under the Indenture with respect to the Outstanding Facility Notes), the Lessee shall, on the date that would otherwise have been the purchase date pursuant to the first paragraph of this Section 9(c)(iii), pay the following amount to the Indenture Trustee (so long as the Indenture has not been satisfied and discharged) or thereafter to the Lessor (or, with respect to Supplemental Rent, the Person entitled thereto) or such amount shall be retained (in the case of the proceeds of insurance) by the Indenture Trustee (so long as the Indenture has not been satisfied or discharged) or thereafter by the Lessor: the sum of (A) the amounts payable by the Lessee under Section 9(e)(ii), plus (B) all Supplemental Rent then due plus (C) all Basic Rent payable in arrears due and owing on such payment date (it being understood that Lessee shall pay when due any Basic Rent due on any Rent Payment Date which occurs on or after the date of such Event of Loss but before such payment date), plus (D) without duplication of any amounts included within clauses (A), (B) and (C) above, all accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents as of such payment date. Upon payment in full of such amount (1) the Lease Term shall end and (2) the obligations of the Lessee hereunder (other than any obligations expressed herein as surviving termination of this Lease) shall terminate as of the date of such payment.

(d) CONDEMNATION OTHER THAN REQUISITION OF USE OR REQUISITION OF TITLE. In the case of a taking or condemnation not constituting a Requisition of Use or a Requisition of Title, (i) this Lease shall continue (but not beyond the Lease Term), and each and every obligation of the Lessee hereunder and under each Transaction Document shall remain in full force and effect, and (ii) the Lessee shall, at its own expense and to the extent reasonably practicable, reconstruct or restore the affected portion of the Premises and the Site to the condition existing

immediately prior thereto (assuming that immediately prior thereto, the Premises and the Site were in the condition required by Section 8(a)); provided that the Lessee shall have the right to use any amounts received by reason of such taking or condemnation for such reconstruction and restoration in accordance with Section 9(f)(i). Any such amounts not so used shall be divided among the Lessor, the Remainderman and the Lessee as their respective interests shall appear.

(e) APPLICATION OF PAYMENTS ON AN EVENT OF LOSS. Payments received by the Lessor (other than proceeds of insurance carried by the Lessor or the Owner

Participant pursuant to Section 10(b)(ii), which shall be the unencumbered property of such party), the Lessee (other than proceeds of insurance carried by or on behalf of the Lessee described in Section 10(b)(i) (but only if the amount of insurance proceeds otherwise payable with respect to the Facility is not reduced as a result thereof), which shall be the unencumbered property of the Lessee) or the Indenture Trustee from any Governmental Authority, insurer or other Person, plus the amount of any payments which would have been due from an insurer but for the Lessee's self-insurance or policy deductibles, as a result of an Event of Loss shall be applied as follows (with any proceeds received prior to the acceptance (or deemed acceptance) or rejection of any rejectable purchase offer being held by the Indenture Trustee (or after release of the Lien of the Indenture on the Indenture Estate in accordance with its terms, by the Lessor), and invested at the direction of the Lessee, until such rejectable purchase offer is accepted (or deemed accepted) or rejected):

(i) in connection with an Event of Loss, if the Lessor shall accept (or be deemed to have accepted) the Lessee's rejectable purchase offer under Section 9(c), (x) so much of such payments as shall not exceed the amount of Casualty Value and all other amounts required to be paid by the Lessee pursuant to Section 9(c) shall be applied in reduction of the Lessee's obligation to pay such amounts if not already paid by the Lessee or, if all such amounts have already been paid by the Lessee, shall be applied to

reimburse the Lessee for its payment of such amounts, and (y) any such payments that shall exceed the aggregate of the amounts payable pursuant to clause (x) above shall, in the case of insurance maintained by the Lessee pursuant to Section 10(a), be paid to, or retained by, and shall become the unencumbered property of the Lessee, and in the case of amounts received with respect to any Requisition of Title or Requisition of Use, or payments received from any other Person with respect to a Casualty, be divided among the Lessor, the Remainderman and the Lessee as their respective interests shall appear; or

(ii) in connection with an Event of Loss, if the Lessor shall reject the Lessee's rejectable purchase offer under Section 9(c),

(A) the Lessor shall be entitled to all such insurance payments with respect to the Premises and the Lessee shall pay to the Lessor an amount equal to the Lessee's self-insurance and deductibles with respect to the Premises; and

(B) in the case of amounts received with respect to any Requisition of Title or Requisition of Use, all such amounts shall be paid to the Lessee, the Lessor and the Remainderman as their respective interests shall appear.

(f) APPLICATION OF PAYMENTS NOT RELATING TO AN EVENT OF LOSS. Payments received by the Lessor (other than proceeds of insurance carried by the Lessor or the Owner Participant pursuant to Section 10(b)(ii)), by the Lessee (other than proceeds of insurance carried by or on behalf of the Lessee described in Section 10(b)(i), but only if the amount of insurance proceeds otherwise payable with respect to the Facility is not reduced as a result thereof) or by the Indenture Trustee from any Governmental Authority, insurer or other Person, plus the amount of any payments which would have been due from an insurer (but for the Lessee's self-insurance or policy deductibles) or with

respect to any event giving rise to payment of an amount referred to in the second sentence of Section 6(c), or with respect to any destruction, damage, loss, condemnation, confiscation, theft, seizure of or requisition of title to the Facility or any part thereof, in each case not constituting an Event of Loss, shall be applied as follows:

(i) all such payments from insurers or from other Persons including Governmental Authorities, but excluding payments attributable to the Lessee's policy deductibles and self-insurance, shall be held by

the Lessee for use in connection with any restoration or rebuilding of the Premises; provided, however, that any payments that are (x) in excess of $1,000,000 or (y) received after the occurrence and during the continuance of a Default or an Event of Default, shall be held by the Indenture Trustee (or after release of the Lien of the Indenture on the Indenture Estate in accordance with its terms, by the Lessor) as security for the obligations of the Lessee under Section 9(b) of this Lease, but any amounts so held shall be released and paid over to the Lessee from time to time so long as no Default or Event of Default has occurred and is then continuing, in each case upon presentation to the Indenture Trustee and the Lessor of a Lessee Request specifying the amount so to be released, and certifying that (A) the funds requested will, to the extent not applied to reimburse the Lessee for such expenditures already made, be applied to the payment of such expenditures incurred and that such expenditures are due and owing (or will be due and owing within the next sixty (60) days), (B) there exist no Liens (other than Permitted Liens) with respect to such repair, rebuilding or restoration, (C) the amounts remaining to be disbursed are sufficient to complete such repair, rebuilding and restoration and (D) such costs and expenses were not the subject of a previous Lessee Request hereunder; and

(ii) the balance, if any, of any payments representing proceeds of such insurance remaining after completion of such repair, rebuilding and restoration and the payment

therefor, shall be paid to the Lessee; and

(iii) the balance, if any, of any payments representing condemnation proceeds or like proceeds or any other payment remaining after completion of such repair, rebuilding and restoration and the payment therefor, shall be paid to the Lessor, the Remainderman and the Lessee as their respective interests may appear.

If the Lessor or the Indenture Trustee shall in good faith desire to dispute the information contained in any Lessee Request, the Lessor or the Indenture Trustee, as the case may be, shall so notify the Lessee and the Lessor or the Indenture Trustee, as the case may be, in writing within ten (10) Business Days after the giving of such Lessee Request, specifying the amount intended to be disputed and the nature of the dispute. After such ten (10) Business Day period has elapsed, if the Lessor or the Indenture Trustee has not disputed the information contained in the Lessee Request, the Person holding such amounts shall promptly disburse to the Lessee out of such amounts the amount of such Lessee Request.

(g) APPLICATION DURING EVENT OF DEFAULT. Notwithstanding the foregoing provisions of this Section 9 or the provisions of Section 10, if a Default or an Event of Default shall have occurred and be continuing, any amount that would otherwise be payable to or for the account of, or that would otherwise be retained by, the Lessee pursuant to the second sentence of Section 6(c) or Section 10 or this Section 9 shall be held by the Indenture Trustee (or after release of the Lien of the Indenture on the Indenture Estate in accordance with its terms, by the Lessor), as security for the obligations of the Lessee under this Lease until such time thereafter as no such Default or Event of Default shall be continuing, unless this Lease theretofore shall have been declared in default pursuant to Section 16, in which event such amount shall be applied in accordance with the provisions of this Lease; provided, however, that if a rejectable purchase offer is made (or deemed made) by the Lessee pursuant to Section 9(c)(i) or 9(c)(iii) and such offer is accepted and the

Transfer in connection therewith is consummated and payment in full of any Outstanding Facility Notes and all other amounts due under the Transaction Documents to the Lessor, the Indenture Trustee or any Participant is duly provided for, then contemporaneously with such Transfer and payment of such amounts, the Lessee shall be entitled to receive from the Indenture Trustee (or from the Lessor, as applicable) all such amounts unencumbered by any interest the Lessor.

S10. INSURANCE.

(a) REQUIRED INSURANCE. The Lessee shall carry and maintain, or cause to be carried and maintained, at the Lessee's sole cost and expense, commercial general liability insurance (including contractual liability insurance) for claims for injuries or death sustained by persons or damage to property while on the Site or the Premises, and all risk property insurance coverage, including flood and earthquake, in each case in amounts and on terms and conditions that are consistent with the Lessee's then current practices and with insurance companies rated at least "A-X" by A.M. Best; provided, however, that such all risk property insurance coverage shall at all times be in an amount at least equal to the greater of (w) the replacement cost of the Premises and (x) the outstanding principal balance of and accrued interest on the Facility Notes (unless all risk property insurance coverage in such amount cannot be obtained by the Lessee, in which event the Lessee shall obtain an unconditional irrevocable sight draft letter of credit in favor of the Indenture Trustee and issued by a bank or other financial institution having a capital and surplus of at least $500,000,000 and a senior unsecured debt rating of A (by S&P) and A2 (by Moody's), which letter of credit shall have a face amount not less than the excess of (y) the amount of all risk property insurance coverage required pursuant to this proviso over (z) the amount of all risk property insurance coverage actually obtained by the Lessee); and provided, further, however, that the commercial general liability insurance shall at all times be in an amount at least equal to $35,000,000 per occurrence and not subject to an annual aggregate. In the event the provider of such Letter of Credit ceases to meet the standards set forth above, the Lessee will promptly and in any event within thirty (30) days substitute a new provider meeting such standards. The policies maintained by the Lessee pursuant to this clause (a) may, at the Lessee's option, be carried and maintained by the Lessee under the Lessee's blanket insurance policies. Each policy maintained by the Lessee pursuant to this clause (a) shall (i) in the case of commercial general liability coverage, name

the Lessor, the Remainderman, the Owner Participant, Dana Lease Finance Corporation, Dana Commercial Credit Corporation, Dana Credit Corporation, Dana Corporation, each Loan Participant and, so long as the Lien of the Indenture shall not have been discharged, the Indenture Trustee, as additional insureds (collectively, (the "Additional Insureds") thereunder and (ii) in the case of all risk property insurance coverage, name the Lessor, the Remainderman, the Owner Participant and each Loan Participant as additional insureds, name the Indenture Trustee as sole loss payee thereunder so long as any Facility Notes are Outstanding, and thereafter name the Lessor as sole loss payee, and, so long as the Lien of the Indenture shall not have been discharged, name the Indenture Trustee as mortgagee under a mortgagee endorsement in form and substance satisfactory to the Indenture Trustee. The obligation to pay premiums under the policies described in this clause (a) shall be the sole obligation of the Lessee and not that of any other insured.

(b) OTHER INSURANCE.

(i) Nothing in this Section 10 shall prohibit the Lessee from maintaining at its expense insurance on or with respect to the Facility or the operation, use and occupancy of the Facility, naming the Lessee as insured and/or loss payee for an amount greater than the insurance required to be maintained under this Section 10.

(ii) Nothing in this Section 10 shall prohibit the Lessor, the Owner Participant or the Remainderman from maintaining at its expense other insurance on or with respect to the Facility, the Site, or the operation, use and occupancy of the Facility or the Site, naming the Lessor, the Owner Participant or the Remainderman as insured and/or loss payee, unless such insurance would conflict with or otherwise limit the availability of insurance required to be maintained under Section 10(a).

(c) SELF-INSURANCE. For so long as the Lessee shall maintain the debt

ratings and net worth described in Section

10(f), (i) the Lessee may satisfy an amount not to exceed $2,500,000 of the all risk property insurance requirements set forth in Section 10(a)(w) through self-insurance by the Lessee (by means of a deductible, self-insured retention or otherwise) and (ii) the Lessee may maintain a deductible on its commercial general liability insurance not in excess of $2 million. In the event the annual audited financial statements of the Lessee for the years ending 5, 10, 15 and 20 years after the date hereof show that the Lessee's net worth for each such year (the "Test Year") has increased by at least 10% from its net worth for the immediately preceding Test Year, the Lessee may increase the deductible on its commercial general liability insurance under this Section 10(c) by an amount equal to the product obtained by multipying (1) the percentage increase in net worth for such Test Year by (2) 2,000,000, but in no event shall such deductible ever be in excess of $3 million.

(d) [INTENTIONALLY OMITTED].

(e) POLICY PROVISIONS AND ENDORSEMENTS. All policies of insurance carried in accordance with Section 10(a) shall provide in the policy or by endorsement to the extent available from the carriers satisfying the requirements of Section 10(a) selected by the Lessee in good faith that:

(i) All liability insurance shall provide that, insofar as the policy is written to cover more than one insured, all terms, conditions, insuring agreements and endorsements, with the exception of limits of liability and deductibles, shall operate in the same manner as if there were a separate policy covering each insured;

(ii) The insurer thereunder waives all rights of subrogation against the Lessor, the Indenture Trustee, each Participant and the Remainderman, and waives any right of set-off and counterclaim and any other right to deduction whether by attachment or otherwise;

(iii) Such insurance shall be primary (which may

include umbrella policies) as to the Lessor, the Bank, the Indenture Trustee, each Participant and the Remainderman, without right of contribution of any other insurance carried by or on behalf of the Lessor, the Indenture Trustee, any Participant or the Remainderman;

(iv) Such insurance shall remain in full force and effect until the Lessor, the Owner Participant, the Indenture Trustee and the Remainderman are notified in writing at least thirty (30) days (or ten (10) days, in the case of non-payment of premiums) in advance of any cancellation or non-renewal or material change in the terms and conditions thereof;

(v) the respective interests of the Lessor, the Remainderman, the Indenture Trustee, the Loan Participants and the Owner Participant under all insurance policies required under Section 10(a) shall not be invalidated by any action or inaction of the Lessee or any other Person (other than the beneficiary of such respective interest) and such insurance shall insure the Lessor, the Remainderman, the Indenture Trustee, the Loan Participants and the Owner Participant as their interests may appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Lessee or any other Person (other than the beneficiary of such respective interest); and

(vi) With respect to the commercial general liability insurance maintained by the Lessee pursuant to this Section 10, (i) such coverage shall at all times maintain a retroactive date on or before the Closing Date (whether by purchasing an extended reporting period or otherwise) and (ii) if on the Lease Termination Date such coverage is not maintained on an "occurrence form" basis, such coverage shall continue for a period of seven (7) years after the Lease Termination Date (whether by purchasing an extended reporting period or

otherwise).

(f) ADJUSTMENT OF INSURANCE REQUIREMENTS. In the event that, on any date, the senior long term debt rating of the Lessee, as given by Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Corporation ("S&P") in their regular rating reports, is lower than BBB+ (as given by S&P) or Baa1 (as given by Moody's) or the Lessee's net worth is less than 60% of its net worth reflected in its most recent (as of the date hereof) audited financial statements, then the Lessee shall promptly (and in any event within thirty (30) days) obtain and maintain insurance in the full amounts required under Section 10(a) and with insurance companies meeting the criteria set forth therein, subject to deductibles of no more than $150,000 with respect to all risk property insurance and $200,000 with respect to liability insurance.

(g) EVIDENCE OF INSURANCE. The Lessee shall deliver to the Lessor, each Participant, the Remainderman and the Indenture Trustee at least two (2) days before the Closing Date and annually thereafter, certificates of insurance evidencing the provisions described in this Section 10 executed by the insurer or its duly authorized agent. Without limiting the foregoing, each such certificate shall set forth the insurance obtained in accordance with this Section 10 and state that such insurance is in full force and effect, all premiums then due and payable thereon have been paid and, in the opinion of the signer, such insurance complies with the provisions of this Lease. During the Lease Term, if an Event of Default has occurred and is continuing and the Lessor or (so long as the Indenture has not been satisfied and discharged) the Indenture Trustee so requests, the Lessee shall deliver to the Lessor and the Indenture Trustee copies of all insurance policies required by this Section 10.

S11. RIGHTS TO SUBLEASE; ASSIGNMENT BY LESSOR AS SECURITY.

(a) SUBLEASE BY THE LESSEE. So long as no Default or Event of Default shall have occurred and be continuing, the Lessee may, without the consent of the Lessor, (A) sublease all or any portion of the Facility to any Affiliate of the Lessee, or (B) sublease less than substantially all of the Facility to any Person; provided, however, that in each of the foregoing cases (i) such sublease shall be expressly subject and subordinate to this Lease, the Indenture and the Mortgage, (ii) such sublease shall not release the Lessee from any of its obligations as the Lessee hereunder, (iii) such sublease will not cause all or any portion of the Facility to constitute "tax exempt use property" within the meaning of Section 168(g) or (h) of the Code (or any successor provisions thereto), (iv) such sublessee is not subject to any bankruptcy or insolvency proceedings and is generally paying its debts as they become due, and (v) the term of such sublease shall not extend beyond the Lease Termination Date. The rights of any sublessee and the obligations of the sublessor under any future sublease (each, a "Future Sublease") shall not be inconsistent with the obligations of the Lessee and, during the Lease Term, the rights of the Lessor under this Lease.

(b) SUBLESSEE NON-DISTURBANCE; ASSIGNMENT OF EXISTING LEASES.

(i) Notwithstanding the provisions of clause (i) of the proviso to the first sentence of Section 11(a), with respect to any tenants and subtenants under any lease or sublease described on Schedule 8 to the Participation Agreement (collectively, the "Existing Leases"), such tenants and subtenants shall be entitled to all rights of non-disturbance available under, and other rights expressly set forth in, their respective Existing Leases as currently in effect, as well as all rights of non-disturbance available under Applicable Law.

(ii) The Lessor hereby grants, transfers, assigns and conveys to the Lessee, during the Lease Term and subject to

the rights of the Indenture Trustee therein pursuant to the Security Documents, all of the right, title and interest of the Lessor in and to the Existing Leases (with all extensions, renewals, amendments and modifications, if any, from time to time), and the Lessee hereby assumes all of the obligations of the Lessor under the Existing Leases. Unless an Event of Default shall have occurred and be continuing, the Lessor hereby covenants and agrees that the Lessee shall have the right to enforce, terminate, extend, renew or otherwise amend or modify any of the Existing Leases; provided, however, that no amendment or modification shall be entered into which would not be permitted to be included in a sublease permitted by the other provisions of this Lease. It is understood and agreed that the grant and assignment of the Existing Leases in this clause (ii) is subject and subordinate to the Lien of the Mortgage and the other Security Documents, notwithstanding that this Lease (or a memorandum hereof) is being filed for record in the appropriate recording office prior to recordation of the Mortgage and other Security Documents.

(iii) To secure the prompt and full performance and payment by the Lessee of its obligations under the Transaction Documents, the Lessee hereby assigns to the Lessor, subject to the conditions hereinafter set forth, all of the Lessee's right, title and interest in and to all Existing Leases and all rents, issues and profits accruing thereunder, and all guarantees and security deposits with respect to such Existing Leases; provided, however, that such assignment, although presently effective, is given solely as security, and the Lessor hereby irrevocably waives the right to exercise the Lessor's rights pursuant to this clause (ii) until and unless an Event of Default shall have occurred and be continuing. The Lessee hereby irrevocably directs each tenant under any such Existing Lease (each, an "Existing Subtenant") to pay to the Lessor the rentals or other sums payable under such Existing Subtenant's sublease when, as and if directed to do so by the Lessor in a written notice to such Existing Subtenant in which the Lessor shall

certify that an Event of Default shall have occurred and be continuing under this Lease. The Lessee hereby irrevocably notifies and directs each Existing Subtenant to pay such amounts to the Lessor in the event such Existing Subtenant receives any such notice from the Lessor, and the Lessee hereby irrevocably waives any claims for non-payment of such rentals or other sums that might arise as a result of such payments to the Lessor.

(iv) The Lessee shall not enter into any renewals of the Existing Leases unless such Existing Leases, as renewed, are subject and subordinate to this Lease. The Lessee may not permit or suffer to exist any Lien (other than the Lien of the First Mortgage Bonds) on any sublease of the Premises without the prior written consent of the Lessor and the Indenture Trustee, except Permitted Liens. The Lessee shall, within ten (10) Business Days after the execution of any sublease with a sublessee that is not an Affiliate of the Lessee, deliver to the Lessor, the Remainderman and the Indenture Trustee a conformed copy thereof (with acknowledgments, if any) and a conformed copy of any short form lease or memorandum of lease. Any sublease not permitted by this Section 11(b) shall be void.

(c) ASSIGNMENT BY THE LESSOR TO THE INDENTURE TRUSTEE AS SECURITY FOR THE LESSOR'S OBLIGATIONS. To secure the Secured Indebtedness, the Lessor will assign to the Indenture Trustee, for the benefit of the Loan Participants (i) its right, title and interest in and to this Lease (including the right to receive all payments of Rent but excluding any Excepted Rights and Payments), to the extent provided in the Indenture, and (ii) its right, title and interest in and to the Facility. The Lessee hereby (w) consents to such assignment and to the terms of the Indenture, (x) agrees (and the Lessor hereby authorizes and directs the Lessee) to pay directly to the Indenture Trustee at the Indenture Trustee's Office on behalf of the Lessor (until the Lien of the Indenture on the Indenture Estate shall have been released in accordance with its terms, and evidence thereof shall have been delivered to the Lessee) all amounts of Rent

(other than payments

with respect to Excepted Rights and Payments) due or to become due to the Lessor, (y) agrees that the right of the Indenture Trustee to any such payments shall be absolute and unconditional and shall not be affected by any circumstances whatsoever, including, without limitation, those circumstances set forth in Section 4, and (z) agrees that, to the extent provided in the Indenture (until the Lien of the Indenture on the Indenture Estate shall have been released in accordance with its terms), the Indenture Trustee shall have or shall share with the Lessor such rights of the Lessor hereunder (other than Excepted Rights and Payments) as are specified in the Indenture.

(d) OTHER ASSIGNMENTS BY THE LESSOR. During the Lease Term, the Lessor may transfer, sell or convey the Facility or assign its rights and obligations under this Lease only in accordance with the Transaction Documents, including, without limitation, the limitations contained in Section 4.8 of the Indenture and Sections 21 and 22 of this Lease.

(e) ATTORNMENT. In the event of (i) the foreclosure of any mortgage or deed of trust made by the Lessor covering the Facility (including, without limitation, the Indenture and the Mortgage), (ii) the giving of a deed in lieu of foreclosure by the Lessor with respect to the Facility, (iii) the filing of a petition in bankruptcy or other similar insolvency proceeding by or against the Lessor, or (iv) any other permitted transfer by the Lessor of title to the Facility, then the Lessee shall, at the request of the mortgagee, beneficiary of the deed of trust, trustee in bankruptcy, receiver or transferee, as the case may be, attorn to the purchaser or other transferee of the Facility, including the Indenture Trustee, or the mortgagee or beneficiary of the deed of trusts upon any such foreclosure, sale, filing or transfer, and recognize such purchaser or other transferee as the Lessor under this Lease.

(f) CORPORATE CHANGE. The Lessee shall not be a party to any Corporate Change unless: (a) the successor corporation (if other than the Lessee) formed by such consolidation or into which the Lessee shall be merged or the Person that shall acquire by

sale, conveyance, transfer or lease all or substantially all the assets of the Lessee shall (i) be a corporation duly organized, validly existing and in good standing under the laws of the United States of America, any state thereof or the District of Columbia and qualified to transact business in the State of New Jersey and (ii) execute and deliver to the Owner Participant, each Loan Participant, the Remainderman, the Owner Trustee and the Indenture Trustee an agreement in form and substance reasonably satisfactory to the Owner Participant, each Loan Participant, the Remainderman, the Owner Trustee and the Indenture Trustee in which such successor corporation shall assume the due and punctual performance of each covenant and condition of this Lease and all other Transaction Documents to which the Lessee is a party to be performed or observed by the Lessee, (b) such transaction shall not cause a Default or Event of Default to occur and (c) the Lessee shall have delivered to the Owner Participant, each Loan Participant, the Remainderman, the Owner Trustee and the Indenture Trustee an opinion of outside counsel addressed to, and in form and substance reasonably satisfactory to, the Owner Participant, each Loan Participant, the Remainderman, the Owner Trustee and the Indenture Trustee to the effect that (i) the surviving corporation is a corporation duly organized, validly existing and in good standing in the state of its incorporation and the State of New Jersey, (ii) the agreement executed and delivered by the surviving corporation pursuant to this Section 11(f) is within its corporate power, has been duly authorized, executed and delivered by the surviving corporation and constitutes the legal, valid and binding agreement of the surviving corporation enforceable against it in accordance with its terms and (iii) all of the Transaction Documents to which the Lessee is a party will, upon the consummation of such transaction, be the legal, valid and binding obligations of the surviving corporation enforceable against it in accordance with the terms thereof, except as such enforceability may be limited by applicable bankruptcy,

insolvency, or similar laws affecting creditors generally and by general equitable principles. Upon any such consolidation or merger, or any sale, conveyance, transfer or lease of the assets of the Lessee as an entirety or substantially as an entirety in

accordance with this Section 11(f), the successor corporation formed by such consolidation or into which the Lessee shall be merged or to which such sale, conveyance, transfer or lease shall be made shall succeed to, and be substituted for, and may exercise every right and power of, the Lessee under the Transaction Documents to which the Lessee is a party.

(g) LESSEE ASSIGNMENT. The Lessee shall not assign its right, title and interest in, to or under this Lease except as permitted by Section 11(b), 11(f) or this Section 11(g).

Other than pursuant to the Indenture of Mortgage and Deed of Trust dated April 1, 1952 securing the First Mortgage Bonds, this Lease shall not be mortgaged or pledged by the Lessee, nor shall the Lessee mortgage or pledge the interests of the Lessee in and to the Facility or any portion thereof. Any such mortgage or pledge shall be void.

S12. LEASE RENEWAL OPTIONS. Subject to the notice requirement set forth in Section 13(a) or 13(b), as the case may be, and to the provisions of Section 13(c), the Lessee shall (provided that at the time of any notice pursuant to Section 13(a) and at the commencement of any Renewal Term no Event of Default shall have occurred and be continuing) have and is hereby granted the right and option to renew the term of this Lease at the end of the Basic Term or any Renewal Term, as the case may be, as follows:

(a) The Lessee may renew the term of this Lease for up to two (2) periods which in the aggregate shall not exceed seven (7) years, the first such renewal for a period of four (4) years and the second such renewal for a period of three (3) years (each, a "Fixed Rate Renewal Term") at a fixed rental per annum equal to the Basic Rent payable with respect to the final year of the Basic Lease Term (the "Fixed Rental Amount"); provided; however, that the Lessee may not select a Fixed Rate Renewal Term at any time after the Lessee has selected a Fair Market Value Renewal Term. During each Fixed Rate Renewal Term, the Lessee shall pay to the Lessor the Fixed Rental Amount in semiannual

installments payable in advance on each January 1 and July 1 during such Fixed Rate Renewal Term.

(b) The Lessee may renew the term of this Lease for a period of five (5) years (a "Fair Market Value Renewal Term") at a rental payment equal to the then Fair Market Rental Value of the Facility (determined in accordance with Section 13(b) for such renewal; provided, however, that the Lessee may select no more than four (4) Fair Market Value Renewal Terms. During each Fair Market Value Renewal Term, the Lessee shall pay to the Lessor the Fair Market Rental Value of the Facility for such a renewal in semiannual installments payable in advance on each Rent Payment Date during such Fair Market Value Renewal Term.

If the Lessee has exercised its option for a Renewal Term,the Lessee shall be responsible for payment and performance of all of the Lessor's obligations under the Ground Lease other than the payment of Basic Ground Rent (as defined in the Ground Lease), including the obligation and responsibility for the repair, replacement, maintenance and operation of the Premises and the Site and, as between the Lessee, the Lessor and the Remainderman, the Lessee hereby acknowledges that neither the Lessor nor the Remainderman shall have any responsibility with respect thereto during any such Renewal Term; provided, however, that the Lessee need not pay and shall not be responsible for the

payment of Basic Ground Rent during any Renewal Term.

S13. NOTICES FOR RENEWAL; DETERMINATION OF FAIR MARKET RENTAL VALUE.

(a) NOTICES FOR RENEWAL. In the event that, prior to the expiration date of the Basic Term or the then current Renewal Term, the Lessee desires to exercise its option to renew this Lease for a Renewal Term pursuant to Section 12, then the Lessee shall give to the Lessor and Remainderman irrevocable notice of its election not earlier than two (2) years nor later than eighteen (18) months prior to the expiration date of the Basic Term or current Renewal Term, as the case may be.

(b) DETERMINATION OF FAIR MARKET RENTAL VALUE FOR FAIR MARKET VALUE RENEWAL TERMS. If the Lessee shall give to the Lessor and the Remainderman notice of its election to renew this Lease pursuant to Section 13(a) for a Fair Market Value Renewal Term, then not earlier than eighteen (18) months nor later than twelve (12) months prior to the expiration date of the Basic Term or of the then-current Renewal Term, as the case may be, the Lessee and the Lessor shall attempt to agree upon the Fair Market Rental Value of the Facility for such Fair Market Value Renewal Term. If the Lessee and the Lessor are unable to agree upon such Fair Market Rental Value, such value shall be determined by the Appraisal Procedure.

(c) ASSISTANCE WITH DISPOSITION. From and after the date on which the Lessee could last give a notice of its election to renew the Lease Term with no such notice having been given, the Lessee shall cooperate with the reasonable requests of the Lessor in its effort to sell or lease the Facility and the Remainder for a term following the Lease Termination Date including, but not limited to, making the Facility and the Site available for inspection upon reasonable advance notice and subject to the provisions of Section 8(b).

S14. OBSOLESCENCE OR UNECONOMIC USEFULNESS TERMINATION.

(a) TERMINATION NOTICES. So long as no Event of Default shall have occurred and be continuing on the date the Termination Notice is delivered or on the Termination Date, if, at any time during the Lease Term, following the tenth anniversary of the Closing Date, the Lessee's Board of Directors shall have determined that the Facility is obsolete or uneconomic for use or surplus to the needs of the Lessee, the Lessee shall, on not more than two (2) occasions and not closer than eighteen (18) months apart, have the option to terminate this Lease on any Determination Date that is specified by the Lessee (a "Termination Date") in a notice to the Lessor (a "Termination Notice") given at least six (6) months prior to the Termination Date (which notice may be given prior to such tenth anniversary of the Closing Date but no earlier than the ninth anniversary of the Closing Date) and accompanied by a certified resolution of the Board of Directors of the Lessee evidencing such determination.

(b) EVENTS PRIOR TO TERMINATION DATE. Not more than sixty (60) nor less than thirty (30) days prior to the Termination Date, the Lessee shall deliver an Officer's Certificate to the Lessor, the Remainderman, the Indenture Trustee and each Loan Participant specifying (a) the Termination Date, (b) that the principal amount of the Outstanding Facility Notes will be prepaid on such date, (c) that a Make-Whole Amount may be payable, (d) the date when such Make-Whole Amount will be calculated, (e) the Estimated Make-Whole Amount, (f) the accrued interest applicable to such prepayment, and (g) the Sections of this Lease and the Indenture pursuant to which such prepayment shall be made. Two (2) Business Days prior to the Termination Date, the Lessee shall provide the Lessor, the Indenture Trustee and each Loan Participant written notice of the Make-Whole Amount, if any, payable in connection with the termination of this Lease and a reasonably detailed calculation of the Make-Whole Amount determined as of the Termination Date and calculated three (3) Business Days prior to such date.

During the period commencing with the date on which such Termination Notice is given until the Termination Date, the Lessee, as non-exclusive agent for the Lessor, shall undertake on behalf of the Lessor to obtain cash bids for the purchase of the Facility and shall use commercially reasonable efforts to effect the sale of the Facility. The Lessee may use a third party as its agent in connection with any such sale. The Lessor shall also have the right, at its own expense, (but no obligation) to obtain cash bids for the purchase thereof, either directly or through agents other than the Lessee. The Lessee shall certify to the Lessor in writing the amount and terms of each bid received by the Lessee and the name and address of the person submitting a bid (which Person shall not be the Lessee or any Affiliate of the Lessee but may be the Lessor or the Owner Participant). On the Termination Date, the Lessor shall (subject to receipt of the net sales price and all additional payments specified in the second and third following sentences), Transfer its interest in the Facility (which, of this purpose, shall include, without limitation, all rights of the Lessor under the Option and Estate for Years Agreement and the Three Party Agreement and the Ground Lease, if applicable) for cash to bidder which shall have submitted the highest bid prior to such date (which Person shall not be the Lessee, a Person related to the Lessee or any Affiliate of the Lessee, but may be the Lessor or the Owner Participant). The purchase price for such sale shall be paid on the Termination Date in immediately available funds. The total sales price realized upon the sale of the Facility, subject to the terms of the Indenture and the Lien of the Security Documents, shall be retained by the Lessor. In addition, on the Termination Date, the Lessee shall pay to the Indenture Trustee (so long as the Indenture has not been satisfied and discharged), or thereafter to the Lessor (or, in the case of Supplemental Rent, the Person entitled thereto) the sum of (A) the excess, if any, of the Termination Value determined as of the Termination Date over the net sales proceeds actually paid to the Lessor plus (B) all accrued and unpaid Basic Rent due and unpaid as of the Termination Date, plus (C) all Supplemental Rent owing by the Lessee to and including the Termination Date, including the Make-Whole Amount, if any,

determined as of the Termination Date, plus (D) without duplication of amounts included within clauses (A), (B) and (C) above, all accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents.

Notwithstanding the foregoing, the Lessor may elect to retain, rather than sell, the Facility (which, for this purpose, shall include, without limitation, all rights of the Lessor under the Option and Estate For Years Agreement and the Three Party Agreement and the Ground Lease, if applicable) by giving irrevocable written notice to that effect to the Lessee and the Indenture Trustee (so long as the Indenture has not been satisfied and discharged); provided, however, that such irrevocable notice is given no later than ninety (90) days prior to the scheduled Termination Date and, provided, further, that any such irrevocable notice is signed by an Authorized Officer of the Lessor and consented to in writing by an Authorized Officer of the Indenture Trustee (so long as the Indenture has not been satisfied and discharged). It shall be a condition precedent to the Lessor's right of retention that on or prior to the scheduled Termination Date, the Lessor shall have deposited with the Indenture Trustee all amounts then unpaid and outstanding under the Security Documents to the date of payment (including, without limitation, any Make-Whole Amount and all other amounts due on or with respect to the Facility Notes). If the Lessor elects to retain the Facility pursuant to this paragraph, the Lessee shall pay to the Indenture Trustee (so long as the Indenture has not been satisfied and discharged), or thereafter to the Lessor or to whoever is entitled thereto, on the scheduled Termination Date, the amounts set forth in clauses (B), (C), and (D) of the preceding paragraph. If the Lessor expressly elects in writing to retain Lessor's interest in the Facility as provided in this Section 14, such election shall be deemed effective only if it is consented to in writing by an Authorized Officer of the Indenture Trustee (so long as the Indenture has not been satisfied and discharged, it being agreed that such consent shall be deemed to have been given if the Lessor shall have irrevocably deposited with the

Indenture Trustee the amounts required by the second

sentence of this paragraph).

If a sale shall not have occurred on or as of the Termination Date, then Lessee may at its option (i) elect to terminate the Lease, upon payment to the Indenture Trustee (so long as the Indenture has not been satisfied and discharged), or thereafter to the Lessor or to whomever is entitled thereto, on the scheduled Termination Date the amounts set forth in clauses (B), (C) and (D) of the second paragraph of this Section 14(b) plus the Termination Value as of such Termination Date and return the Facility to the Lessor in accordance with Section 5 or (ii) revoke its Termination Notice in which case this Lease shall continue in full force and effect, and Lessee shall not be required to pay the Termination Value or any Make-Whole Amount. In addition to any revocation described in the preceding sentence, Lessee shall be entitled to revoke its Termination Notice at any other time at least thirty (30) days prior to the Termination Date with the same effect as a revocation pursuant to the immediately preceding clause (ii). In the event of any such revocations, the Lessee will pay all reasonable fees and expenses (including reasonable attorney's fees and expenses) of the Lessor, the Owner Participant, the Indenture Trustee, the Remainderman and the Loan Participants incurred in connection with such revoked Termination Notice. If the Lessee shall fail to pay all amounts due under and pursuant to this Section 14 on the scheduled Termination Date, no sale shall be consummated, this Lease shall continue in full force and effect and it shall be deemed that Lessee has revoked its Termination Notice.

Upon compliance by the Lessee with the provisions of this Section 14 (other than those which expressly provide that the term of this Lease shall continue), the obligation of the Lessee to pay Basic Rent after the Termination Date shall cease, the Lease Term shall end and the obligations of the Lessee hereunder (other than any such obligation expressly surviving termination of this Lease) shall terminate as of the Termination Date. The Lessor shall be under no duty to solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any

action in connection with any such sale other than to sell its interest in the Facility as provided above.

S15. EVENTS OF DEFAULT. The term "Event of Default", wherever used herein, shall mean any of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary, or come about or be effected by operation of law, or be pursuant to or in compliance with any judgment, decree or order of any court or any Applicable Law or Governmental Action):

(a) PAYMENTS OF BASIC RENT, CASUALTY VALUE, TERMINATION VALUE AND EBO PRICE. The Lessee shall fail to make, or cause to be made any payment of Basic Rent, Casualty Value, Termination Value, EBO Price or any other amounts payable under Section 9, 14 or 22 within five (5) Business Days after the same shall become due; or

(b) CERTAIN OTHER SUPPLEMENTAL RENT PAYMENTS. The Lessee shall fail to make, or cause to be made any payment of Supplemental Rent (other than (i) Casualty Value, Termination Value, EBO Price or any other amounts payable under Section 9, 14 or 22 and (ii) any payment with respect to Excepted Rights and Payments (unless the Lessor elects to have such failure constitute an Event of Default)) after the same shall become due, and such failure shall continue, after the Lessee shall have received a notice from the Lessor specifying such failure and requiring it to be remedied, for a period of thirty (30) days; or

(c) INSURANCE. The Lessee shall fail to carry or maintain any insurance required under Section 10(a); or

(d) OTHER COVENANTS. The Lessee shall fail to perform or observe any

covenant or agreement (other than those referred to in clauses (a) through (c) above) to be performed or observed by it under this Lease or any other Transaction Document (other than the Tax Indemnification Agreement) to which it is a party, and such failure shall continue, after the earlier of the date the Lessee has Actual Knowledge of such failure or the date the

Lessee shall have been given a notice specifying such failure and requiring it to be remedied, for a period of thirty (30) days (or such longer period, not to extend beyond the earlier of (A) the expiration of one hundred eighty (180) days from the Lessee's receipt of such notice and (B) the last day of the Lease Term, as may be necessary to remedy any such failure that cannot, with reasonable diligence, be remedied within such thirty (30) day period, so long as the Lessee is diligently proceeding to remedy such failure); or

(e) REPRESENTATIONS AND WARRANTIES. Any representation or warranty made by the Lessee or the Seller in this Lease or in any other Transaction Document (other than the Tax Indemnification Agreement) or in any certificate required to be delivered hereunder or thereunder shall prove to have been incorrect in any material respect when such representation or warranty was made, unless the fact, circumstance or condition that is the subject of such representation or warranty is remedied, cured or made true within thirty (30) days after the earlier of the date the Lessee or the Seller has Actual Knowledge that a representation or warranty made by it was incorrect in any material respect or the date the Lessee or the Seller, as the case may be, shall have received notice specifying the breach thereof from the Lessor; or

(f) RECEIVERSHIP, ETC. The Lessee shall file any petition for dissolution or liquidation of the Lessee, or the Lessee shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the Lessee shall consent to the entry of an order for relief in an involuntary case under any such law, or the Lessee shall fail generally to pay its debts as such debts become due (within the meaning of the Bankruptcy Code), or the Lessee shall fail promptly to satisfy or discharge any execution, garnishment or attachment of such consequence as will impair its ability to carry out its obligations under this Lease or any other Transaction Document or a receiver, custodian or trustee (or other similar official) shall be appointed for the Lessee or shall take possession of any substantial part of the Lessee's property, or the Lessee shall execute a general assignment for

the benefit of its creditors, or the Lessee shall enter into an agreement of composition with its creditors, or the Lessee shall take any corporate action in furtherance of any of the foregoing; or an involuntary petition in bankruptcy shall be filed against the Lessee which results in an order for relief being entered or, notwithstanding that an order for relief has not been entered, the petition is not dismissed within ninety (90) days of the date of the filing of the petition, or any petition under any law relating to bankruptcy, insolvency or relief of debtors shall be filed against the Lessee for reorganization, composition, extension or arrangement with creditors which either (i) results in a finding or adjudication of insolvency of the Lessee or (ii) is not dismissed within ninety (90) days of the date of the filing of such petition.

The Lessee covenants that it will give notice to the Lessor, the Remainderman, and the Indenture Trustee upon its obtaining Actual Knowledge of any Default under this Lease.

S16. REMEDIES.

(a) REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing the Lessor at its option may, by notice to the Lessee, declare this Lease to be in default and at any time thereafter exercise one or more of the following remedies as the Lessor in its sole discretion shall elect:

(i) the Lessor may, by notice to the Lessee, terminate this

Lease as of the date specified in such notice; provided, however, (A) no reletting, reentry or taking of possession of the Facility by the Lessor will be construed as an election on the Lessor's part to terminate this Lease unless a written notice of such intention is given to the Lessee, (B) notwithstanding any reletting, reentry or taking of possession, the Lessor may at any time thereafter elect to terminate this Lease for a continuing Event of Default and (C) no act or thing done by the Lessor or any of its agents, representatives or employees and no agreement

accepting a surrender of the Facility shall be valid unless the same be made in writing and executed by the Lessor;

(ii) the Lessor may (A) demand that the Lessee, and the Lessee shall upon the written demand of the Lessor, return the Facility promptly to the Lessor in the manner and condition required by, and otherwise in accordance with all of the provisions of Section 5 as if the Facility was being returned at the end of the Lease Term, and the Lessor shall not be liable for the reimbursement of the Lessee for any costs and expenses incurred by the Lessee in connection therewith and (B) without prejudice to any other remedy which the Lessor may have for possession of the Facility, enter upon the Facility and take immediate possession of (to the exclusion of the Lessee) the Facility and expel or remove the Lessee and any other Person who may be occupying the Facility, by summary proceedings or otherwise, all without liability to the Lessee for or by reason of such entry or taking possession, whether for the restoration of damage to property caused by such taking or otherwise and, in addition to the Lessor's other damages, the Lessee shall be responsible for the reasonably necessary costs and expenses of reletting, including brokers fees and the costs of any alterations or repairs made by the Lessor. The provisions of this Section 16(a)(ii) shall operate as a notice to quit and shall be deemed to satisfy any other requirement or provisions of Applicable Law which may require the Lessor to provide a notice to quit or of the Lessor's intention to re-enter the Facility and any such requirements or provisions are hereby waived to the fullest extent permitted by Applicable Law by the Lessee;

(iii) the Lessor may sell all or any part of the Facility at public or private sale, as the Lessor may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or any proceeds with respect thereto (except to the extent required by paragraph (vi) below if the Lessor shall elect to exercise its rights thereunder) in

which event the Lessee's obligation to pay Basic Rent hereunder for periods commencing after the date of such sale shall be terminated (except to the extent that Basic Rent is to be included in computations under Section 16(a)(v) or (vi) below if the Lessor shall elect to exercise its rights thereunder);

(iv) the Lessor may hold, keep idle or lease to others all or any part of the Facility as the Lessor in its sole discretion may determine, free and clear of any rights of the Lessee and without any duty to account to the Lessee with respect to such action or inaction or for any proceeds with respect to such action or inaction, except that the Lessee's obligation to pay Basic Rent from and after the occurrence of an Event of Default shall be reduced by the net proceeds, if any, received by the Lessor from leasing the Facility to any Person other than the Lessee for the same periods or any portion thereof (the Lessee acknowledges and agrees, however, that the Lessor shall have no duty or obligation to relet the Facility);

(v) the Lessor may, whether or not the Lessor shall have

exercised or shall thereafter at any time exercise any of its rights under Section 16(a)(ii), (iii) or (iv) with respect to the Facility, demand, by written notice to the Lessee specifying a date (the "Final Payment Date") not earlier than ten (10) days after the date of such notice, that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor, on the Final Payment Date, as liquidated damages for loss of a bargain and not as a penalty (the parties agreeing that the Lessor's actual damages would be difficult to predict, but the aforementioned liquidated damages represent a reasonable approximation of such amount) (in lieu of Basic Rent due after the Final Payment Date), an amount equal to the sum of (A)(1) if the Final Payment Date is a Rent Payment Date, all accrued and unpaid Basic Rent payable in arrears and due and unpaid as of the Final Payment Date or (2) if the Final Payment Date is not a Rent Payment Date, the accrued arrears Basic Rent due and payable

on such Final Payment Date (it being understood, in the case of clauses (1) and (2) above, that the Lessee shall pay when due any Basic Rent due on a Rent Payment Date which occurs on or after the Event of Default but prior to the Final Payment Date), plus (B) without duplication of any amounts included within clause (A) above or (C) below, all Supplemental Rent (to be paid directly to the Person entitled thereto) due as of such Final Payment Date and all accrued and unpaid interest on the Outstanding Facility Notes together with all other amounts, including, without limitation, the Make-Whole Amounts, if any, due under the Indenture and the other Transaction Documents as of the Final Payment Date, plus (C) whichever one of the following amounts the Lessor, in its sole discretion, shall specify in such notice (together with interest on such amount at the Default Rate from the Final Payment Date specified in such notice to the date of actual payment):

(1) if the Facility has not been sold, an amount equal to the excess, if any, of the Casualty Value computed as of the Final Payment Date, over the Fair Market Sales Value of the Facility as of the Final Payment Date (such Fair Market Sales Value to be determined by mutual agreement of the Lessor and the Lessee, or if they cannot agree within ten (10) days after such notice, by the Appraisal Procedure);

(2) if the Facility has not been sold, an amount equal to the excess, if any, of the Casualty Value computed as of the Final Payment Date over the present value of the Fair Market Rental Value for the Facility for the balance of the Lease Term discounted semiannually at the Debt Rate (such Fair Market Rental Value to be determined by mutual agreement of the Lessor and the Lessee, or if they cannot agree within ten (10) days of such notice, by the Appraisal Procedure);

(3) if the Facility has not been sold, an amount

equal to the excess of (a) the present value as of the Final Payment Date of all installments of Basic Rent through the end of the Basic Term or the then applicable Renewal Term, discounted semiannually at the Debt Rate, over (b) the present value as of such Final Payment Date of the Fair Market Rental Value of the Facility (such Fair Market Rental Value to be determined by mutual agreement of the Lessor and the Lessee, or if they cannot agree within ten (10) days of such notice, the Appraisal Procedure) through the end of the Basic Term or the then applicable Renewal Term, discounted at the Debt Rate; or

(4) if the Facility has not been sold, the greater of

(a) Casualty Value, (b) such discounted Fair Market Rental Value, (c) such discounted Fair Market Sales Value and (d) such discounted Basic Rent computed as of the Final Payment Date and upon payment of such amount, and the amount of any unpaid Rent referred to in Section 16(b), the Lessor shall convey to the Lessee all of the Lessor's right, title and interest in and to the Facility (which, for this purpose, shall include, without limitation, all rights of the Lessor under the Option and Estate for Years Agreement and the Three Party Agreement and the Ground Lease, if applicable) without recourse or warranty, but free and clear of all Lessor Liens;

(vi) if the Lessor shall have sold the Facility pursuant to Section 16(a)(iii), the Lessor, in lieu of exercising its rights under Section 16(a)(v), may, if it shall so elect, demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (the parties agreeing that the Lessor's actual damages would be difficult to predict, but the aforementioned liquidated damages represent a reasonable approximation of such amount) (in lieu of Basic Rent for the portion of the Facility so sold due for periods commencing

on or after the Determination Date coinciding with such date of sale (or, if the sale date is not a Determination Date, the Determination Date next preceding the date of such sale)), an amount equal to the sum of (A)(1) if the sale date is a Determination Date, all such accrued and unpaid Basic Rent payable in arrears and due and unpaid as of such sale date or (2) if the sale date is not a Determination Date, the accrued arrears Basic Rent due and payable on such sale date (it being understood that, in the case of clauses (1) and (2) above, the Lessee shall pay when due any Basic Rent due on a Rent Payment Date which occurs on or after the Event of Default but prior to such sale date), plus (B) (without duplication of any amounts in clause (A) above or clause (C) below) all Supplemental Rent due as of the date of sale and all accrued and unpaid interest on the Outstanding Facility Notes together with all other amounts, including, without limitation, the Make-Whole Amount, if any, due under the Indenture and the other Transaction Documents as of such sale date, plus (C) the amount of any excess of the Casualty Value, computed as of such Casualty Date, over the net proceeds of such sale, together with interest at the Default Rate on such excess from such Determination Date to the date of sale, plus (D) interest at the Default Rate on all of the foregoing amounts from the date of such sale until the date of payment;

(vii) the Lessor may exercise any other right or remedy that may be available to it under Applicable Law or in equity, or proceed by appropriate court action (legal or equitable) to enforce the terms hereof or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any semiannual lease period(s), and such suits shall not in any manner prejudice the Lessor's right to collect any such damages for any subsequent semiannual lease period(s), or the Lessor may defer any such suit until after the expiration of the Basic Term or the then current Renewal Term, in which event such suit shall be deemed not to have accrued until the expiration of the Basic Term, or the then current Renewal

Term; or

(viii) the Lessor may retain and apply against the Lessor's damages all sums which the Lessor would, absent such Event of Default, be required to pay to, or turn over to, the Lessee pursuant to the terms of this Lease, including, without limitation, any sums which the Lessor may be required to pay to Lessee under Section 9.

(b) NO RELEASE. Except as otherwise provided in Section 16(a), no rescission or termination of this Lease, in whole or in part, or repossession of the Facility or exercise of any remedy under Section 16(a) shall relieve the Lessee of any of its obligations under this Lease. In addition, except as aforesaid, the Lessee shall be liable for any and all unpaid Basic Rent (other than Basic Rent payable on or after the date that Casualty Value or Termination Value, or any amount determined by reference to Casualty Value or Termination Value, is payable) and all Supplemental Rent due and accrued hereunder before, after or during the exercise of any of the foregoing remedies, including all legal fees and other costs and expenses on an After-Tax Basis incurred by the Lessor, the Indenture Trustee or any Participant by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto. At any public sale of the Facility or any part thereof pursuant to this Section 16, any Participant, the Lessor or the Indenture Trustee may bid for and purchase such property.

(c) REMEDIES CUMULATIVE. No remedy under this Section 16 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy provided thereunder or otherwise available to the Lessor at law or in equity. No express or implied waiver by the Lessor of any Default or Event of Default hereunder shall in any way be, or be construed to be, a waiver of any future or subsequent Default or Event of Default. The failure or delay of the Lessor in exercising any right granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingency or similar

contingencies and any single or partial exercise of any particular right by the Lessor shall not exhaust the same or constitute a waiver of any other right provided herein.

S17. NOTICES. All communications, declarations, demands, requests and notices provided for in this Lease shall be in writing and addressed, delivered and deemed effective as specified in Section 11.3 of the Participation Agreement (except for telephonic notice to the Lessee expressly permitted under Section 19, which telephonic notice shall be made to the Lessee, to the attention of the Treasurer of the Lessee (currently Tim Hearne) at (908) 938-1480 (or such other Person and/or telephone number as the Lessee may from time to time specify in a written notice made in accordance with this Section 17), with written notice delivered in accordance with the provisions of this Section 17 promptly thereafter). So long as any Facility Notes remain Outstanding, the Lessee shall give the Indenture Trustee copies of any notices required to be given to the Lessor pursuant to this Lease.

S18. SUCCESSORS AND ASSIGNS. This Lease, including all agreements, covenants, indemnities, representations and warranties contained herein, shall be binding upon and inure to the benefit of the Lessor and the Lessee and their respective successors and permitted assigns.

S19. RIGHT TO PERFORM FOR THE LESSEE. Subject to the provisions of the Indenture, if the Lessee shall fail to make any payment to be made by it hereunder or shall fail to perform or comply with any of its other agreements contained herein, and the Lessee shall not be diligently curing such failure, then (subject to the requirements of the next sentence of this Section 19) unless and until the Lessee shall make such payment or perform or comply with such agreement, the Owner Participant or the Lessor may, to the extent not prohibited by Applicable Law, but shall not be obligated to, itself make any such payment or perform or comply with any such agreement as the Lessee shall be obligated to pay, perform or comply with under this Lease, and the amount of such payment and the amount of the reasonable out-of-pocket

expenses of the Owner Participant or the Lessor incurred in connection with such payment or the performance or compliance with such agreement (including, without limitation, reasonable legal fees), as the case may be, together with interest thereon at the Default Rate, shall be deemed Supplemental Rent, payable by the

Lessee on an After-Tax Basis upon demand. The Owner Participant and the Lessor shall provide the Lessee with the following notice with respect to its making any such payment or performing any such agreement: (i) if such payment or performance shall result from the Lessee's failure to carry or maintain insurance required pursuant to Section 10(a) of this Lease, the Owner Participant or the Lessor shall give the Lessee notice thereof promptly after taking any action in accordance with the preceding sentence; (ii) if such payment or performance shall result from an emergency, the Owner Participant or the Lessor shall give the Lessee prior notice thereof before taking any action in accordance with the preceding sentence; provided, however, that such notice may be telephonic or facsimile with written notice delivered promptly thereafter, all in accordance with the provisions of Section 17; and (iii) if such payment or performance shall occur in any other situation, the Owner Participant or the Lessor shall give the Lessee 10 Business Days' prior notice before taking any action in accordance with the preceding sentence.

S20. ADDITIONAL COVENANTS. The Lessee agrees to pay as Supplemental Rent to the Person or Persons entitled thereto all amounts payable by it under the provisions of Article VII of the Participation Agreement and Section 11.2 of the Participation Agreement and under the provisions of the Tax Indemnification Agreement, which provisions are incorporated herein by this reference as fully as if set forth in full at this place. The Lessee agrees to comply with its covenants and agreements set forth in Section 6.1 of the Participation Agreement, which covenants and agreements are incorporated herein by this reference as fully as if set forth in full at this place.

S21. RIGHT OF FIRST OFFER.

(a) In the event that the Indenture Trustee at any time permits the Lessor to sell, transfer, convey or otherwise alienate the Facility (which for so long as any Facility Notes are Outstanding the Lessor acknowledges can be done only with the consent of the Indenture Trustee acting at the direction of all of the Loan Participants and upon such terms as the Loan Participants may agree to in their sole discretion, unless such sale, transfer or conveyance is to a successor trustee or co-trustee permitted by the terms of the Trust Agreement and the Participation Agreement or to the purchaser of the Facility pursuant to Section 14), and provided that no Event of Default shall have occurred and be continuing, before the Lessor may offer to sell, transfer, convey or otherwise alienate (other than any easement or other interest which the Lessor shall grant or convey pursuant to Section 23(a)) the Facility to a third Person (other than any Affiliate or designee of the Lessee) other than to any successor trustee or co-trustee permitted by the terms of the Trust Agreement and the Participation Agreement and other than to the purchaser of the Facility pursuant to Section 14, including in response to any unsolicited offer by a potential purchaser or potential transferee and prior to the acceptance of such offer or the making of a counteroffer, the Lessor shall offer, in writing, that interest in the Facility, and does hereby grant a right of first offer to purchase that interest in the Facility, to the Lessee for purchase at a price (the "Determined Price"), which Determined Price shall in any case never be less than all amounts due and owing by the Lessor under the Indenture, and upon terms (the "Determined Terms") specified by the Lessor. Such offer may be accepted by the Lessee at any time within sixty (60) days after the date of receipt by the Lessee of the notice of the offer and the Determined Price and Determined Terms by irrevocable written notice of the acceptance of such offer specifying the closing date for such purchase which shall not be more than thirty (30) days after the date of such written acceptance, and such purchase shall be made in accordance with Section 22(d)(i) (substituting "Determined Price" and "Determined Date" for "EBO Price" and "EBO Date", respectively) and Section 6.5 of the Indenture. In the event that the Lessee does not elect to purchase the Facility for the Determined Price and upon

the Determined Terms, concurrently with the prepayment of all, but not less than all, of the Facility Notes pursuant to Section 6.4 of the Indenture and payment of all amounts due thereunder, the Facility may be sold by the Lessor at the

Determined Price and upon the Determined Terms at any time during the period of two hundred seventy (270) days following the giving by the Lessee of a notice that it does not intend to exercise its right of first offer (or in the case of the deemed waiver by the Lessee of its right of first offer, during the period of 270 days following the expiration of the aforementioned 30-day period during which the Lessee shall have the right to accept the offer), without the need to offer the Facility to the Lessee pursuant to the provisions of this Section 21. The Facility shall not be sold (1) at any price or upon any terms materially more favorable to the purchaser than those contained in the offer to the Lessee or (2) at a time after such 270-day period, in each case without first having again complied with the provisions of this Section 21. Any failure of the Lessee to exercise its rights pursuant to this Section 21 shall in no event diminish, waive or extinguish its rights with respect to any subsequent proposed sale or transfer.

(b) If the Lessee shall not exercise its right to purchase under clause (a) of this Section 21, the Lessee shall, upon written request after the expiration of the thirty (30) day period applicable thereto, deliver to the Lessor a recordable statement certifying any waiver of or refusal to exercise such right of first offer.

(c) The foregoing provisions of this Section 21 shall not be applicable to a foreclosure sale of the Facility pursuant to the Indenture.

S22. PURCHASE OPTIONS.

(a) PURCHASE OPTIONS. So long as no Event of Default shall have occurred and be continuing, the Lessee shall have and is hereby granted the following rights and options:

(i) to purchase the Facility or the Beneficial Interest on the EBO Date at the EBO Price by not more than eighteen (18) months nor less than six (6) months prior irrevocable written notice;

(ii) to purchase the Facility at the end of the Basic Term at the then Fair Market Sales Value by not more than twenty-four (24) months nor less than eighteen (18) months irrevocable prior written notice, unless the Lessee shall have exercised its Renewal Option in which case by not less than six (6) months irrevocable prior written notice; and

(iii) to purchase the Facility at the end of any Renewal Term at the then Fair Market Sales Value by not more than twenty-four (24) months nor less than eighteen (18) months irrevocable prior written notice, unless the Lessee shall have exercised its Renewal Option in which case by not less than six (6) months irrevocable prior written notice,

in the case of clause (i), in accordance with the purchase procedure set forth in Section 22(d)(i), and in the case of clause (ii) or (iii), in accordance with Section 22(d)(ii).

(b) DETERMINATION OF FAIR MARKET SALES VALUE. If the Lessee shall give to the Lessor notice of its election to purchase pursuant to clause (ii) or (iii) of Section 22(a), then commencing not later than nine (9) months prior to the expiration date of the Basic Term or then-current Renewal Term, as the case may be, the Lessee and the Lessor shall attempt to agree upon the Fair Market Sales Value of the Facility. If the Lessee and the Lessor are unable to agree upon the Fair Market Sales Value, such value shall be determined by the Appraisal Procedure.

(c) [INTENTIONALLY OMITTED].

(d) PURCHASE PROCEDURE.

(i) If the Lessee shall have exercised its option pursuant to Section 22(a)(i), and does not elect to purchase the Beneficial Interest in accordance with Section 11.2 of the Participation Agreement, the Lessee shall purchase the Lessor's interest in the Facility (which for this purpose shall include, without limitation, all rights of the Lessor under the Option and Estate For Years Agreement and the Three Party Agreement and the Ground Lease, if applicable) on the EBO Date at a purchase price equal to the sum of (A) the EBO Price, plus (B) all Supplemental Rent (including, without limitation, the Make-Whole Amount, if any, due on the Facility Notes) due and owing on the EBO Date, plus (C) all Basic Rent payable in arrears and due and owing on the EBO Date (it being understood that the Lessee shall pay when due any Basic Rent due and payable on a Rent Payment Date which occurs on or after the date it exercises its option pursuant to Section 22(a)(i) but prior to the EBO Date), plus (D) without duplication of any amounts included within clauses (A), (B) and (C) above, all accrued and unpaid interest on the Facility Notes together with all other amounts due under the Indenture and the other Transaction Documents as of the EBO Date. The Lessee shall pay the purchase price specified in the preceding sentence to the Indenture Trustee (so long as the Indenture has not been satisfied and discharged) or thereafter to the Lessor on the EBO Date. Upon payment in full of all amounts described in clauses (A), (B), (C) and (D) of the preceding sentence, (x) the Lease Term shall end, (y) the obligations of the Lessee hereunder (other than any obligations expressed herein as surviving termination of this Lease) shall terminate as of the date of such payment and (z) the Lessor shall Transfer to the Lessee all right, title and interest of the Lessor in, to and under the Facility. Anything herein to the contrary notwithstanding, if the Lessee shall fail to pay all amounts due under and pursuant to this Section 22(d)(i), no purchase shall be consummated, this Lease shall continue in full force and effect and it

shall be deemed that Lessee has rescinded its election pursuant to Section 22(a)(i).

If the Lessee shall elect to purchase the Beneficial Interest in accordance with Section 11.2(a) of the Participation Agreement, the Lessee shall comply with the provisions thereof on or prior to the EBO Date, and shall pay to the Lessor on the EBO Date (A) the EBO Price, less the aggregate principal amount of the Facility Notes so assumed, plus (B) all Supplemental Rent due and owing on the EBO Date to the Lessor and the Owner Participant, plus (C) all Basic Rent payable in arrears and due and owing on the EBO Date (it being understood that the Lessee shall pay when due any Basic Rent due and payable on a Rent Payment Date which occurs on or after the date it exercises its option pursuant to Section 22(a)(i) but prior to the EBO Date). Upon payment in full of all amounts described in clauses (A), (B) and C of the preceding sentence, the Lessor shall Transfer to the Lessee all right, title and interest of the Lessor in, to and under the Facility. Any payment obligations of the Lessee under this Section 22(d)(i) shall be Supplemental Rent.

(ii) If the Lessee shall purchase the Facility, pursuant to Section 16(a)(v), Section 21 (unless the Lessee assumes the obligations of the Lessor under the Indenture and the Facility Notes in connection with such purchase) or clause (ii) or (iii) of Section 22(a), the Lessee may designate another Person to acquire the Facility, and the Lessee (or its designee) shall accept from the Lessor a deed with respect to the Estate for Years and the Building containing representations and warranties of grantor to the Lessee regarding Lessor Liens, and a bill of sale for the Personalty constituting a part of the Facility, subject to the then existing title to the Facility, but free of, and with a warranty from the Lessor and the Owner Participant against, any Lessor Liens and Owner Participant Liens. Upon the date fixed for the purchase of the Facility hereunder, (1) the Lessee shall pay (or shall cause its designee to

pay) by wire transfer of immediately available funds the applicable purchase price, (2) in addition thereto, the Lessee will pay to the Lessor (or, in the case of Supplemental Rent payable to any Indemnified Person or any Related Party to any such Indemnified Person, to the Indemnified Person or Related Party to any Indemnified Person entitled thereto) all unpaid Rent due such Person for any period through and including such purchase date (other than any Basic Rent due in advance on such purchase date), (3) if the applicable purchase date is not a Rent Payment Date, the Lessor shall pay to the Lessee (or the Lessee shall have the right to deduct from any amounts payable to the Lessor or the Owner Participant under clauses (1) and (2) above) the portion of any Basic Rent theretofore paid by the Lessee relating to any period occurring after the applicable purchase date; and (4) upon payment by the Lessee (or its designee) of the amounts specified in clauses (1) and (2) above and the costs hereinafter defined, net of the amount due the Lessee under clause (3) above, the Lessor shall effect a Transfer to the Lessee or its designee of the Facility or applicable portion thereof and this Lease shall terminate. All reasonable charges incident to such conveyance, including, without limitation, the Lessee's, the Lessor's, the Indenture Trustee's, each Loan Participant's and the Owner Participant's reasonable attorneys' fees, escrow fees, recording fees, title insurance premiums and (except to the extent required otherwise by Applicable Law) all applicable sales, use, transfer, transaction and similar taxes, as well as Taxes required to be paid in order to record the transfer documents (but not any taxes imposed on, based on or measured by gross or net income, capital gains taxes or any minimum tax or alternative minimum tax, gross receipts, capital or net worth, franchise, excess profits or conduct of business (other than Taxes which are, or are in the nature of, sales, use, transfer, transaction, rental, ad valorem or property Taxes), payable by the Lessor upon or with respect to the sale or disposition by it of all or any part of its interest) that may be imposed by reason of such conveyance and assignment and the delivery of such deed

shall be paid by the Lessee in all cases, except that if the purchase shall be in connection with the Lessee's exercise of its rights under Section 22(a)(ii) or Section 22(a)(iii) of this Lease, all New Jersey transfer Taxes shall be paid by the Lessor to the extent such Taxes do not exceed 3/4 of 1% of the Lessor's Purchase Price.

(e) APPORTIONMENTS. Upon termination of this Lease resulting in delivery of the Lessor's title to the Facility to the Lessee, there shall be no apportionment of space tenant rents, water and sewer rents, taxes, insurance or other charges payable with respect to the Facility, all of such rents, taxes, insurance or other charges due and payable with respect to the Facility prior to termination being payable by the Lessee hereunder and all due after such time being payable by the Lessee as the then owner of the Facility.

(f) TERMINATION UNDER PARTICIPATION AGREEMENT. This Lease is subject to termination as provided in, and subject to the provisions of, Section 11.2 of the Participation Agreement.

S23. GRANTING OF EASEMENTS.

(a) GRANT. The Lessor shall, from time to time within thirty (30) days after the Lessee's request given to the Lessor (which request shall specify the recipient of such easement, declaration, license, right of way or release), grant easements, declarations, licenses and rights of way, and release then existing easements, declarations, licenses and rights of way affecting the Facility; provided, that such grant or release does not reduce the Fair Market Sales Value, residual value, utility or remaining useful life of the Facility or the Site or interfere with the continued use of the Premises or the Site for a first class Wall Township, New Jersey office building of similar age and size as

the Premises and the use to which the Premises are then generally being put. The Lessee shall pay, or reimburse, the Lessor, the Remainderman and the Indenture Trustee on an After- Tax Basis for all reasonable out-of-pocket expenses and reasonable attorneys' fees incurred by the Lessor in performing its obligations under this Section 23 or incurred by Indenture Trustee under the related provisions of the Indenture.

(b) COOPERATION. The Lessee and Lessor shall reasonably cooperate with each other and the Lessor shall comply with any provisions of the Indenture regarding the subject matter of this Section 23.

S24. AMENDMENTS AND MISCELLANEOUS.

(a) AMENDMENTS IN WRITING. The provisions of this Lease may not be waived, altered, modified, amended, supplemented or terminated in any manner whatsoever except by written instrument signed by the Lessor and the Lessee. It is understood and agreed by the parties hereto that any waiver, alteration, modification, amendment, supplement or termination of this Lease that requires the consent of the Indenture Trustee or all the Loan Participants or a Majority in Interest thereof (in each case as provided in the Indenture) shall not be effective unless and until such consent shall have been obtained as provided in accordance with the provisions of the Indenture.

(b) SEVERABILITY OF PROVISIONS. Any provision of this Lease that may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Applicable Law, the Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

(c) TRUE LEASE. This Lease is intended as, and shall constitute, an agreement of lease, and nothing herein shall be construed as conveying to the Lessee any right, title or interest in or to the Premises or the Site except as a lessee. It is the intention of the Lessee, the Owner Participant and the Owner Trustee for income tax purposes to treat the Owner Participant as the owner and lessor of the Facility and that the Lease be characterized as a "true lease" for income tax purposes.

(d) GOVERNING LAW. THIS LEASE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW JERSEY (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES).

(e) HEADINGS. The division of this Lease into sections and subsections, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Lease.

(f) CONCERNING THE OWNER TRUSTEE. The Bank is entering into this Lease solely as Owner Trustee under the Trust Agreement and not in its individual capacity. Accordingly, except as otherwise expressly set forth herein or in the other Transaction Documents, each of the representations, warranties, undertakings and agreements herein made on the part of the Owner Trustee as the Lessor is made and intended not as a personal representation, warranty, undertaking or agreement by or for the purpose or with the intention of binding the Bank personally, but is made and intended for the purpose of binding only the Trust Estate; this

Lease is executed and delivered by the Owner Trustee solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or responsibility is assumed hereunder by or shall at any time be enforceable against the Bank, or any successor in trust on account of any action taken or omitted to be taken or any representation, warranty, undertaking or agreement hereunder of the Owner Trustee, either expressed or implied, all such personal liability, if any, being expressly waived by the

Lessee, except that the Lessee or any Person acting by, through or under it, making a claim hereunder, may look to the Trust Estate for satisfaction of the same and the Bank or its successor in trust, as applicable, shall be personally liable for its own gross negligence or willful misconduct (or negligence, in the case of the handling, holding and transfer of funds), in the performance of its duties as Owner Trustee or otherwise. If a successor owner trustee is appointed in accordance with the terms of the Trust Agreement, such successor owner trustee, without any further act, shall succeed to all the rights, duties, immunities and obligations of the Owner Trustee hereunder and the predecessor owner trustee shall be released from all further duties and obligations hereunder.

(g) LIEN OF THE INDENTURE. The Lessee hereby agrees that any property subject to the Lien of the Indenture that is to be transferred by the Lessor hereunder shall be transferred subject to such Lien unless the Outstanding Facility Notes are paid in full in connection with such transfer.

(h) COUNTERPART EXECUTION. This Lease may be executed in any number of counterparts and by each of the parties hereto in separate counterparts, all such counterparts together constituting but one and the same instrument.

(i) ESTOPPEL CERTIFICATES. Each party hereto agrees, at any time and from time to time, upon not less than thirty (30) days' prior written notice from the other party, to execute, acknowledge and deliver to the requesting party a statement in writing (v) certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications hereto); (w) stating the dates to which the Basic Rent and other specified charges hereunder have been paid by the Lessee; (x) stating whether or not such party has knowledge that the Lessee is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if such party has knowledge of such a default, specifying each such default; (y) stating the address to which notices to such party shall be sent; and (z) stating such other matters as such requesting party may reasonably request.

(j) NO MERGER. There shall be no merger of this Lease or the leasehold estate hereby created with the Estate for Years or any other estate in the Site or the Premises by reason of the fact that the same Person acquires, holds, directly or indirectly, this Lease or the leasehold estate hereby created or any interest herein or in such leasehold estate and the Estate for Years, the Site or the Premises or any interest in any thereof, such merger to occur only upon recordation of an instrument to such effect in the Recorder's Office of Monmouth County, New Jersey; provided, however, that at the time of such recordation, the Indenture is no longer a Lien on the Estate for Years.

(k) RECORDATION. The Lessor and the Lessee agree that the Memorandum of Lease shall be recorded in the Office of the Monmouth County, New Jersey Recorder of Deeds, at the cost of the Lessee.

(l) SIGNS; NAME. The Lessee shall have the exclusive right to place its signs in, on and about the Premises and the Site; provided, however, that such signs are purchased and installed at the sole cost and expense of the Lessee and are removed from the

Premises at the expiration or earlier termination of the Lease Term at the Lessee's sole cost and expense. The Lessee shall have the exclusive right to name the Facility. The Lessor shall not be permitted to erect or place signs in, on or about the Premises and the Site or to change the name of the Facility during the Lease Term.

(m) RULE AGAINST PERPETUITIES. If any rule of law shall forbid or frustrate the vesting of the title to the Facility, the Beneficial Interest or any other interest as provided herein or the exercise of any option or right of

first refusal herein, then such vesting of title shall occur and any option or right of first refusal shall only be exercisable not later than 21 years less one day after the death of the last survivor of any of the descendants living on the Closing Date of John D. Rockefeller, Jr. (excluding Michael Rockefeller, son of Nelson A. Rockefeller, and any descendants of said Michael Rockefeller).

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease to be duly executed in New York, New York, by an officer thereunto duly authorized as of the date and year first above written.

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement dated as of December 21, 1995, as the Lessor

By /s/ ROMANO I PELUSO
Name: Romano I Peluso
Title: Vice President

NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation, as the Lessee

By /s/ TIM HEARNE
Name: Tim Hearne
Title: Treasurer

The address of the within named Lessor is:

State Street Bank and Trust Company
of Connecticut, National Association
750 Main Street, Suite 1114
Hartford, Connecticut 06103

Attention: Corporate Trust Department

The address of the within named Lessee is:

New Jersey Natural Gas Company
1415 Wyckoff Road
Wall, New Jersey 07719
Attention:

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

I, Thaddeus J. Tracy a notary public in and for said County, in the State aforesaid, do hereby certify that Romano I. Peluso personally known to me to be a Vice President of STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, and personally known to me to be the same person whose name is subscribed to the foregoing instrument,

appeared before me this day in person and acknowledged that as such Vice President, he signed and delivered the said instrument and caused the seal of said national banking association to be affixed thereto, pursuant to authority given by the Board of Directors of said national banking association as his free and voluntary act and as the free and voluntary act and deed of said national banking association, for the uses and purposes therein set forth.

Given under my hand and official seal this 22 day of December, 1995.

/s/ Thaddeus J. Tracy

Notary Public

Commission expires: _____

[SEAL]

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STATE OF NEW JERSEY)
) SS.
COUNTY OF MONMOUTH)

I, Angela M. Crosby a notary public in and for said County, in the State aforesaid, do hereby certify that Tim Hearne personally known to me to be the Treasurer of NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such Treasurer, he signed and delivered the said instrument and caused the seal of said New Jersey corporation to be affixed thereto, pursuant to authority given by the Board of Directors of said New Jersey corporation as his free and voluntary act and as the free and voluntary act and deed of said New Jersey corporation, for the uses and purposes therein set forth.

Given under my hand and official seal this 22nd day of December, 1995.

/s/ Angela M. Crosby

Notary Public

Commission expires: _____

[SEAL]

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APPENDIX A

DEFINITIONS AND RULES OF USAGE

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LEASE AGREEMENT
SCHEDULE 1 TO
THE LEASE

Basic Rent

Rent Payment Date	Basic Rent In Arrears	Basic Rent In Advance	Total Basic Rent Payment
July 1, 1996	0.00	1,141,955.00	1,141,955.00
January 1, 1997	0.00	1,141,955.00	1,141,955.00
July 1, 1997	0.00	1,141,955.00	1,141,955.00
January 1, 1998	0.00	1,141,955.00	1,141,955.00
July 1, 1998	0.00	1,141,955.00	1,141,955.00
January 1, 1999	0.00	1,141,955.00	1,141,955.00
July 1, 1999	0.00	1,141,955.00	1,141,955.00
January 1, 2000	0.00	1,141,955.00	1,141,955.00
July 1, 2000	0.00	1,292,378.00	1,292,378.00
January 1, 2001	0.00	1,292,378.00	1,292,378.00

July 1, 2001	0.00	1,292,378.00	1,292,378.00
January 1, 2002	0.00	1,292,378.00	1,292,378.00
July 1, 2002	0.00	1,292,378.00	1,292,378.00
January 1, 2003	0.00	1,292,378.00	1,292,378.00
July 1, 2003	0.00	1,292,378.00	1,292,378.00
January 1, 2004	0.00	1,292,378.00	1,292,378.00
July 1, 2004	0.00	1,292,378.00	1,292,378.00
January 1, 2005	0.00	1,292,378.00	1,292,378.00
July 1, 2005	0.00	1,461,702.00	1,461,702.00
January 1, 2006	0.00	1,461,702.00	1,461,702.00
July 1, 2006	0.00	1,461,702.00	1,461,702.00
January 1, 2007	0.00	1,461,702.00	1,461,702.00
July 1, 2007	0.00	1,461,702.00	1,461,702.00
January 1, 2008	0.00	1,461,702.00	1,461,702.00
July 1, 2008	0.00	1,461,702.00	1,461,702.00
January 1, 2009	0.00	1,461,702.00	1,461,702.00
July 1, 2009	0.00	1,461,702.00	1,461,702.00
January 1, 2010	0.00	1,461,702.00	1,461,702.00
July 1, 2010	0.00	1,656,228.00	1,656,228.00
January 1, 2011	0.00	1,656,228.00	1,656,228.00
July 1, 2011	0.00	1,656,228.00	1,656,228.00
January 1, 2012	0.00	1,656,228.00	1,656,228.00
July 1, 2012	0.00	1,656,228.00	1,656,228.00
January 1, 2013	0.00	1,656,228.00	1,656,228.00
July 1, 2013	0.00	1,656,228.00	1,656,228.00
January 1, 2014	0.00	1,656,228.00	1,656,228.00
July 1, 2014	0.00	1,656,228.00	1,656,228.00
January 1, 2015	0.00	1,656,228.00	1,656,228.00
July 1, 2015	0.00	1,886,982.00	1,886,982.00
January 1, 2016	0.00	1,886,982.00	1,886,982.00
July 1, 2016	0.00	1,886,982.00	1,886,982.00
January 1, 2017	0.00	1,886,982.00	1,886,982.00
July 1, 2017	0.00	1,886,982.00	1,886,982.00
January 1, 2018	0.00	1,886,982.00	1,886,982.00
July 1, 2018	0.00	1,886,982.00	1,886,982.00
January 1, 2109	0.00	1,886,982.00	1,886,982.00
July 1, 2019	0.00	1,886,982.00	1,886,982.00
January 1, 2020	0.00	1,886,982.00	1,886,982.00
July 1, 2020	0.00	2,116,948.00	2,116,948.00
January 1, 2021	0.00	2,116,948.00	2,116,948.00
July 1, 2021	0.00	0.00	0.00

SCHEDULE 2 TO
THE LEASE

Casualty Value

[Monthly]

Determination Date	Casualty Value
---	---

Lease Agreement

SCHEDULE 2 To
THE LEASE

Casual Value

<TABLE>
<CAPTION>

Determination Date	Casualty Value
<S>	<C>
February 1, 1996	35,844,459
March 1, 1996	36,081,816
April 1, 1996	36,319,572
May 1, 1996	36,556,043

June 1, 1996	36,792,948
July 1, 1996	37,028,564
August 1, 1996	36,121,867
September 1, 1996	36,357,550
October 1, 1996	36,591,936
November 1, 1996	36,926,741
December 1, 1996	37,061,968
January 1, 1997	37,295,896
February 1, 1997	36,386,948
March 1, 1997	36,620,365
April 1, 1997	36,854,195
May 1, 1997	37,087,768
June 1, 1997	37,321,754
July 1, 1997	37,555,483
August 1, 1997	36,646,336
September 1, 1997	36,879,553
October 1, 1997	37,112,508
November 1, 1997	37,345,872
December 1, 1997	37,579,648
January 1, 1998	37,813,166
February 1, 1998	36,903,906
March 1, 1998	37,136,808
April 1, 1998	37,370,219
May 1, 1998	37,603,414
June 1, 1998	37,837,020
July 1, 1998	38,070,412
August 1, 1998	37,160,924
September 1, 1998	37,393,797
October 1, 1998	37,626,450
November 1, 1998	37,859,511
December 1, 1998	38,092,980
January 1, 1999	38,326,234
February 1, 1999	37,416,608
March 1, 1999	37,649,341
April 1, 1999	37,882,481
May 1, 1999	38,115,423
June 1, 1999	38,348,773
July 1, 1999	38,581,927
August 1, 1999	37,672,199
September 1, 1999	37,904,830

October 1, 1999	38,137,259
November 1, 1999	38,370,093

Lease Agreement

SCHEDULE 2 TO
The Lease

Casualty Value

Determination Date	Casualty Value
December 1, 1999	38,603,334
January 1, 2000	38,836,377
February 1, 2000	37,926,538
March 1, 2000	38,159,056
April 1, 2000	38,391,980
May 1, 2000	38,624,852
June 1, 2000	38,858,132
July 1, 2000	39,091,362
August 1, 2000	38,029,805
September 1, 2000	38,261,020

October 1, 2000	38,492,172
November 1, 2000	38,723,720
December 1, 2000	38,955,666
January 1, 2001	39,187,555
February 1, 2001	38,124,647
March 1, 2001	38,354,501
April 1, 2001	38,584,743
May 1, 2001	38,815,062
June 1, 2001	39,045,772
July 1, 2001	39,276,561
August 1, 2001	38,212,546
September 1, 2001	38,441,287
October 1, 2001	38,670,095
November 1, 2001	38,899,283
December 1, 2001	39,128,854
January 1, 2002	39,358,497
February 1, 2002	38,293,328
March 1, 2002	38,520,906
April 1, 2002	38,748,856
May 1, 2002	38,976,886
June 1, 2002	39,205,291
July 1, 2002	39,433,778
August 1, 2002	38,367,445
September 1, 2002	38,593,851
October 1, 2002	38,820,327
November 1, 2002	39,047,168
December 1, 2002	39,274,374
January 1, 2003	39,501,655
February 1, 2003	38,434,109
March 1,'2003	38,659,293
April 1, 2003	38,884,833
May 1, 2003	39,110,454
June 1, 2003	39,336,433
July 1, 2003	39,562,496

August 1, 2003	38,493,722
September 1, 2003	38,717,672

Lease Agreement
SCHEDULE TO
THE LEASE

Casualty Value

Determination Date	Casualty Value
October 1, 2003	38,941,692
November 1, 2003	39,166,060
December 1, 2003	39,390,777
January 1, 2004	39,615,570
February 1, 2004	38,545,517
March 1, 2004	38,768,180
April 1, 2004	38,991,180
May 1, 2004	39,214,244
June 1, 2004	39,437,650
July 1, 2004	39,661,121
August 1, 2004	38,589,739
September 1, 2004	38,811,062
October 1, 2004	39,032,438
November 1, 2004	39,254,143
December 1, 2004	39,476,181
January 1, 2005	39,698,275
February 1, 2005	38,625,506

March 1, 2005	38,845,433
April 1, 2005	39,065,680
May 1, 2005	39,286,118
June 1, 2005	39,506,890
July 1, 2005	39,727,836
August 1, 2005	39,482,927
September 1, 2005	38,700,019
October 1, 2005	39,917,283
November 1, 2005	39,134,848
December 1, 2005	39,352,718
January 1, 2006	39,570,763
February 1, 2006	38,322,924
March 1, 2006	39,537,067
April 1, 2006	38,751,492
May 1, 2006	38,966,216
June 1, 2006	39,181,226
July 1, 2006	39,396,538
August 1, 2006	38,145,948
September 1, 2006	38,357,322
October 1, 2006	39,568,975
November 1, 2006	38,780,893
December 1, 2006	38,993,078
January 1, 2007	39,205,547
February 1, 2007	37,952,096
March 1, 2007	38,160,599
April 1, 2007	38,369,327
May 1, 2007	38,578,326
June 1, 2007	38,787,573

July 1, 2007	38,997,084

Lease Agreement
SCHEDULE 2 To
THE LEASE

Casualty Value

Determination Date	Casualty Value
August 1, 2007	37,740,655
September 1, 2007	37,946,152
October 1, 2007	38,151,998
November 1, 2007	38,357,851
December 1, 2007	38,564,041
January 1, 2008	38,770,476
February 1, 2008	37,511,391
March 1, 2008	37,714,218
April 1, 2008	37,917,256
May 1, 2008	39,120,539
June 1, 2008	39,324,035
July 1, 2008	38,527,779
August 1, 2008	37,266,430
September 1, 2009	37,466,988
October 1, 2008	37,667,784
November 1, 2008	37,868,786
December 1, 2008	38,069,998
January 1, 2009	38,271,449
February 1, 2009	37,007,750
March 1, 2009	37,205,951
April 1, 2009	37,404,352
May 1, 2009	37,603,021
June 1, 2009	37,601,993

July 1, 2009	38,001,035
August 1, 2009	36,735,308
September 1, 2009	36,931,483
October 1, 2009	37,127,924
November 1, 2009	37,324,568
December 1, 2009	37,521,414
January 1, 2010	37,710,531
February 1, 2010	36,451,107
March 1, 2010	36,645,591
April 1, 2010	36,840,282
May 1, 2010	37,035,500
June 1, 2010	37,230,931
July 1, 2010	37,426,893
August 1, 2010	35,962,310
September r 1, 2010	36,154,169
October 1, 2010	36,346,561
November 1, 2010	36,539,171
December 1, 2010	36,732,000
January 1, 2011	38,059,880
February 1, 2011	36,592,568
March 1, 2011	36,781,706
April 1, 2011	36,971,066
May 1, 2011	37,161,407

</TABLE>

SCHEDULE 2 TO
THE LEASE

Casualty Value

<TABLE>
<CAPTION>

Determination Date	Casualty Value
<S>	<C>
June 1, 2011	37,351,977
July 1, 2011	37,543,536
August 1, 2011	36,073,857
September 1, 2011	36,260,635
October 1, 2011	36,448,400
November 1, 2011	36,636,402
December 1, 2011	36,824,642
January 1, 2012	37,013,878
February 1, 2012	35,541,872
March 1, 2012	35,726,333
April 1, 2012	35,911,035
May 1, 2012	36,096,845
June 1, 2012	36,282,904
July 1, 2012	36,470,081
August 1, 2012	34,996,426
September 1, 2012	35,179,259
October 1, 2012	35,363,218
November 1, 2012	35,547,445
December 1, 2012	35,731,941
January 1, 2013	35,917,575
February 1, 2013	34,442,220
March 1, 2013	34,623,373
April 1, 2013	34,804,807
May 1, 2013	34,987,524
June 1, 2013	35,170,532
July 1, 2013	35,354,833
August 1, 2013	33,877,984
September 1, 2013	34,057,666
October 1, 2013	34,238,653
November 1, 2013	34,419,952
December 1, 2013	34,601,565
January 1, 2014	34,784,495
February 1, 2014	33,306,108
March 1, 2014	33,484,275
April 1, 2014	33,662,771
May 1, 2014	33,842,741
June 1, 2014	34,023,050

July 1, 2014	34,204,846
August 1, 2014	32,725,153
September 1, 2014	32,902,041
October 1, 2014	33,080,428
November 1, 2014	33,259,180
December 1, 2014	33,438,298
January 1, 2015	33,618,930

</TABLE>

<TABLE>

<S>	<C>
February 1, 2015	32,137,896
March 1, 2015	32,313,470

</TABLE>

LEASE AGREEMENT
SCHEDULE 2 TO
THE LEASE

Casualty Value

<TABLE>
<CAPTION>

Casualty Date	Casualty Value
<S>	<C>
April 1, 2015	32,489,427
May 1, 2015	32,667,332
June 1, 2015	32,845,636
July 1, 2015	33,025,903
August 1, 2015	31,312,163
September 1, 2015	31,485,820
October 1, 2015	31,661,457
November 1, 2015	31,837,525
December 1, 2015	32,014,025
January 1, 2016	32,192,523
February 1, 2016	30,476,779
March 1, 2016	31,649,465
April 1, 2016	30,820,605
May 1, 2016	30,995,224
June 1, 2016	31,170,315
July 1, 2016	31,347,905
August 1, 2016	29,631,010
September 1, 2016	29,801,591
October 1, 2016	29,974,691
November 1, 2016	30,140,304
December 1, 2016	30,322,432
January 1,2017	30,499,102
February 1,2017	28,791,039
March 1, 2017	28,950,497
April 1, 2017	29,120,495
May 1, 2017	29,293,281
June 1, 2017	29,466,630
July 1, 2017	29,642,787
August 1, 2017	27,923,9S7
September 1, 2017	28,092,697
October 1, 2017	28,264,270
November 1, 2017	28,436,451
December 1, 2017	28,609,244
January 1, 2018	28,794,997
February 1, 2028	27,065,299
March 1, 2018	27,233,321
April 1, 2019	27,401,984
May 1, 2018	27,573,772
June 1, 2018	27,746,226
July 1, 2018	27,921,829
August 1, 2010	26,201,912
September 1, 2010	26,369,670
October 1, 2018	26,540,606

November 1, 2019	26,712,260

</TABLE>

<TABLE>
<S>

	<C>
December 1, 2018	26,884,635
January 1, 2019	27,060,218

</TABLE>

Lease Agreement
SCHEDULE 2 TO
THE LEASE

Casualty Value

<TABLE>
<CAPTION>

Determination Date	Casualty Value
<S>	<C>
February 1, 2019	25,340,000
March 1, 2019	25,507,516
April 1, 2019	25,675,787
May 1, 2019	25,847,553
June 1, 2019	26,020,103
July 1, 2019	26,196,174
August 1, 2019	24,476,158
September 1, 2019	24,643,939
October 1, 2019	24,815,274
November 1, 2019	24,997,452
December 1, 2019	25,160,477
January 1, 2020	25,337,089
February 1, 2020	23,617,317
March 1, 2020	23,785,408
April 1, 2020	23,954,395
May 1, 2020	24,127,525
June 1, 2020	24,301,583
July 1, 2020	24,479,837
August 1, 2020	22,530,036
September 1, 2020	22,698,139
October 1, 2020	22,870,476
November 1, 2020	23,043,802
December 1, 2020	23,218,123
January 1, 2021	23,396,719
February 1, 2021	21,445,997
March 1, 2021	21,613,225
April 1, 2021	21,781,491
May 1, 2021	21,951,148
June 1, 2021	22,121,846
July 1, 2021	22,293,944

</TABLE>

SCHEDULE 3 TO
THE LEASE

Termination Value

[Monthly]

Determination Date	Termination Value

Lease Agreement
SCHEDULE 3 TO
THE LEASE

Termination Value

<TABLE>
<CAPTION>

Determination Date	Termination Value
<S>	<C>
February 1, 1996	35,844,499
March 1, 1996	36,091,816
April 1, 1996	36,319,572
May 1, 1996	36,556,043
June 1, 1996	36,792,948
July 1, 1996	37,028,564
August 1, 1996	36,121,867
September 1, 1996	36,357,550
October 1, 1996	36,591,936
November 1, 1996	36,826,741
December 1, 1996	37,061,968
January 1, 1997	37,295,896
February 1, 1997	36,386,948
March 1, 1997	36,620,365
April 1, 1997	36,854,195
May 1, 1997	37,087,768
June 1, 1997	37,321,754
July 1, 1997	37,555,483
August 1, 1997	36,646,336
September 1, 1997	36,879,553
October 1, 1997	37,112,508
November 1, 1997	37,345,872
December 1, 1997	37,579,648
January 1, 1999	37,813,166
February 1, 1998	36,903,806
March 1, 1998	37,136,808
April 1, 1998	37,370,219
May 1, 1998	37,603,414
June 1, 1998	37,837,020
July 1, 1998	38,070,412
August 1, 1998	37,160,924
September 1, 1998	37,393,797
October 1, 1998	37,626,450
November 1, 1998	37,859,511
December 1, 1998	38,092,980
January 1, 1999	38,326,234
February 1, 1999	37,416,608
March 1, 1999	37,649,341
April 1, 1999	37,882,481
May 1, 1999	38,115,423
June 1, 1999	39,348,773
July 1, 1999	38,581,927
August 1, 1999	37,672,199
September 1, 1999	37,904,830
October 1, 1999	38,137,259

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<TABLE>

<S>	<C>
November 1, 1999	38,370,093

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Lease Agreement
SCHEDULE 3 To
THE LEASE

Termination Value

<TABLE>
<CAPTION>

Determination Date	Termination Value
<S>	<C>
December 1, 1999	38,603,334
January 1, 2000	38,836,377
February 1, 2000	37,926,538
March 1, 2000	38,159,056
April 1, 2000	38,391,980
May 1, 2000	38,624,852
June 1, 2000	38,858,132
July 1, 2000	39,091,362
August 1, 2000	38,029,805
September 1, 2000	38,261,020
October 1, 2000	38,492,172
November 1, 2000	38,723,720
December 1, 2000	38,955,666
January 1, 2001	39,187,555
February 1, 2001	38,124,647
March 1, 2001	38,354,501
April 1, 2001	38,584,743
May 1, 2001	38,815,062
June 1, 2001	39,045,772
July 1, 2001	39,276,561
August 1, 2001	38,212,546
September 1, 2001	38,441,287
October 1, 2001	38,670,095
November 1, 2001	38,899,283
December 1, 2001	39,128,854
January 1, 2002	39,358,497
February 1, 2002	38,293,328
March 1, 2002	38,520,906
April 1, 2002	38,748,856
May 1, 2002	38,976,886
June 1, 2002	39,205,291
July 1, 2002	39,433,778
August 1, 2002	38,367,445
September 1, 2002	38,593,851
October 1, 2002	38,820,327
November 1, 2002	39,047,168
December 1, 2002	39,274,374
January 1, 2003	39,501,655
February 1, 2003	38,434,108
March 1,'2003	38,659,293
April 1, 2003	38,884,833
May 1, 2003	39,110,454
June 1, 2003	39,336,433
July 1, 2003	39,562,496
August 1, 2003	38,493,722

</TABLE>

<TABLE>

<S>	<C>
September 1, 2003	38,717,672

</TABLE>

Lease Agreement
SCHEDULE 3 to
The Lease

Termination Value

<TABLE>
<CAPTION>

Determination Date	Termination Value
<S>	<C>
October 1, 2003	38,941,692
November 1, 2003	39,166,060

December 1, 2003	39,390,777
January 1, 2004	39,615,570
February 1, 2004	38,545,517
March 1, 2004	38,768,180
April 1, 2004	38,991,180
May I , 2004	39,214,244
June 1, 2004	39,437,650
July 1, 2004	39,661,121
August 1, 2004	38,589,739
September 1, 2004	38,811,062
October 1, 2004	39,032,438
November 1, 2004	39,254,143
December 1, 2004	39,476,181
January 1, 2005	39,696,275
February 1, 2005	38,625,506
March 1, 2005	38,845,433
April 1, 2005	39,065,168
May 11 2005	39,286,118
June 1, 2005	39,506,880
July 1, 2005	39,727,836
August 1, 2005	38,482,927
September 1, 2005	38,700,019
October 1, 2005	38,917,283
November 1, 2005	39,134,948
December 1, 2005	39,352,718
January 1, 2006	39,570,763
February 1, 2006	38,322,924
March 1, 2006	38,537,067
April 1, 2006	38,751,492
May 1, 2006	38,966,216
June 1, 2006	39,181,226
July 1, 2006	39,396,538
August 1, 2006	38,145,948
September 1, 2006	38,357,322
October 1, 2006	38,568,975
November 1, 2006	38,780,893
December 1, 2006	38,993,078
January 1, 2007	39,205,547
February 1, 2007	37,952,096
March 1, 2007	38,160,589
April 1, 2007	38,369,327
May 1, 2007	38,579,326

June 1, 2007	38,787,573
July 1, 2007	38,997,084

Lease Agreement
SCHEDULE 3 TO
The Lease

Termination

Determination Date	Termination Value
August 1, 2007	37,740,655
September 1, 2007	37,946,152
October 1, 2007	38,151,888
November 1, 2007	38,357,851
December 1, 2007	38,564,041
January 1, 2008	38,770,476
February 1, 2008	37,511,391
March 1, 2008	37,714,218
April 1, 2008	37,917,256

May 1, 2008	38,120,539
June 1, 2008	38,324,035
July 1, 2008	38,527,779
August 1, 2008	37,266,430
September 1, 2008	37,466,988
October 1, 2008	37,667,784
November 1, 2008	37,868,786
December 1, 2008	38,069,998
January 1, 2009	38,271,449
February 1, 2009	37,007,750
March 1, 2009	37,205,951
April 1, 2009	37,404,352
May 1, 2009	37,603,021
June 1, 2009	37,801,993
July 1, 2009	38,001,035
August 1, 2009	36,735,308
September 1, 2009	36,931,483
October 1, 2009	37,127,924
November 1, 2009	37,324,568
December 1, 2009	37,521,414
January 1, 2010	37,718,531
February 1, 2010	36,451,107
March 1, 2010	36,645,591
April 1, 2010	36,840,282
May 1, 2010	37,035,500
June 1, 2010	37,230,931
July 1, 2010	37,426,893
August 1, 2010	35,962,310
September 1, 2010	36,154,169
October 1, 2010	36,346,561
November 1, 2010	36,539,171
December 1, 2010	36,732,000
January 1, 2011	38,059,880
February 1, 2011	36,592,568
March 1, 2011	36,781,706

April 1, 2011	36,971,066
May 1, 2011	37,161,407

Lease Agreement
SCHEDULE 3 To
THE LEASE

Termination Value

Determination Date	Termination Value
June 1, 2011	37,351,977
July 1, 2011	37,543,536
August 1, 2011	36,073,857
September 1, 2011	36,260,635
October 1, 2011	36,448,400
November 1, 2011	36,636,402
December 1, 2011	36,824,642
January 1, 2012	37,013,878
February 1, 2012	35,541,872
March 1, 2012	35,726,333
April 1, 2012	35,911,035
May 1, 2012	36,096,845
June 1, 2012	36,282,904
July 1, 2012	36,470,081
August 1, 2012	34,996,426
September 1, 2012	35,179,259

October 1, 2012	35,363,218
November 1, 2012	35,547,445
December 1, 2012	35,731,941
January 1, 2013	35,917,575
February 1, 2013	34,442,220
March 1, 2013	34,623,373
April 1, 2013	34,804,807
May 1, 2013	34,987,524
June 1, 2013	35,170,532
July 1, 2013	35,354,833
August 1, 2013	33,877,984
September 1, 2013	34,057,666
October 1, 2013	34,238,653
November 1, 2013	34,419,952
December 1, 2013	34,601,565
January 1, 2014	34,784,495
February 1, 2014	33,306,108
March 1, 2014	33,484,275
April 1, 2014	33,662,771
May 1, 2014	33,842,741
June 1, 2014	34,023,050
July 1, 2014	34,204,846
August 1, 2014	32,725,153
September 1, 2014	32,902,041
October 1, 2014	33,080,428
November 1, 2014	33,259,180
December 1, 2014	33,438,298
January 1, 2015	33,618,930
February 1, 2015	32,137,896

March 1, 2015	32,313,470

SCHEDULE 3 To
THE LEASE

Termination Value

Determination Date	Termination Value
April 1, 2015	32,489,427
May 1, 2015	32,667,332
June 1, 2015	32,845,636
July 1, 2015	33,025,903
August 1, 2015	31,312,163
September 1, 2015	31,485,820
October 1, 2015	31,661,457
November 1, 2015	31,837,525
December 1, 2015	32,014,025
January 1, 2016	32,192,523
February 1, 2016	30,476,778
March 1, 2016	30,648,465
April 1, 2016	30,820,605
May 1, 2016	30,995,224
June 1, 2016	31,170,315
July 1, 2016	31,347,905
August 1, 2016	29,631,010
September 1, 2016	29,801,591
October 1, 2016	29,974,691
November 1, 2016	30,148,304
December 1, 2016	30,322,432
January 1, 2017	30,499,102

February 1, 2017	28,781,039
March 1, 2017	28,950,497
April 1, 2017	29,120,495
May 1, 2017	29,293,281
June 1, 2017	29,466,630
July 1, 2017	29,642,787
August 1, 2017	27,923,957
September 1, 2017	28,092,697
October 1, 2017	28,264,270
November 1, 2017	28,436,451
December 1, 2017	28,609,244
January 1, 2018	28,784,897
February 1, 2018	27,065,299
March 1, 2018	27,233,321
April 1, 2018	27,401,984
May 1, 2018	27,573,772
June 1, 2018	27,746,226
July 1, 2018	27,921,829
August 1, 2018	26,201,912
September 1, 2018	26,369,670
October 1, 2018	26,540,606
November 1, 2018	26,712,260

December 1, 2018	26,884,635
January 1, 2019	27,060,218

Lease Agreement

SCHEDULE 3 to
The Lease

Determination Date	Termination Value
February 1, 2019	25,340,000
March 1, 2019	25,507,516
April 1, 2019	25,675,787
May 1, 2019	25,847,553
June 1, 2019	26,020,103
July 1, 2019	26,196,174
August 1, 2019	24,476,158
September 1, 2019	24,643,939
October 1, 2019	24,815,274
November 1, 2019	24,987,452
December 1, 2019	25,160,477
January 1, 2020	25,337,089
February 1, 2020	23,617,317
March 1, 2020	23,785,408
April 1, 2020	23,954,385
May 1, 2020	24,127,525
June 1, 2020	24,301,583
July 1, 2020	24,479,837
August 1, 2020	22,530,036
September 1, 2020	22,698,139
October 1, 2020	22,870,476
November 1, 2020	23,043,802
December 1, 2020	23,218,123
January 1, 2021	23,396,718
February 1, 2021	21,445,987
March 1, 2021	21,613,225
April 1, 2021	21,781,491
May 1, 2021	21,951,148
June 1, 2021	22,121,846
July 1, 2021	22,293,944

</TABLE>

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SCHEDULE 4 TO
THE LEASE

EBO Date and EBO Price

EBO Date: January 1, 2017

EBO Price: $31,531,500

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SCHEDULE 1 TO
THE LEASE

Basic Rent

<TABLE>
<CAPTION>

Rent Payment Date	Basic Rent In Arrears	Basic Rent In Advance	Total Basic Rent Payment
<S>	<C>	<C>	<C>
July 1, 1996	0.00	1,141,955.00	1,141,955.00
January 1, 1997	0.00	1,141,955.00	1,141,955.00
July 1, 1997	0.00	1,141,955.00	1,141,955.00
January 1, 1998	0.00	1,141,955.00	1,141,955.00
July 1, 1998	0.00	1,141,955.00	1,141,955.00
January 1, 1999	0.00	1,141,955.00	1,141,955.00
July 1, 1999	0.00	1,141,955.00	1,141,955.00
January 1, 2000	0.00	1,141,955.00	1,141,955.00
July 1, 2000	0.00	1,292,378.00	1,292,378.00
January 1, 2001	0.00	1,292,378.00	1,292,378.00
July 1, 2001	0.00	1,292,378.00	1,292,378.00
January 1, 2002	0.00	1,292,370.00	1,292,378.00
July 1, 2002	0.00	1,292,378.00	1,292,378.00
January 1, 2003	0.00	1,292,378.00	1,292,378.00
July 1, 2003	0.00	1,292,378.00	1,292,378.00
January 1, 2004	0.00	1,292,378.00	1,292,378.00
July 1, 2004	0.00	1,292,378.00	1,292,378.00
January 1, 2003	0.00	1,292,370.00	1,292,378.00
July 1, 2003	0.00	1,461,702.00	1,461,702.00
January 1, 2006	0.00	1,461,702.00	1,461,702.00
July 1, 2006	0.00	1,461,702.00	1,461,702.00
January 1, 2007	0.00	1,461,702.00	1,461,702.00
July 1, 2007	0.00	1,461,702.00	1,461,702.00
January 1, 2008	0.00	1,461,702.00	1,461,702.00
July 1, 2008	0.00	1,461,702.00	1,461,702.00
January 1, 2009	0.00	1,461,702.00	1,461,702.00
July 1, 2009	0.00	1,461,702.00	1,461,702.00
January 1, 2010	0.00	1,461,702.00	1,461,702.00
July 1, 2010	0.00	1,656,228.00	1,656,228.00
January 1, 2011	0.00	1,656,228.00	1,656,228.00
July 1, 2011	0.00	1,656,228.00	1,656,228.00
January 1, 2012	0.00	1,656,228.00	1,656,228.00
July 1, 2012	0.00	1,656,228.00	1,656,220.00
January 1, 2013	0.00	1,656,228.00	1,656,228.00
July 1, 2013	0.00	1,636,228.00	1,656,228.00
January 1, 2014	0.00	1,656,228.00	1,656,228.00
July 1, 2014	0.00	1,656,228.00	1,656,228.00
January 1, 2015	0.00	1,656,228.00	1,656,228.00
July 1, 2015	0.00	1,986,982.00	1,886,982.00
January 1, 2016	0.00	1,886,982.00	1,886,982.00
July 1, 2016	0.00	1,886,982.00	1,886,982.00

January 1, 2017	0.00	1,886,982.00	1,886,982.00

</TABLE>

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<TABLE>

<S>	<C>	<C>	<C>
July 1, 2017	0.00	1,886,902.00	1,886,982.00
January 1, 2018	0.00	1,886,982.00	1,886,982.00
July 1, 2018	0.00	1,886,982.00	1,886,982.00
January 1, 2019	0.00	1,886,982.00	1,886,982.00
July 1, 2019	0.00	1,886,982.00	1,886,982.00
January 1, 2020	0.00	1,886,982.00	1,886,982.00
July 1, 2020	0.00	2,116,948.00	2,116,948.00
January 1, 2021	0.00	2,116,948.00	2,116,949.00
July 1, 2021	0.00	0.00	0.00

</TABLE>

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EXHIBIT A TO
THE LEASE

Description of the Premises

The building is a two (2) story brick office building shown on the ALTA/ACSM Land Title Survey of Lot 24, Block 913, Township of Wall, Monmouth County, New Jersey, as certified by Bruce R. Blair, Professional Land Surveyor, on December 19, 1995. The building is located on the Site described in Exhibit B to this Lease.

The Personalty is described on Schedule A-1 to this Exhibit.

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Schedule A-1 to
Exhibit A to the Lease

Personalty

The Personalty shall include all fixtures in the Building and the following:

DOCK LEVELER & BUMPERS INCLUDING: PIT MOTOR, DISCONNECT SWITCH.
WIRING AND CONDUIT TO AND INCLUDING CIRCUIT BREAKER.

ROLL-UP DOOR

ALL TOILET FIXTURES (PAPER TOWEL DISPENSER, TOILET TISSUE DISPENSER, GRAB BAR, SOAP DISPENSER, TOWEL BAR, TISSUE BOX, SANITARY NAPKIN DISPOSAL RECESSED NAPKIN DISPENSER, SURFACE MOUNTED DISPENSER).

MIRROR
VANITY TOP & BLACKSPLASH
LINEN CLOSET SHELVES

MAHOGANY WOOD BENCH IN SHOWER AREA

ADJUSTABLE SHELVES IN PROJECTION ROOM

RAISED PLATFORM-PROJ. ROOM

PROJECTION SCREEN

CABINETS & LAMINATED TOP IN PANTRY AREA

ALL SPECIAL POWER CONNECTIONS FOR PANTRY EQUIPMENT INCLUDING RECEPTACLES, WIRING, CONDUIT TO AND INCLUDING JUNCTION BOX AND CIRCUIT BREAKER.

COLD WATER PIPING FROM ICE MAKER TO FIRST BRANCH
PANTRY SINK AND PLUMBING TO FIRST BRANCH
HOT WATER PIPING FROM DISHWASHER TO FIRST BRANCH

RUBBER TREAD ON STAIRS AND LANDING

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ELEVATORS #1 AND #2 INCLUDING LIGHTING AND SERVICE OUTLETS, HOISTWAY ENTRANCES, SIGNAL EQUIPMENT, INSERTS, CAB FRAME, PLATFORM INTERIOR, PLASTIC LAMINATE PANELS GUIDE SHOES, AUTOMATIC LEVELING DEVICE, HYDRAULIC PLUNGER, CYLINDER ASSEMBLY, CASING, HYDRAULIC POWER UNIT, ELECTRIC CONTROLLER UNIT, PIPING ALL POWER CONNECTIONS TO AND INCLUDING DISCONNECT SWITCH AND CIRCUIT BREAKER #10 IN PANEL

MAHOGANY PANELING TO CONCEAL MOVABLE PARTITION

ALL CABINETS INCLUDING BACKSPLASH AND DESK UNIT

PROJECTION SCREEN IN BOARD ROOM

MOVABLE WALL PANELS INCLUDING SLIDING TRACK IN MEETING ROOM

GENERATOR AND PAD

MOVABLE PARTITIONS INCLUDING THOSE IN CONF. ROOM AREA

ALL CABINETS

1.5 HOUR FIRE CURTAIN INCLUDING HOUSING (ATLAS DOOR AND MISCELLANEOUS IRON WORK AND SHEETROCK AND SEALING)

"FLEXCO" BLACK RAISED 12"x 12" RUBBER TILES

RAISED FLOOR - COMPUTER ROOM INCLUDING STRUCTURAL SUPPORT

CABINETS IN BOARD ROOM

ACOUSTICAL LOUVERS (TO THE EXTENT ATTACHED TO OR MADE PART OF THE BUILDING)

CARPET TILE AND BROADLOOM
VINYL BASE (TOTAL 13,000 LN FT)

125

MOVABLE PARTITION IN MAILROOM

ALL SHELVES INCLUDING THOSE IN STORAGE AREA AND CRT. TRAINING ROOM

COUNTER AND CABINETS IN KITCHEN AREA

CARPET TILE AND BROADLOOM
VINYL BASE (EXCEPT TO THE EXTENT NOT ATTACHED TO THE BUILDING)

HALON FIRE SUPPRESSION SYSTEMS INCLUDING: CONTROL PANEL, PURGE SWITCH IONIZATION DETECTORS, PHOTOELECTRIC DETECTORS, AUDIO AND VISUAL ALARMS, STORAGE TANKS, PIPING, NOZZLES, VALVES, ETC.
ALL ELECTRIC WIRING, CONDUIT, SWITCHES, ETC. REQUIRED FOR OPERATION OF THE SYSTEM

VIDEO DATA SYSTEM INCLUDING 12" MONITOR CHARACTER GENERATOR TV TYPEWRITER, MF MODULATOR AND AMPLIFIER, CONTROL CENTER, TV SETS AND MOUNTING SUPPORTS
ALL ELECTRIC WIRING, CONDUIT, SWITCHES, ETC. REQUIRED FOR OPERATION OF THE SYSTEM

CARD ACCESS SYSTEM INCLUDING CARD READERS, CONSOLE, TERMINAL PROCESSORS, POWER UNIT, DOOR OPEN ALARM SWITCH, POWER LOCK,
ALL ELECTRIC WIRING, CONDUIT, SWITCHES, ETC. REQUIRED FOR OPERATION OF THE SYSTEM

TV SURVEILLANCE SYSTEM INCLUDING CCTV CAMERAS, TV SCREENS, SEQUENTIAL SWITCHER
ALL ELECTRIC WIRING, CONDUIT, SWITCHES, ETC. REQUIRED FOR OPERATION OF THE SYSTEM

STEEL LADDER TO ROOF HATCH

STEEL OVERHEAD DOORS IN LOADING AREA AND SHEETROCKING

ELEVATOR SUMP PUMPS PP-1, PP-2, PLUMBING TO FIRST BRANCH AND

126

PIT

VENDING MACHINE PLUMBING CONNECTIONS TO 1ST BRANCH

COUNTERS IN KITCHEN AREA

WASTE CONNECT TO 2" WASTE LINE GOING DOWN IN WALL ON LINE TO FIRST BRANCH
HW BOOSTER INCLUDING PLUMBING TO SINKS AND STAND
GREASE INTERCEPTOR INCLUDING PLUMBING TO 1ST BRANCH
(3) SINKS INCLUDING HW/CW LINES TO FIRST BRANCH
HAND SINK, INCLUDING HW/CW LINE TO FIRST BRANCH

COMPUTER FACILITY HVAC:
WATER ALARM CIRCUIT, INCLUDING ALARM AT GUARD ST; CHILLER #3 CONTROL PANEL AND CONNECTIONS TO EQUIP AND TMCC-1 CONTROL CONNECTION FROM COOLING TOWER #3 TO TMCC-1 CHILLER #3 WATER TEMP ALARM AT GUARD ST AND WIRING

CHILLER #3 SYSTEM INCLUDING CONDENSER #3 CIRCULATING PUMPS 4-1 AND 4-2, EXPANSION TANK, AIRTROL, PLUMBING TO COMPUTER ROOM UNITS, COOLING TOWER #3 PLUMBING TO TOWER FROM CONDENSER #3, PLUMBING AFTER COLD WATER MAKE-UP TO MOTOR, DP-3

TELCO BACKBOARDS
RAISED FLOOR IN ELECTRIC CLOSET

TELEPHONE RECEPTACLES, WIRING AND CONDUIT

EMERGENCY DISTRIBUTION PANEL FOR GENERATOR
AUTOMATIC TRANSFER SWITCH FOR GENERATOR

ALL SIGNAL WIRING FOR EQUIPMENT (SUCH AS CRT'S)
TO CPU'S IN COMPUTER RM. OR TO TELEPHONE CLOSET

TELCO BLACKBOARDS

ELECTRIC RELOCK LIGHTING HOOK-UP

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VENETIAN BLINDS

FLAT WIRE FOR CRT EQUIPMENT

SUMP PUMP UNDER COMPUTER FLOOR

AUDIO VISUAL EQUIPMENT INCLUDING SOUND SYSTEM (EXCEPT TO THE EXTENT NOT INSTALLED IN OR ATTACHED TO THE BUILDING)

CAFETERIA MOSAIC

DISPLAY AREA FOR APPLIANCES

FIRE EXTINGUISHERS AND HOSE CABINETS (2 oz.)

REFRIG IN BATHROOMS INCLUDING INSTALLATION AND ELECTRIC

TOILET PARTITIONS AND SUPPORTS

ALL SIGNAL WIRING FOR EQUIPMENT (SUCH AS CRT'S)
TO CPU'S IN COMPUTER ROOM OR TO TELEPHONE CLOSET

TELCO BLACKBOARDS

ALL SIGNAL WIRING FOR EQUIPMENT (SUCH AS CRT'S)
TO CPU'S IN COMPUTER RM. OR TO TELEPHONE CLOSET

COMPUTER, NETWORK CONTROL CPU ROOMS:

ALL EQUIPMENT CONNECTIONS (WIRING, CONDUIT, JUNCTION BOXES) TO AND INCLUDING PMC DISTRIBUTION MODULE WIRING AND CONDUIT FROM PMC DISTRIBUTION MODULE TO PMC SYNTHESIZER TO AND INCLUDING CHECK METER, CIRCUIT BREAKER IN PANEL EDP AND BYPASS TRANSFORMER

COMPUTER ROOM CHILLER, WIRING AND CONDUIT TO AND INCLUDING CHECK METER AND CIRCUIT BREAKER IN TMCC-1

6 AIR CONDITIONERS FOR COMPUTER, NETWORK CONTROL AND CPU ROOMS INCLUDING DUCTWORK, STRUCTURAL SUPPORTS, PLUMBING/CONDENSATION CONNECTIONS (NOTE: 5 UNITS + 1 UNIT IN

128

PHONE AND GENERATOR ROOM)

WIRING, CONDUIT AND TRANSFORMER BETWEEN GENERATOR AND EMERGENCY DISTRIBUTION PANEL

THE FOLLOWING ELECTRIC CIRCUITS FROM THE EQUIPMENT TO AND INCLUDING THE CIRCUIT BREAKER:

<TABLE>
<CAPTION>

PANEL NO.	CIRCUIT NO.	SERVICE
<S>	<C>	<C>
EDP	5 THRU 10	COMPUTER RMS. A/C
	11	PMC SYNTHESIZER
RPA	2,6,7,33,34	CRT RECEPTACLES
	10	VIDEO DATA SYSTEM
RBP	2	HALON SYSTEM
	3	PLUGMOLD
	5	CARD ACCESS SYSTEM
	7	TV SURVEILLANCE SYS
	9	PHONE EQ CLOSET
	10	CRT RECEPTACLES
	11	VIDEO DATA SYSTEM
	13, 15	TELEPHONE ROOM
	14, 17	ELEVATOR CONTROLLERS
	32, 34, 37, 38, 41	CRT RECEPTACLES
	42, 49, 50, 53, 71	CRT RECEPTACLES
RPC	14, 15, 16, 17, 20	CRT RECEPTACLES
	21, 24, 25, 28, 29, 31	CRT RECEPTACLES
	32, 37, 38, 41, 42, 47	CRT RECEPTACLES
	48, 53, 54, 57, 60, 63	CRT RECEPTACLES
	64, 74, 78, 82	CRT RECEPTACLES
KP	2	FREEZER

</TABLE>

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<TABLE>

<S>	<C>	<C>
	4, 6	REFRIGERATORS
	7	ICE MAKER
	8	WARMER
	9	COFFEE MACHINE
	10	BOOSTER HEATER
	12, 14, 16	VENDING MACHINES
	11	OVEN
PMC	ALL CIRCUITS	COMPUTER HARDWARE

</TABLE>

SECURITY STATION DESK (2ND FLOOR), & RECEPTIONIST DESK (1ST FLOOR)

FENCING AROUND COOLING TOWER

REMOVABLE TILES IN CEILING GRID SYSTEM.

GAS CONTROL CENTER EQUIPMENT

HVAC
HALON SYSTEM
ACCESS FLOORING
GENERATOR

INFORMATION SERVICES EQUIPMENT

RAISED FLOOR
HVAC & POWER DISTRIBUTION EQUIPMENT

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THE FOLLOWING ITEMS ARE SPECIFICALLY EXCLUDED FROM THE PERSONALTY:

FLOOR MATS - VESTIBULE

PANTRY EQUIPMENT:
ICE MAKER
DISHWASHER
REFRIGERATOR
MICROWAVE OVEN

MOVABLE PARTITIONS IN BOARD ROOM INCLUDING SLIDING DOOR TRACK

ACOUSTICAL LOUVERS (EXCEPT TO THE EXTENT ATTACHED TO OR MADE PART OF THE BUILDING)

VENDING MACHINES

CHALKBOARD IN TRAINING ROOM

REMOVABLE RAILINGS IN PIVOT WINDOW

XEROX MACHINES & WIRING CONDUIT

KITCHEN AREA EQUIPMENT: INCLUDING CONVECTION OVEN, (2) REFRIGERATORS, FREEZER & ICE MAKER

DICTAPHONE

PMC SYNTHESIZER

BOARD ROOM LECTERN INCLUDING LIGHT

CAFETERIA EQUIP PER CHANGE ORDER 40

CAFETERIA POTS AND MISC. EQUIPMENT.

CARPETING NOT AFFIXED TO THE BUILDING

AUDIO VISUAL EQUIPMENT NOT INSTALLED IN OR ATTACHED TO

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THE BUILDING

COMPACTOR

GAS CONTROL CENTER EQUIPMENT

P.C. BASED COMPUTER SYSTEM
RADIO BASE STATION
DISPATCHER CONSOLE
MAPBOARD

UNINTERRUPTIBLE POWER SUPPLY
KITCHEN EQUIPMENT

INFORMATION SERVICES EQUIPMENT

SURGE PROTECTOR
UPS SYSTEM

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EXHIBIT B TO
THE LEASE

Legal Description of the Site

LEGAL DESCRIPTION
BLOCK 913 TAX LOT 24
TOWNSHIP OF WALL
COUNTY OF MONMOUTH, STATE OF NEW JERSEY

BEGINNING at a point in the new Westerly sideline of Wyckoff Road (35 feet Westerly from the centerline thereof) at a point formed by the intersection of said line with the centerline of South Brook, said beginning point being distant North 59 degrees 32 minutes 57 seconds West, a distance of 35.00 feet from a point in the centerline of Wyckoff Road, said point in turn being distance South 30 degrees 27 minutes 03 seconds West, a distance of 403.25 feet from the point of intersection of the centerline of Wyckoff Road with the centerline of New Jersey State Highway Route #34, said point of intersection being station 385+08.40, Route 34 centerline and station 20+00 Wyckoff Road centerline as indicated on a Map entitled "New Jersey State Highway Department General Property Map Route 34 (1953) Section 2 from Route 38 to Route 33 Showing Existing Right of Way and Parcels to be Acquired in the Township of Wall, County of Monmouth", dated June 1961, and from said beginning point running, thence;

1. Along said sideline, South 30 degrees 27 minutes 03 seconds West, a distance of 405.54 feet to an angle point in the same, thence;

2. Still along said sideline, South 27 degrees 08 minutes 21 seconds West, a distance of 660.37 feet to a point in the line of lands now or formerly Commercial Realty and Resources Corp., thence;

3. Along said sideline, North 64 degrees 26 minutes 50 seconds West, a distance of 287.19 feet to an iron pipe found, thence;

4. Still along the same, South 25 degrees 33 minutes 10 seconds

West, a distance of 35.00 feet to a point and new corner, thence;

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5. The following six (6) courses along the line of a Minor Subdivision approved by Wall Township, dated March 9, 1984, North 64 degrees 26 minutes 50 seconds West, a distance of 210.00 feet, thence;

6. North 42 degrees 56 minutes 50 seconds West, a distance of 300.00 feet, thence;

7. North 12 degrees 33 minutes 10 seconds East, a distance of 210.00 feet, thence;

8. North 44 degrees 41 minutes 50 seconds West, a distance of 227.00 feet, thence;

9. North 07 degrees 54 minutes 46 seconds West, a distance of 262.82 feet, thence;

10. North 46 degrees 22 minutes 00 seconds East, a distance of 400.73 feet more or less, to the middle of South Brook, being the original line of the entire tract conveyed to Gas Associated Services by deed recorded in the Monmouth County Clerk's Office in book 4187, page 20, of which this parcel is part, thence;

11. Down the middle of said South Brook, its various courses, a total distance of 1,151 feet more or less to the point and place of beginning.

Containing 22.16 acres of land more or less, together with Easement Rights in the land described in Deed of Easement/Right of Way and Conveyance of Sewer Facilities recorded December 17, 1985 in Deed Book 4618, Page 519.

EXHIBIT 10-12

EMPLOYMENT CONTINUATION AGREEMENT

THIS AGREEMENT between New Jersey Resources Corporation, a New Jersey corporation (the "Company"), and Laurence M. Downes (the "Executive"), dated as of this 5th day of June, 1996.

W I T N E S S E T H :

WHEREAS, the Company has employed the Executive in an officer position with the Company or affiliate thereof and has determined that the Executive holds an important position with same;

WHEREAS, the Company believes that, in the event it is confronted with a situation that could result in a change in ownership or control of the Company, continuity of management will be essential to its ability to evaluate and respond to such situation in the best interests of shareholders;

WHEREAS, the Company understands that any such situation will present significant concerns for the Executive with respect to his financial and job security;

WHEREAS, the Company desires to assure itself of the Executive's services during the period in which it is confronting such a situation, and to provide the Executive certain financial assurances to enable the Executive to perform the responsibilities of his position without undue distraction and to exercise his judgment without bias due to his personal circumstances;

WHEREAS, to achieve these objectives, the Company and the Executive desire to enter into an agreement providing the Company and the Executive with certain rights and obligations upon the occurrence of a Change of Control or Potential Change of Control (as defined in Section 2);

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Company and the Executive as follows:

1. Operation of Agreement.

(a) Effective Date. The effective date of this Agreement shall be the date on which a Change of Control occurs (the "Effective Date"), provided that, except as provided in Section 1(b), if the Executive is not employed by

the Company on the Effective Date, this Agreement shall be void and without effect.

(b) Termination of Employment Following a Potential Change of Control. Notwithstanding Section 1(a), if (i) the Executive's employment is terminated by the Company Without Cause (as defined in Section 6(c)) after the occurrence of a Potential Change of Control and prior to the occurrence of a Change of Control and (ii) a Change of Control occurs within one year of such termination, the Executive shall be deemed, solely for purposes of determining his rights under this Agreement, to have remained employed until the date such Change of Control occurs and to have been terminated by the Company Without Cause immediately after this Agreement becomes effective.

2. Definitions.

(a) Change of Control. For the purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if:

(i) any Person (as defined below) has acquired, "beneficial ownership" (within the meaning of Rule 13d-3, as promulgated under Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of securities of the Company representing 25% or more of the combined Voting Power (as defined below) of the Company's securities;

(ii) within any 24-month period, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of any successor to the Company, provided that any director who was not a director at the beginning of such period shall be deemed to be an Incumbent Director if such director (A) was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 2(a)(ii) and (B) was not designated by a person who has entered into

an agreement with the Company to effect a Corporate Event, as described in Section 2(a)(iii); or

(iii) the stockholders of the Company approve a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Event"), as a result of which the shareholders of the Company immediately prior to such Corporate Event shall not hold, directly or indirectly, immediately following such Corporate Event a

majority of the Voting Power of (x) in the case of a merger or consolidation, the surviving or resulting corporation, (y) in the case of a share exchange, the acquiring corporation or (z) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the relevant Corporate Event, holds more than 10% of the consolidated assets of the Company immediately prior to such Event.

(b) Potential Change of Control. For the purposes of this Agreement, a "Potential Change of Control" shall be deemed to have occurred if:

(i) a Person commences a tender offer for securities representing at least 20% of the Voting Power of the Company's securities;

(ii) the Company enters into an agreement the consummation of which would constitute a Change of Control;

(iii) proxies for the election of directors of the Company are solicited by anyone other than the Company; or

(iv) any other event occurs which is deemed to be a Potential Change of Control by the Board.

(c) Person Defined. For purposes of this Section 2, "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act, as supplemented by Section 13(d)(3) of the Exchange Act; provided, however, that Person shall not include (i) the Company or any subsidiary of the Company or (ii) any employee benefit plan sponsored by the Company or any subsidiary of the Company.

(d) Voting Power Defined. A specified percentage of "Voting Power" of a company shall mean such number of the Voting Securities as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote); and "Voting Securities" shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the common stock of the company to elect directors by a separate class vote).

3. Employment Period. Subject to Section 6 of this Agreement, the Company agrees to continue the Executive in its employ, and the Executive agrees to remain in the employ of the Company, for the period (the "Employment Period")

commencing on the Effective Date and ending on the third anniversary of the Effective Date.

4. Position and Duties.

(a) No Reduction in Position. During the Employment Period, the Executive's position (including titles), authority and responsibilities shall be at least commensurate with those held, exercised and assigned immediately prior to the Effective Date. It is understood that, for purposes of this Agreement, such position, authority and responsibilities shall not be regarded as not commensurate merely by virtue of the fact that a successor shall have acquired all or substantially all of the business and/or assets of the Company as contemplated by Section 12(b) of this Agreement. The Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date.

(b) Business Time. From and after the Effective Date, the Executive agrees to devote substantially all of his attention during normal business hours to the business and affairs of the Company, to the extent necessary to discharge his responsibilities hereunder, except for (i) time spent in managing his personal, financial and legal affairs, serving on corporate, civic or charitable boards or committees or working for any charitable or civic organization, in each case only if and to the extent not materially interfering with the performance of such responsibilities, and (ii) periods of vacation and sick leave to which he is entitled. It is expressly understood and agreed that the Executive's continuing to serve on any boards and committees on which he is serving or with which he is otherwise

associated immediately preceding the Effective Date shall be deemed not to interfere with the performance of the Executive's services to the Company.

5. Compensation.

(a) Base Salary. During the Employment Period, the Executive shall receive a base salary at a monthly rate at least equal to the monthly salary paid to the Executive by the Company and any of its affiliated companies immediately prior to the Effective Date. The base salary shall be reviewed at least once each year after the Effective Date, and may be increased (but not decreased) at any time and from time to time by action of the Board or any committee thereof or by any individual having authority to take such action in accordance with the Company's regular practices. The Executive's base salary, as it may be increased from time to time, shall hereafter be referred to as "Base Salary". Neither the Base Salary nor any increase in Base Salary after the Effective Date shall serve to limit or reduce any other obligation of the Company hereunder.

(b) Annual Bonus. During the Employment Period, in addition to the Base Salary, for each fiscal year of the Company ending during the Employment Period, the Executive shall be afforded the opportunity to receive an annual bonus on terms and conditions no less favorable to the Executive (taking into account reasonable changes in the Company's goals and objectives) than the annual bonus opportunity that had been made available to the Executive for the fiscal year ended immediately prior to the Effective Date (the "Annual Bonus Opportunity"). Any amount payable in respect of the Annual Bonus Opportunity shall be paid as soon as practicable following the year for which the amount (or prorated portion) is earned or awarded, but not later than 90 days after the close of the calendar year for which the bonus is payable, unless electively deferred by the Executive pursuant to any deferral programs or arrangements that the Company may make available to the Executive.

(c) Long-term Incentive Compensation Programs. During the Employment Period, the Executive shall participate in all long-term incentive compensation programs ("LTICP") for key executives at a level that is commensurate with the Executive's participation in such plans immediately prior to the Effective Date, or, if more favorable to the Executive, at the level made available to the Executive or other similarly situated officers at any time thereafter.

(d) Benefit Plans. During the Employment Period, the Executive (and, to the extent applicable, his dependents) shall be entitled to participate in or be covered under all pension, retirement, deferred compensation, savings, medical, dental, health, disability, severance, group life, accidental death and travel accident insurance plans and programs of the Company and its affiliated companies at a level that is commensurate with the Executive's participation in such plans immediately prior to the Effective Date, or, if more favorable to the Executive, at the level made available to the Executive or other similarly situated officers at any time thereafter.

(e) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Company as in effect immediately prior to the Effective Date. Notwithstanding the foregoing, the Company may apply the policies and procedures in effect after the Effective Date to the Executive, if such policies and procedures are more favorable to the Executive than those in effect immediately prior to the Effective Date.

(f) Vacation, Perquisites and Fringe Benefits. During the Employment Period, the Executive shall be entitled to paid vacation, perquisites

and fringe benefits at a level that is commensurate with the paid vacation, perquisites and fringe benefits available to the Executive immediately prior to the Effective Date, or, if more favorable to the Executive, at the level made available from time to time to the Executive or other similarly situated officers at any time thereafter.

(g) Indemnification. The Company agrees that if the Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company, the Executive shall be indemnified and held harmless by the Company to the fullest extent legally permitted or authorized by agreement, or by the Company's certificate of incorporation or bylaws or resolutions of the Board or, if greater, by the laws of the State of New Jersey, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by the Executive in connection therewith. The Company agrees to continue and maintain a directors' and officers' liability insurance policy covering Executive to the extent the Company provides such coverage for its other executive officers.

(h) Office and Support Staff. The Executive shall be entitled to an office with furnishings and other appointments, and to secretarial and other assistance, at a level that is at least commensurate with that provided to the Executive immediately prior to the Effective Date.

6. Termination.

(a) Death, Disability or Retirement. Subject to the provisions of Section 1 hereof, this Agreement shall terminate automatically upon the Executive's death, termination due to "Disability" (as defined below) or voluntary retirement under any of the Company's retirement plans as in effect from time to time. For purposes of this Agreement, Disability shall mean the Executive has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations set forth in this Agreement because of physical, mental or emotional incapacity resulting from injury, sickness or disease for a period of at least six consecutive months. The Company and the Executive shall agree on the identity of a physician to resolve any question as to the Executive's disability. If the Company and the Executive cannot agree on the physician to make such determination, then the Company and the Executive shall each select a physician and those physicians shall jointly select a third physician, who shall make the determination. The determination of any such physician shall be final and conclusive for all purposes of this Agreement. The Executive or his legal representative or any adult member of his immediate family shall have the right to present to such physician such information and

arguments as to the Executive's disability as he, she or they deem appropriate, including the opinion of the Executive's personal physician.

(b) Voluntary Termination. Notwithstanding anything in this Agreement to the contrary, following a Change of Control the Executive may, upon not less than 30 days' written notice to the Company, voluntarily terminate employment for any reason (including early retirement under the terms of any of the Company's retirement plans as in effect from time to time), provided that any termination by the Executive pursuant to Section 6(d) on account of Good Reason (as defined therein) shall not be treated as a voluntary termination under this Section 6(b).

(c) Cause. The Company may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" means (i) the Executive's conviction of a felony or the entering by the Executive of a plea of nolo contendere to a felony charge, (ii) the Executive's gross neglect, willful malfeasance

or willful gross misconduct in connection with his employment hereunder which has had a material adverse effect on the business of the Company and its subsidiaries, unless the Executive reasonably believed in good faith that such act or nonact was in or not opposed to the best interests of the Company, or (iii) repeated material violations by the Executive of his obligations under Section 4 of this Agreement, which violations are demonstrably willful and deliberate on the Executive's part and which result in material damage to the Company's business or reputation.

(d) Good Reason. Following the occurrence of a Change of Control, the Executive may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" means the occurrence of any of the following, without the express written consent of the Executive, after the occurrence of a Change of Control:

(i) (A) the assignment to the Executive of any duties inconsistent with the Executive's position, authority or responsibilities as contemplated by Section 4 of this Agreement, or (B) any other material adverse change in such position, including titles, authority or responsibilities;

(ii) any failure by the Company to comply with any of the provisions of Section 5 of this Agreement, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be

based at any office or location more than 35 miles (or such other distance as shall be set forth in the Company's relocation policy as in effect at the Effective Time) from that location at which he performed his services specified under the provisions of Section 4 immediately prior to the Change of Control, except for travel reasonably required in the performance of the Executive's responsibilities;

(iv) any other material breach of this Agreement by the Company; or

(v) any failure by the Company to obtain the assumption and agreement to perform this Agreement by a successor as contemplated by Section 12(b).

In no event shall the mere occurrence of a Change of Control, absent any further impact on the Executive, be deemed to constitute Good Reason.

(e) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(e). For purposes of this Agreement, a "Notice of Termination" means a written notice given, in the case of a termination for Cause, within 10 business days of the Company's having actual knowledge of the events giving rise to such termination, and in the case of a termination for Good Reason, within 180 days of the Executive's having actual knowledge of the events giving rise to such termination, and which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of the Executive's employment (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

(f) Date of Termination. For the purpose of this Agreement, the term "Date of Termination" means (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein, as the case may be, and (ii) in all other cases, the actual date on which the Executive's employment terminates during the Employment Period.

7. Obligations of the Company upon Termination.

(a) Death or Disability. If the Executive's employment is terminated during the Employment Period by reason of the Executive's death or Disability, this Agreement shall terminate without further obligations to the Executive or the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the Date of Termination, and the Company shall pay to the Executive (or his beneficiary or estate) (i) the Executive's full Base Salary through the Date of Termination (the "Earned Salary"), (ii) any vested amounts or vested benefits owing to the Executive under the Company's otherwise applicable

employee benefit plans and programs, including any compensation previously deferred by the Executive (together with any accrued earnings thereon) and not yet paid by the Company and any accrued vacation pay not yet paid by the Company (the "Accrued Obligations"), and (iii) any other benefits payable due to the Executive's death or Disability under the Company's plans, policies or programs (the "Additional Benefits").

Any Earned Salary shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier date required by law), following the Date of Termination. Accrued Obligations and Additional Benefits shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(b) Cause and Voluntary Termination. If the Executive's employment shall be terminated for Cause or voluntarily terminated by the Executive (other than on account of Good Reason following a Change of Control), the Company shall pay the Executive (i) the Earned Salary in cash in a single lump sum as soon as practicable, but in no event more than 10 days, following the Date of Termination, and (ii) the Accrued Obligations in accordance with the terms of the applicable plan, program or arrangement.

(c) Termination by the Company other than for Cause and Termination by the Executive for Good Reason.

(i) Lump Sum Payments. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, or following a Change of Control the Executive terminates his employment for Good Reason, the Company shall pay to the Executive the following amounts:

(A) the Executive's Earned Salary;

(B) a cash amount (the "Severance Amount") equal to three times the sum of (x) the Executive's annual Base Salary and (y) an amount equal to the average of the annual bonuses paid to the Executive with respect to

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(1) Three times in the case of chief executive officer.

each of the last three calendar years ended prior to the Change of Control (or, if at the Date of Termination, the Executive has been employed for less than three full calendar years, for the number of full calendar years during which the Executive was employed);

(C) the Accrued Obligations.

The Earned Salary and Severance Amount shall be paid in cash in a single lump sum as soon as practicable, but in no event more than 30 days (or at such earlier date required by law), following the Date of Termination. Accrued Obligations shall be paid in accordance with the terms of the applicable plan, program or arrangement.

(ii) Continuation of Benefits. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, or following a Change of Control the Executive terminates his employment for Good Reason, the Executive (and, to the extent applicable, his dependents) shall be entitled, after the Date of Termination until the earlier of (1) the [second](2) anniversary of the Date of Termination (the "End Date") and (2) the date the Executive becomes eligible for comparable benefits under a similar plan, policy or program of a subsequent employer, to continue participation in all of the Company's employee and executive welfare and fringe benefit plans (the "Benefit Plans"). To the extent any such benefits cannot be provided under the terms of the applicable plan, policy or program, the Company shall provide a comparable benefit under another plan or from the Company's general assets. The Executive's participation in the Benefit Plans will be on the same terms and conditions that would have applied had the Executive continued to be employed by the Company through the End Date.

(iii) Vesting and Exercisability of Stock Options. If, during the Employment Period, the Company terminates the

Executive's employment other than for Cause, or the Executive terminates his employment for Good Reason, all outstanding options held by the Executive

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(2) Third anniversary in the case of chief executive officer.

to purchase shares of Common Stock of the Company ("Options") shall become fully vested on the date of such termination of employment and the Executive shall have the right to exercise the Options, whether or not such Options would otherwise be exercisable, for a period of ninety days following such termination of employment (or, if less, until the end of the stated term of the Options).

(d) Discharge of the Company's Obligations. Except as expressly provided in the last sentence of this Section 7(d), the amounts payable to the Executive pursuant to this Section 7 (whether or not reduced pursuant to Section 7(e)) following termination of his employment shall be in full and complete satisfaction of the Executive's rights under this Agreement and any other claims he may have in respect of his employment by the Company or any of its subsidiaries. Such amounts shall constitute liquidated damages with respect to any and all such rights and claims and, upon the Executive's receipt of such amounts, the Company shall be released and discharged from any and all liability to the Executive in connection with this Agreement or otherwise in connection with the Executive's employment with the Company and its subsidiaries. Nothing in this Section 7(d) shall be construed to release the Company from its commitment to indemnify the Executive and hold the Executive harmless from and against any claim, loss or cause of action arising from or out of the Executive's performance as an officer, director or employee of the Company or any of its subsidiaries or in any other capacity, including any fiduciary capacity, in which the Executive served at the request of the Company to the maximum extent permitted by applicable law.

(e) Limit on Payments by the Company.

(i) Application of Section 7(e). In the event that any amount or benefit paid or distributed to the Executive pursuant to this Agreement, taken together with any amounts or benefits otherwise paid or distributed to the Executive by the Company or any affiliated company (collectively, the "Covered Payments"), would be an "excess parachute payment" as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and would thereby subject the Executive to the tax (the "Excise Tax") imposed under Section 4999 of the Code (or any similar tax that may hereafter be imposed), the

provisions of this Section 7(e) shall apply to determine the amounts payable to Executive pursuant to this Agreement.

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(ii) Calculation of Benefits. Immediately following delivery of any Notice of Termination, the Company shall notify the Executive of the aggregate present value of all termination benefits to which he would be entitled under this Agreement and any other plan, program or arrangement as of the projected Date of Termination, together with the projected maximum payments, determined as of such projected Date of Termination that could be paid without the Executive being subject to the Excise Tax.

(iii) Imposition of Payment Cap. If the aggregate value of all compensation payments or benefits to be paid or provided to the Executive under this Agreement and any other plan, agreement or arrangement with the Company exceeds the amount which can be paid to the Executive without the Executive incurring an Excise Tax, then the amounts payable to the Executive under this Section 7 shall be reduced (but not below zero) to the maximum amount which may be paid hereunder without the Executive becoming subject to such an Excise Tax (such reduced payments to be referred to as the "Payment Cap"). In the case of the Chief Executive Officer, this projected Payment Cap will only apply if it will result in his receiving a greater net after tax amount than he would have received without applying such limt. In the event that the Executive receives reduced payments and benefits hereunder, the Executive shall have the right to designate which of the payments and benefits otherwise provided for in this Agreement that he will receive in connection with the application of the Payment Cap.

(iv) Application of Section 280G. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax and the amount of such Excise Tax,

(A) (x) whether there are Covered Payments as "parachute payments" within the meaning of Section 280G of the Code, and (y) whether there are "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be determined in the good faith by the Company's independent certified public accountants appointed prior to the Effective Date or tax

counsel selected by such accountants (the "Accountants"), and

(B) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(v) Adjustments in Respect of the Payment Cap. If the Executive receives reduced payments and benefits under this Section 7(e)(or this Section 7(e) is determined not to be applicable to the Executive because the Accountants conclude that Executive is not subject to any Excise Tax) and it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding (a "Final Determination") that, notwithstanding the good faith of the Executive and the Company in applying the terms of this Agreement, the aggregate "parachute payments" within the meaning of Section 280G of the Code paid to the Executive or for his benefit are in an amount that would result in the Executive's being subject to an Excise Tax, then any amounts actually paid to or on behalf of the Executive which are treated as excess parachute payments shall be deemed for all purposes to be a loan to the Executive made on the date of receipt of such excess payments, which the Executive shall have an obligation to repay to the Company on demand, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of the payment hereunder to the date of repayment by the Executive. If the Executive receives reduced payments and benefits by reason of this Section 7(e) and it is established pursuant to a Final Determination that the Executive could have received a greater amount without exceeding the Payment Cap, then the Company shall promptly thereafter pay the Executive the aggregate additional amount which could have been paid without exceeding the Payment Cap, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the original payment due date to the date of actual payment by the Company.

8. Non-exclusivity of Rights. Except as expressly provided herein, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice

such rights as the Executive may have under any other agreements with the Company or any of its affiliated companies, including employment agreements or stock option agreements.

Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

9. No Mitigation or Offset. The Executive shall have no obligation to seek other employment and, except as expressly provided in Sections 7(c)(ii), there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to subsequent employment that he may obtain. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others, including, without limitation, any claim arising due to the Executive's violation of his covenants under Section 11(a) hereof. In the event that the Executive shall in good faith give a Notice of Termination for Good Reason and it shall thereafter be determined that Good Reason did not exist, the employment of the Executive shall, unless the Company and the Executive shall otherwise mutually agree, be deemed to have terminated, at the date of giving such purported Notice of Termination, by mutual consent of the Company and the Executive and the Executive shall be entitled to receive only his Earned Salary and the Accrued Obligations which he would have been entitled to receive upon a voluntary termination.

10. Legal Fees and Expenses. If the Executive asserts any claim in any contest (whether initiated by the Executive or by the Company) as to the validity, enforceability or interpretation of any provision of this Agreement, the Company shall pay the Executive's legal expenses (or cause such expenses to be paid) including, without limitation, his reasonable attorney's fees, on a quarterly basis, upon presentation of proof of such expenses in a form acceptable to the Company, provided that the Executive shall reimburse the Company for such amounts, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, if the Executive shall not prevail, in whole or in part, as to any material issue as to the validity, enforceability or interpretation of any provision of this Agreement.

11. Confidential Information; Company Property. By and in consideration of the salary and benefits to be provided by the Company hereunder, including the severance arrangements set forth herein, the Executive agrees that:

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, (i) obtained by the Executive during his employment by the Company or any of its affiliated companies and (ii) not otherwise public knowledge (other than by reason of an unauthorized act by the Executive). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The Executive acknowledges and agrees that the covenants and obligations of the Executive with respect to confidentiality relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause the Company irreparable injury for which adequate remedies are not available at law. Therefore, the Executive agrees that the Company shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) restraining Executive from committing any violation of the covenants and obligations contained in this Section 11(a). These remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

(b) Company Property. Except as expressly provided herein, promptly following the Executive's termination of employment, the Executive shall return to the Company all property of the Company and all copies thereof in the Executive's possession or under his control, except that the Executive may retain his personal notes, diaries, Rolodexes, calendars and correspondence.

12. Successors.

(a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct

or indirect, by purchase, merger, consolidation, acquisition of stock, or

otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

13. Miscellaneous.

(a) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, applied without reference to principles of conflict of laws.

(b) Arbitration. Except to the extent provided in Section 11(a), any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in Newark, New Jersey and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association (or such other voluntary arbitration rules applicable to employment contract disputes) in effect at the time of the arbitration, supplemented, as necessary, by those principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both the Company and the Executive. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators.

(c) Amendments. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters referred to herein. No other agreement relating to the terms of the Executive's employment by the Company, oral or otherwise, shall be binding between the parties unless it is in writing and signed by the party against whom enforcement is sought. There are no promises, representations, inducements or statements between the parties other than those that are expressly contained herein. The Executive acknowledges that he is entering into this Agreement of his own free will and accord, and with no duress, that he has read this Agreement and that he understands it and its legal consequences.

(e) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the home address the Executive noted on the

records of the Company

If to the Company: New Jersey Resources Corporation
1415 Wyckoff Road
Wall, New Jersey 07719
Attn.: Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(f) Tax Withholding. The Company shall withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) Severability; Reformation. In the event that one or more of the provisions of this Agreement shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event that any of the provisions of any of Section 11(a) are not enforceable in accordance with its terms, the Executive and the Company agree that such Section shall be reformed to make such Section enforceable in a manner which provides the Company the maximum rights permitted at law.

(h) Waiver. Waiver by any party hereto of any breach or default by the other party of any of the terms of this Agreement shall not operate as a waiver of any other breach or default, whether similar to or different from the breach or default waived. No waiver of any provision of this Agreement shall be implied from any course of dealing between the parties hereto or from any failure by either party hereto to assert its or his rights hereunder on any occasion or series of occasions.

(i) Counterparts. This Agreement may be executed in

counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(j) Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written.

NEW JERSEY RESOURCES CORPORATION

/s/ OLETA J. HARDEN

By:
Title: Senior Vice President and Secretary

WITNESSED:

/s/ ANGELA M. CROSBY

/s/ LAURENCE M. DOWNES

EXECUTIVE

WITNESSED:

/s/ CHARLOTTE WOOD

EXHIBIT 10-12A

SCHEDULE OF OFFICER EMPLOYMENT CONTINUATION AGREEMENTS

Pursuant to Rule 12b-31, the following sets forth the material differences of all other Officer Employment Continuation Agreement from Mr. Downes', which is filed herewith as Exhibit 10-12.

<TABLE>
<CAPTION>

NAME	CAPACITY IN WHICH SERVED	DATE OF AGREEMENT
<S>	<C>	<C>
Hugo C. Bottino	Vice President, Human Resources	June 5, 1996
Roy J. Churchman	Assistant Vice President, Business Planning and Analysis	June 14, 1996
Francis X. Colford	Vice President and Controller	June 5, 1996
Jay B. Corn	Vice President, Corporate Development	November 1, 1996
Mark C. Darrell	Vice President and Assistant General Counsel	June 7, 1996
John A. Dorsey	Assistant Vice President, Public Affairs	June 7, 1996
Gary A. Edinger	Senior Vice President, Energy Delivery	June 7, 1996
Oleta J. Harden	Senior Vice President, General Counsel and Secretary	June 5, 1996
Timothy C. Hearne	Senior Vice President, Financial and Administrative Services	June 5, 1996
David M. Klucsik	Vice President, External Affairs	June 5, 1996
Thomas J. Kononowitz	Senior Vice President, Marketing Services	June 5, 1996
Glenn C. Lockwood	Senior Vice President and Chief Financial Officer	June 14, 1996
James J. Maher	Assistant Vice President, Marketing	June 26, 1996
MaryAnn Martin	Vice President, Consumer and Community Relations	June 11, 1996
Joseph P. Shields	Senior Vice President, Energy Services	June 5, 1996
Wayne K. Tarney	Senior Vice President, Customer Services	June 5, 1996
George D. Walling	Assistant Vice President, Customer Services	June 7, 1996
Deborah Zilai	Vice President, Information Systems and Services	June 5, 1996

</TABLE>

I. THE FOLLOWING TERMS APPLY TO THE AGREEMENTS OF ALL THE OFFICERS LISTED ABOVE:

a) If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, or following a Change of Control the Executive terminates his employment for Good Reason, the Executive (and, to the extent applicable, his dependents) shall be entitled, after the Date of Termination until the earlier of (1) the second anniversary of the Date of Termination (the "End Date") and (2) the date the Executive becomes eligible for comparable

benefits under a similar plan, policy or program of a subsequent employer, to continue

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participation in all of the Company's employee and executive welfare and fringe benefit plans (the "Benefit Plans").

b) If the aggregate value of all compensation payments or benefits to be paid or provided to the Executive under his or her Agreement and any other plan, agreement or arrangement with the Company exceeds the amount which can be paid to the Executive without the Executive incurring an Excise Tax, then the amounts payable to the Executive under Section 7 shall be reduced (but not below zero) to the maximum amount which may be paid hereunder without the Executive becoming subject to such an Excise Tax.

II. The following officers' agreements provide for a Severance Amount that is equal to two-times the sum of his or her annual base salary and the average of the annual bonuses paid to him or her for the last three calendar years ended prior to the Change of Control:

Bottino	Klucsik
Colford	Kononowitz
Corn	Lockwood
Edinger	Martin
Harden	Shields
Hearne	

III. The following officers' agreements provide for a Severance Amount that is equal to one-times the sum of his or her annual base salary and the average of the annual bonuses paid to him or her for the last three calendar years ended prior to the Change of Control:

Churchman	Tarney
Darrell	Walling
Dorsey	Zilai
Maher	

EXHIBIT 10-15A

SERVICE AGREEMENT
APPLICABLE TO THE STORAGE OF NATURAL GAS
UNDER RATE SCHEDULE GSS
(SECTION 7(c))

AGREEMENT made as of this 1st day of December, 1993, by and between CNG TRANSMISSION CORPORATION, a Delaware corporation, hereinafter called "Pipeline," and NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation, hereinafter called "Customer."

WITNESSETH: That in consideration of the mutual covenants herein contained, the parties hereto agree that Pipeline will store natural gas for Customer during the term, at the rates and on the terms and conditions hereinafter provided and, with respect to gas delivered by each of the parties to the other, under and subject to Pipeline's Rate Schedule GSS and all of the General Terms and Conditions contained in Pipeline's FERC Gas Tariff and any revisions thereof that may be made effective hereafter:

ARTICLE I
QUANTITIES

Beginning as of October 1, 1993 and thereafter for the remaining term of this agreement, Customer agrees to deliver to Pipeline and Pipeline agrees to receive for storage in Pipeline's underground storage properties, and Pipeline agrees to inject or cause to be injected into storage for Customer's account, store, withdraw from storage, and deliver to Customer and Customer agrees to receive, quantities of natural gas as set forth on Exhibit A, attached hereto.

ARTICLE II
RATE

A. For storage service rendered by Pipeline to Customer hereunder, Customer shall pay Pipeline in accordance with Rate Schedule GSS contained in Pipeline's effective FERC Gas Tariff or any effective superseding rate schedule. Said rate schedule or superseding rate schedule and any revisions thereof which shall be filed and made effective shall apply to and be a part of this Agreement. Pipeline shall have the right to propose to and file with the Federal Energy Regulatory Commission or other body having jurisdiction, changes and revisions of any effective rate schedule, or to propose and file superseding

rate schedules, for the purpose of changing the rate, charges, and other provisions thereof effective as to Customer; provided, however, that any request by Pipeline to amend the

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terms and conditions of Rate Schedule GSS must be consistent with the terms and conditions of Article VII, Part 2, Paragraph (F) of the Stipulation filed on March 31, 1993 by Pipeline in Docket No. RS92-14 and conform to the requirements of Section 7 (b) of the Natural Gas Act, if applicable, and provided further that Pipeline and Customer agree that they will not seek to place in effect a change in any aspect of the terms and conditions under Section 8 of Rate Schedule GSS for a period of two years from the date of such request. The filing of requests, changes and revisions of Rate Schedule GSS shall be without prejudice to the right of Customer to contest or oppose such requests, filings or revisions and their effectiveness.

B. The Storage Demand Charge and the Storage Capacity Charge provided in the aforesaid rate schedule shall commence on October 1, 1993.

ARTICLE III
TERM OF AGREEMENT

Subject to all the terms and conditions herein, this Agreement shall be effective as of October 1, 1993, and shall continue in effect for a primary term through and including March 31, 2006, and for subsequent annual terms of April 1 through March 31 thereafter, until either party terminates this Agreement by giving written notice to the other at least twenty-four months prior to the start of an annual term.

ARTICLE IV
POINTS OF RECEIPT AND DELIVERY

The Points of Receipt for Customer's tender of storage injection quantities, and the Point(s) of Delivery for withdrawals from storage shall be specified on Exhibit A, attached hereto.

ARTICLE V
SPECIAL OPERATING CONDITIONS

For the sole purpose of calculating Customer's Storage Gas Balance to determine the initial decline in Customer's Daily Entitlement, Pipeline shall multiply Customer's actual Storage Gas Balance by a factor of 1.176. For purposes other than calculating the initial decline in Customer's Daily Entitlement, Customer's Storage Gas Balance shall remain equal to Customer's actual inventory in storage.

ARTICLE VI
MISCELLANEOUS

A. No change, modification or alteration of this Agreement shall be or become effective until executed in writing by the parties hereto; provided, however, that the parties do not intend that this Article VI.A. requires a further written agreement either prior to the making of any request or filing permitted under Article II hereof or prior to the effectiveness of such request or filing after Commission approval, provided further, however, that nothing in this Agreement shall be deemed to prejudice any position the parties may take as to whether the request, filing or revision permitted under Article II must be made under Section 7 or Section 4 of the Natural Gas Act.

B. Any notice, request or demand provided for in this Agreement, or any notice which either party may desire to give the other, shall be in writing and sent to the following addresses:

Pipeline: CNG Transmission Corporation
445 West Main Street
Clarksburg, West Virginia 26301
Attention: Vice President, Marketing
and Customer Services

Customer: New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719
Attention: Gary Edinger

or at such other address as either party shall designate by formal written notice.

C. No presumption shall operate in favor of or against either party hereto as a result of any responsibility either party may have had for drafting this Agreement.

D. The subject headings of the provisions of this Agreement are inserted for the purpose of convenient reference, and are not intended to become a part of or to be considered in any interpretations of such provisions.

ARTICLE VII
PRIOR CONTRACTS

This Service Agreement shall supersede and cancel, as of the effective date, the Service Agreements for storage service between Customer and Pipeline dated June 1, 1993.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their duly authorized officials as of the day and year first above written.

CNG TRANSMISSION CORPORATION
(PIPELINE)

BY: /s/ Joseph A. Curia
ITS: VICE PRESIDENT

NEW JERSEY NATURAL GAS COMPANY
(CUSTOMER)

BY: /s/ GARY A. EDINGER
ITS: Vice President-Gas Supply
(TITLE)

EXHIBIT A
TO THE GSS (SECTION 7(c))
STORAGE SERVICE AGREEMENT
DATED DECEMBER ___ , 1993
BETWEEN CNG TRANSMISSION CORPORATION AND
NEW JERSEY NATURAL GAS COMPANY

A. QUANTITIES

The quantities of natural gas storage service which Customer may utilize under this service Agreement, as well as Customer's applicable Billing Determinants, are as follows:

1. Storage Capacity of 4,353,382 Dekatherms (Dt), and

2. Storage Demand of 45,911 Dt per day.

B. POINTS OF RECEIPT AND DELIVERY

1. The Points of Receipt for Customer's tender of storage injection quantities, and the maximum quantities and character of service for each point shall be as set forth below. Pipeline will use due care and diligence to assure, and Customer will use due care and diligence to cause its transporter to assure, that uniform pressures will be maintained at the Receipt Points as reasonably may be required to render service hereunder, but Pipeline will not be required to accept gas at less than the minimum pressures specified herein. Pipeline will not be required to accept gas for injection into storage at the points specified in B.1.b., below, unless either (i) Customer tenders at the same time no less than 4,599 Dt per day at the Leidy Interconnection or (ii) Customer, during that Summer Period, has already tendered 694,449 Dt or more at the Leidy Interconnection.

a. Up to 24,185 Dt per Day at the interconnection of the facilities of Pipeline and Texas Eastern Transmission Corporation ("Texas Eastern") or Transcontinental Gas Pipe Line Corporation ("Transco") or other pipeline(s) in Clinton County, Pennsylvania, known as the Leidy Interconnection, at a pressure of not less than one thousand (1,000) pounds per square inch gauge ("psig").

b. Up to 24,185 Dt per Day at the "Texas Eastern Market Zone 2 Point" which shall consist of any combination of the following points:

1. The interconnection of the facilities of Pipeline and Texas Eastern or other pipeline(s) in Westmoreland County, Pennsylvania, known as the Oakford Interconnection, at a pressure of not less than five hundred seventy-five (575) psig.

2. An existing point of interconnection between Pipeline and Texas Eastern Transmission Corporation ("Texas Eastern") located in Noble County, Ohio, at Texas Eastern Measuring Station 450, at the operating pressure existing at the point of delivery.

3. An existing point of interconnection between Pipeline and Texas Eastern located in Monroe County, Ohio, at Texas Eastern Measuring Station 471, at a pressure of not less than two hundred (200) psig.

4. An existing point of interconnection between Pipeline and Texas Eastern located in Monroe County, Ohio, at Texas Eastern Measuring Station 983, at a pressure of not less than three hundred (300) psig.

5. An existing point of interconnection between Pipeline and Texas Eastern located in Monroe County, Ohio, at Texas Eastern Measuring Station 004, at the pressure provided for in the General Terms and Conditions of Texas Eastern's FERC Gas Tariff.

6. An existing point of interconnection between Pipeline and Texas Eastern located in Marshall County, West Virginia at Texas Eastern Measuring Station 372, at the operating pressure existing at the point of delivery.

7. An existing point of interconnection between Pipeline and Texas Eastern located in Green County, Pennsylvania at Texas Eastern Measuring Station 037, at the pressure provided for in the General Terms and Conditions of Texas Eastern's FERC Gas Tariff.

8. An existing point of interconnection between Pipeline and Texas Eastern located in Somerset County, Pennsylvania at Texas Eastern Measuring Station 051, at the pressure provided for in the General Terms and Conditions of Texas Eastern's FERC Gas Tariff.

2. The quantity of gas which Customer shall be entitled to tender to Pipeline for injection into storage at the Leidy Interconnection on a firm basis on any Day during the Storage Year shall be one-one hundred eightieth (1/180th) of Customer's Storage Capacity whenever Customer's Storage Gas Balance is less than or equal to one half of Customer's Storage Capacity, and one-two hundred fourteenth (1/214th) of Customer's Storage Capacity whenever Customer's Storage Gas Balance is greater than one half of Customer's Storage Capacity.

3. The Points of Delivery for withdrawals from storage, and the maximum quantities and character of service for each point, shall be as set forth below. Pipeline will use due care and diligence to assure, and Customer will use due care and diligence to cause its transporter to assure, that uniform pressures will be maintained at the Delivery Points as reasonably may be required to render service hereunder, and Pipeline will use due care and diligence to deliver gas (or cause gas

to be delivered) within the pressure limitations specified herein.

a. Up to 4,599 Dt per Day on a firm basis (and up to 41,312 Dt per Day on an interruptible basis, if, in Pipeline's sole opinion, its operating or other circumstances permit) at the interconnection of the facilities of Pipeline and Texas Eastern Transmission Corporation ("Texas Eastern") or Transcontinental Gas Pipe Line Corporation ("Transco") or other pipeline(s) in Clinton County, Pennsylvania, known as the Leidy Interconnection, at a pressure of not less than one-thousand, two-hundred (1,200) psig.

b. Up to 45,911 Dt per Day at the interconnection of the facilities of Pipeline and Texas Eastern or other pipeline(s) in Westmoreland County, Pennsylvania, known as the Oakford Interconnection, at a pressure of not less than eight hundred fifty (850) psig.

c. Up to 45,911 Dt per Day at an existing point of interconnection between the facilities of Pipeline and Texas Eastern, in Franklin County, Pennsylvania, known as the Chambersburg Interconnection, on an interruptible basis if operating conditions permit, at a pressure of not more than seven hundred (700) psig.

d. Up to 45,911 Dt per Day at an existing point of interconnection between the facilities of Pipeline and Texas Eastern, in Greene County, Pennsylvania, known as the Crayne Interconnection, on an interruptible basis if operating conditions permit, at a pressure of not more than eight hundred sixty-five (865) psig.

EXHIBIT 10-15B

SERVICE AGREEMENT
APPLICABLE TO TRANSPORTATION OF NATURAL GAS
UNDER RATE SCHEDULE FTNN

AGREEMENT made as of this 1st day of December, 1993, by and between CNG TRANSMISSION CORPORATION, a Delaware corporation, hereinafter called "Pipeline," and NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation, hereinafter called "Customer."

WITNESSETH: That, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I
QUANTITIES

A. During the term of this Agreement, Pipeline will transport for Customer, on a firm basis, and Customer may furnish, or cause to be furnished, to Pipeline natural gas for such transportation, and Customer will accept, or cause to be accepted, delivery from Pipeline of the quantities Customer has tendered for transportation.

B. The maximum quantities of gas which Pipeline shall deliver and which Customer may tender shall be as set forth on Exhibit A, attached hereto.

ARTICLE II
RATE

A. Unless otherwise mutually agreed in a written amendment to this Agreement, beginning on October 1, 1993, Customer shall pay Pipeline for transportation services rendered pursuant to this Agreement, the maximum rates and charges provided under Rate Schedule FTNN set forth in Pipeline's effective FERC Gas Tariff, including applicable surcharges and the Fuel Retention Percentage.

B. Pipeline shall have the right to propose, file and make effective with the Federal Energy Regulatory Commission or any other body having jurisdiction, revisions to any applicable rate schedule, or to propose, file, and make effective superseding rate schedules for the purpose of changing the rate, charges, and other provisions thereof effective as to Customer; provided, however, that (i) Section 2 of Rate Schedule FTNN "Applicability and Character of Service," (ii) term, (iii) quantities, and (iv) points of receipt and points

of delivery shall not be subject to unilateral change under this Article. Said rate schedule or superseding rate schedule and any revisions thereof which shall be filed and made effective shall apply to and become a part of this Service Agreement. The filing of such

changes and revisions to any applicable rate schedule shall be without prejudice to the right of Customer to contest or oppose such filing and its effectiveness.

ARTICLE III
TERM OF AGREEMENT

Subject to all the terms and conditions herein, this Agreement shall be effective as of October 1, 1993, and shall continue in effect for a primary term through and including March 31, 2005, and from year to year thereafter, until either party terminates this Agreement by giving written notice to the other at least twelve months prior to the start of the next contract year.

ARTICLE IV
POINTS OF RECEIPT AND DELIVERY

The Points of Receipt and Delivery and the maximum quantities for each point for all gas that may be received for Customer's account for transportation by Pipeline shall be as set forth on Exhibit A.

ARTICLE V
REGULATORY APPROVAL

Performance under this Agreement by Pipeline and Customer shall be contingent upon Pipeline and Customer receiving all necessary regulatory or other governmental approvals upon terms satisfactory to each. Should Pipeline or Customer be denied such approvals to provide or continue the service contemplated herein or to construct and operate any necessary facilities therefor upon the terms and conditions requested in the application therefor, then Pipeline's and Customer's obligations hereunder shall terminate.

ARTICLE VI
INCORPORATION BY REFERENCE OF TARIFF PROVISIONS

To the extent not inconsistent with the terms and conditions of this Agreement, the following provisions of Pipeline's effective FERC Gas Tariff, and any revisions thereof that may be made effective hereafter are hereby made applicable to and a part hereof by reference:

1. All of the provisions of Rate Schedule FTNN, or any effective superseding rate schedule or otherwise applicable rate schedule; and

2. All of the provisions of the General Terms and Conditions, as they may be revised or superseded from time to time.

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ARTICLE VII
MISCELLANEOUS

A. No change, modification or alteration of this Agreement shall be or become effective until executed in writing by the parties hereto; provided, however, that the parties do not intend that this Article VII.A. requires a further written agreement either prior to the making of any request or filing permitted under Article II hereof or prior to the effectiveness of such request or filing after Commission approval, provided further, however, that nothing in this Agreement shall be deemed to prejudice any position the parties may take as to whether the request, filing or revision permitted under Article II must be made under Section 7 or Section 4 of the Natural Gas Act.

B. Any notice, request or demand provided for in this Agreement, or any notice which either party may desire to give the other, shall be in writing and sent to the following addresses:

Pipeline: CNG Transmission Corporation
445 West Main Street
Clarksburg, West Virginia 26301
Attention: Vice President, Marketing
and Customer Services

Customer: New Jersey Natural Gas Company
1415 Wyckoff Road
P.O. Box 1464
Wall, NJ 07719
Attention: Gary Edinger

or at such other address as either party shall designate by formal written notice.

C. No presumption shall operate in favor of or against either party hereto as a result of any responsibility either party may have had for drafting this Agreement.

D. The subject headings of the provisions of this Agreement are inserted for the purpose of convenient reference and are not intended to become a part of or to be considered in any interpretation of such provisions.

ARTICLE VIII
PRIOR CONTRACTS

If this Service Agreement becomes effective as an executed Service Agreement, it shall supersede and cancel, as of its effective date, the Service Agreements between Customer and Pipeline Applicable to Transportation of

Natural Gas under Rate Schedule TF dated January 18, 1988,

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and November 1, 1992, the Service Agreement between Customer and Pipeline Applicable to the Sales of Natural Gas Under Rate Schedule CD dated November 1, 1992, the Service Agreement between Customer and Pipeline Applicable to the Storage of Natural Gas under Rate Schedule GSS dated November 1, 1992, and the Service Agreements between Customer and Pipeline Applicable to the Sales of Natural Gas dated September 16, 1988, (Seasonal Sales Service) and February 1, 1989 (APEC), and the Precedent Agreement between Customer and Pipeline dated April 16, 1991. Otherwise, each of these instruments shall remain in full force and effect unless it shall have expired by its own terms.

IN WITNESS WHEREOF, the parties hereto intending to be legally bound, have caused this Agreement to be signed by their duly authorized officials as of the day and year first written above.

CNG TRANSMISSION CORPORATION
(PIPELINE)

BY: /s/ JOSEPH A. CURIA

ITS: VICE PRESIDENT

NEW JERSEY NATURAL GAS COMPANY
(CUSTOMER)

BY: /s/ GARY A. EDINGER

ITS: Vice President - Gas Supply

(TITLE)

5

REVISED EXHIBIT A
DATED DECEMBER 21, 1995

TO THE FTNN SERVICE AGREEMENT
DATED DECEMBER 1, 1993

AGREEMENT made as of this 21st day of December, 1995, by and between CNG TRANSMISSION CORPORATION, a Delaware corporation, hereinafter called "Pipeline," and NEW JERSEY NATURAL GAS COMPANY, a New Jersey corporation, hereinafter called "Customer."

Pipeline and Customer agree to revise the provisions of Exhibit A of the "Service Agreement Applicable To Transportation Of Natural Gas Under Rate Schedule FTNN" between Pipeline and Customer dated December 1, 1993, as reflected below, effective January 1, 1996.

A. QUANTITIES

The maximum quantities of gas which Pipeline shall deliver and which Customer may tender shall be as follows:

1. A Maximum Daily Transportation Quantity (MDTQ) of 53,065 dekatherms ("Dt").

2. A Maximum Annual Transportation Quantity (MATQ) of 19,368,725 Dt.

B. POINTS OF RECEIPT

1. TOTAL ENTITLEMENTS

The Points of Receipt and the maximum quantities for each point shall be as set forth below. Pipeline will use due care and diligence to assure, and Customer will use due care and diligence to cause its transporter to assure, that uniform pressures will be maintained at the Receipt Points as reasonably may be required to render service hereunder, but Pipeline will not be required to accept gas at less than the minimum pressures specified herein. In addition to the quantities specified below, Customer may increase the quantities furnished to Pipeline at each receipt point so long as such quantities, when reduced by the fuel retention percentage specified in Pipeline's

currently effective FERC Gas Tariff, do not exceed the quantity limitation specified below for each receipt point.

a. Up to 30,942 Dt per Day at the interconnection of the facilities of Pipeline and Texas Gas Transmission Corporation, Texas Eastern

Transmission Corporation ("Texas Eastern"), ANR Pipeline Company, Trunkline Gas Company, or other pipeline(s) in Warren County, Ohio, known as the Lebanon Interconnection, at a pressure of not less than five hundred thirty-one (531) pounds per square inch gauge ("psig").

b. Up to 18,048 Dt per Day at the interconnection of the facilities of Pipeline and Texas Eastern or other pipeline(s) in Westmoreland County, Pennsylvania, known as the Oakford Interconnection, at a pressure of not less than five hundred seventy-five (575) psig.

c. Up to 721 Dt per day at Pipeline's Appalachian Aggregation Point known as Finnefrock Station, located on Line 280 in Clinton County, Pennsylvania.

d. Up to a combined maximum daily quantity of 1,779 Dt at the following Appalachian Aggregation Points:

(1) Cornwell Station, Located in Kanawha County, West Virginia;

(2) Bridgeport Station, located on Line TL-373 in Harrison County, West Virginia; and

(3) Hastings Station (wet gas), located in Wetzel County, West Virginia,

with the specific allocation of quantities among these points to be determined by mutual agreement.

e. Up to a combined maximum daily quantity of 1,575 Dt per Day at the following Tennessee Gas Pipeline Company ("Tennessee") points:

(1) a point located on the facilities of Tennessee known as South Webster; and

(2) an existing point of interconnection between the facilities of Pipeline and Tennessee in Kanawha County, West Virginia, known as the Cornwell Interconnection, at a pressure of not less than four hundred seventy-five (475) psig.

with the specific allocation of quantities among these points to be determined by mutual agreement.

f. Any secondary receipt point on Pipeline's current Master

Receipt and Delivery Point List.

2. MARQ RENEGOTIATION PROVISION

Customer shall have the right to reduce its Maximum Appalachian Receipt Quantity ("MARQ') (as such term is defined in Section 5.1.C of CNG's Rate Schedule FTNN), in whole or in part, as of January 1, 2001, in accordance with the terms of the Letter Agreement among Pipeline, Customer, Long Island Lighting Company, and Pubic Service Electric and Gas Company dated July 7, 1995. Pipeline and Customer shall enter into negotiations sufficiently in advance of January 1, 2001, to implement any resulting change in Primary Receipt Points. This renegotiation provision shall in no way affect the quantities stated in Paragraph A, above, except by mutual agreement of the Parties.

C. POINTS OF DELIVERY

The Points of Delivery and the maximum quantities for such points shall be as set forth below. Pipeline will use due care and diligence to assure, and Customer will use due care and diligence to cause its transporter to assure, that uniform pressures will be maintained at the Delivery Points as reasonably may be required to render service hereunder, and Pipeline will use due care and diligence to deliver gas (or to cause gas to be delivered) within the pressure limitations specified herein.

1. Up to 35,000 Dt per Day at an existing point of interconnection between the facilities of Pipeline and Texas Eastern, in Franklin County, Pennsylvania, known as the Chambersburg Interconnection, at a pressure of not more than seven hundred (700) psig; provided, however, that the nomination of this point as a Delivery Point under the Rate Schedule GSS (Part 284) Service Agreement between Customer and Pipeline dated December 1, 1993, whether made by Customer or by Customer's agent, assignee, or Replacement Customer, shall reduce Customer's entitlement to delivery of Transportation Quantities at this point by an equivalent quantity; and provided further, however, that the nomination of this point as a Delivery Point under this transportation Service Agreement, whether made by Customer or by Customer's agent, assignee, or Replacement Customer, shall reduce Customer's entitlement to receive deliveries of gas withdrawn from storage at this point under the above-referenced Rate Schedule GSS (Part 284) Service Agreement

by an equivalent quantity. The foregoing limitations on deliveries at the Chambersburg Interconnection shall not be affected by any capacity release or assignment of this Service Agreement or the above-referenced Rate Schedule GSS (Part 284) Service Agreement.

2. Up to 18,065 Dt per Day at the interconnection of the facilities of Pipeline and Texas Eastern, Transcontinental Gas Pipe Line Corporation or other pipeline(s) in Clinton County, Pennsylvania, known as the Leidy Interconnection, at a pressure of not less than one-thousand, two-hundred (1,200) psig.

3. Up to 53,065 Dt per Day at points of injection into Pipeline's storage pools; provided, however, that all nominations under this Agreement for injection into storage shall be subject to Pipeline's confirmation of a corresponding nomination for injection of such gas into Pipeline's storage pool(s), under a valid Service Agreement for storage service by Pipeline; provided further, however, that this requirement shall not affect Customer's ability to inject gas into storage in accordance with Section 9 of Rate Schedule FTNN.

4. Any secondary delivery point on Pipeline's current Master Secondary Receipt and Delivery Point List.

D. SUPERSEDED AGREEMENT

This Revised Exhibit A shall supersede and cancel, as of its effective date, the original Exhibit A to the "Service Agreement Applicable To Transportation Of Natural Gas Under Rate Schedule FTNN" between Pipeline and Customer, dated December 1, 1993.

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REVISED EXHIBIT A DATED DECEMBER 21, 1995
TO THE FTNN SERVICE AGREEMENT DATED DECEMBER 1, 1993
BETWEEN CNG TRANSMISSION CORPORATION
AND NEW JERSEY NATURAL GAS COMPANY

IN WITNESS WHEREOF, the parties hereto intending to be legally bound, have caused this Revised Exhibit A to be signed by their duly authorized officials, as of the day and year first written above.

CNG TRANSMISSION CORPORATION
(PIPELINE)

BY: /s/ Joseph A. Curia

ITS: VICE PRESIDENT

NEW JERSEY NATURAL GAS COMPANY
(CUSTOMER)

BY: /s/ Gary A. Edinger

ITS: Senior Vice President - Energy Services

(TITLE)

Exhibit 13-1

Financial Highlights (Thousands, except per share data)

<TABLE>
<CAPTION>

FISCAL YEARS ENDED SEPTEMBER 30,	1996	1995	1994
<S>	<C>	<C>	<C>
OPERATING RESULTS			
Operating Revenues	$548,512	$454,593	$497,075
Operating Income	$ 59,600	$ 59,268	$ 54,980
Income from Continuing Operations	$ 37,068	$ 33,919	$ 31,729
Net Income	$ 37,068	$ 24,785	$ 32,995
Return on Average Equity*	13.4%	12.8%	12.7%
COMMON STOCK INFORMATION			
Earnings per Share from Continuing Operations	$ 2.06	$ 1.93	$ 1.86
Earnings per Share	$ 2.06	$ 1.41	$ 1.93
Annual Dividend Rate at Year End	$ 1.56	$ 1.52	$ 1.52
Market Price at Year End	$ 28.00	$ 25.88	$ 21.13
Book Value per Share	$ 15.15	$ 14.55	$ 14.46
Shares Outstanding at Year End**	18,084	17,793	17,303
Average Shares Outstanding	18,030	17,605	17,096
OPERATING DATA			
Utility			
Utility Customers at Year End	363	352	340
Firm Sales (bcf)	54.9	45.8	50.5
Capacity Release and Off-System Sales (bcf)	61.6	62.6	46.7
Total Throughput (bcf)	126.3	120.8	105.4
Gross Margin	$164,835	$150,273	$152,323
Energy Marketing			
Retail Sales and Gas under Management (bcf)	37.6	11.5	2.7

</TABLE>

*Continuing Operations

**Net of treasury shares

New Jersey Natural Gas Service Territory

[County Map Graphic]

Consolidated Financial Statistics
(Thousands, except per share data)

New Jersey Resources Corporation

<TABLE>
<CAPTION>

SELECTED FINANCIAL DATA Fiscal years ended September 30,	1996	1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING REVENUES	$ 548,512	$ 454,593	$ 497,075	$ 446,652	$ 392,041	$ 326,127
OPERATING EXPENSES						
Gas purchases	327,991	251,086	286,352	251,856	205,920	168,042
Operation and maintenance	69,488	59,233	64,194	57,509	55,887	55,939
Depreciation and amortization	23,229	23,022	21,236	21,237	19,757	18,132
Gross receipts tax, etc.	49,533	46,017	53,744	52,712	52,607	45,489
Federal income taxes	18,671	15,967	16,569	13,726	11,543	5,189
Total operating expenses	488,912	395,325	442,095	397,040	345,714	292,791
OPERATING INCOME	59,600	59,268	54,980	49,612	46,327	33,336
Other income, net	68	362	30	713	574	(316)
Interest charges, net	21,001	24,082	21,619	20,130	21,499	22,523
INCOME BEFORE PREFERRED STOCK DIVIDENDS	38,667	35,548	33,391	30,195	25,402	10,497
Preferred stock dividends	1,599	1,629	1,662	2,022	2,464	1,012

INCOME FROM CONTINUING OPERATIONS	37,068	33,919	31,729	28,173	22,938	9,485
Loss from discontinued operations, net	--	(9,134)	545	(1,011)	(691)	(1,091)
Cumulative effect of change in accounting for income taxes	--	--	721	--	--	--
NET INCOME	$ 37,068	$ 24,785	$ 32,995	$ 27,162	$ 22,247	$ 8,394
CAPITALIZATION						
Common stock equity	$ 273,921	$ 258,919	$ 250,163	$ 230,313	$ 214,703	$ 164,731
Redeemable preferred stock	20,880	21,004	22,070	22,340	32,610	32,880
Long-term debt	303,363	352,227	323,590	310,996	251,955	262,737
TOTAL CAPITALIZATION	$ 598,164	$ 632,150	$ 595,823	$ 563,649	$ 499,268	$ 460,348
PROPERTY, PLANT AND EQUIPMENT						
Utility plant	$ 811,484	$ 736,434	$ 691,757	$ 637,580	$ 588,908	$ 552,519
Accumulated depreciation	(196,354)	(182,080)	(168,299)	(155,618)	(141,364)	(127,047)
Real estate properties	45,010	49,509	104,309	102,369	99,522	96,832
Accumulated depreciation	(4,942)	(7,728)	(12,602)	(10,660)	(8,758)	(7,577)
Oil and gas properties	--	--	63,224	64,576	57,398	53,423
Accumulated amortization	--	--	(38,012)	(32,597)	(28,478)	(24,241)
PROPERTY, PLANT AND EQUIPMENT, NET	$ 655,198	$ 596,135	$ 640,377	$ 605,650	$ 567,228	$ 543,909
CAPITAL EXPENDITURES						
Utility plant	$ 48,216	$ 47,286	$ 54,506	$ 53,420	$ 37,864	$ 43,014
Real estate properties	7,862	5,214	2,619	2,869	4,397	6,321
Equity investments	2,937	5,259	462	296	875	2,469
Oil and gas properties	--	1,250	1,517	9,216	5,333	8,016
TOTAL CAPITAL EXPENDITURES	$ 59,015	$ 59,009	$ 59,104	$ 65,801	$ 48,469	$ 59,820
TOTAL ASSETS	$ 855,187	$ 826,364	$ 797,347	$ 738,662	$ 668,605	$ 651,861
COMMON STOCK DATA						
Earnings per share from continuing operations	$ 2.06	$ 1.93	$ 1.86	$ 1.70	$ 1.60	$ .69
Earnings per share	$ 2.06	$ 1.41	$ 1.93	$ 1.64	$ 1.55	$ .61
Dividends declared per share	$ 1.55	$ 1.52	$ 1.52	$ 1.52	$ 1.52	$ 1.50
Payout ratio*	75%	79%	82%	90%	95%	217%
Market price at year end	$ 28.00	$ 25.88	$ 21.13	$ 29.13	$ 22.38	$ 19.75
Dividend yield at year end	5.6%	5.9%	7.2%	5.2%	6.8%	7.7%
Price-earnings ratio	14	18	11	18	14	32
Book value per share	$ 15.15	$ 14.55	$ 14.46	$ 13.69	$ 13.18	$ 11.80
Market to book ratio at year end	1.8	1.8	1.5	2.1	1.7	1.7
Shares outstanding at year end	18,084	17,793	17,303	16,820	16,286	13,965
Average shares outstanding	18,030	17,605	17,096	16,607	14,334	13,750
Number of shareowner accounts	19,423	19,896	19,218	19,319	18,521	17,585
RETURN ON AVERAGE EQUITY*	13.4%	12.8%	12.7%	12.2%	12.7%	5.5%
RETURN ON AVERAGE EQUITY	13.4%	9.3%	13.2%	11.7%	12.3%	4.9%

</TABLE>

*Using income from continuing operations

<TABLE>
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Fiscal years ended September 30,	1996	1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING REVENUES (thousands)						
Residential	$311,081	$282,015	$308,196	$284,638	$263,108	$220,752
Commercial, industrial and other	76,649	76,483	87,958	81,285	73,809	65,048
Firm transportation	13,316	4,864	255	--	--	--
Total residential and commercial	401,046	363,362	396,409	365,923	336,917	285,800
Interruptible and agency	7,438	10,869	15,645	21,115	19,470	30,248
Total system	408,484	374,231	412,054	387,038	356,387	316,048
Off-system	65,904	52,431	68,267	49,549	26,716	1,744
TOTAL OPERATING REVENUES	$474,388	$426,662	$480,321	$436,587	$383,103	$317,792
Throughput (thousands of therms)						
Residential	401,100	339,254	385,144	363,440	347,859	297,106
Commercial, industrial and other	102,518	102,910	119,343	110,468	104,175	90,047
Firm transportation	45,136	16,007	868	--	--	--

Total residential and commercial	548,754	458,171	505,355	473,908	452,034	387,153
Interruptible and agency	98,720	124,256	81,683	75,556	69,311	121,903
Total system throughput	647,474	582,427	587,038	549,464	521,345	509,056
Off-system and capacity release	615,819	625,984	467,275	209,369	118,198	3,880
TOTAL THROUGHPUT	1,263,293	1,208,411	1,054,313	757,833	639,543	512,936
CUSTOMERS AT YEAR END						
Residential	338,906	329,237	318,003	309,215	300,327	292,551
Commercial, industrial and other	21,897	22,199	21,938	21,112	20,307	19,605
Firm transportation	2,002	880	27	--	--	--
Total residential and commercial	362,805	352,316	339,968	330,327	320,634	312,156
Interruptible and agency	40	38	37	36	36	41
Off-system and capacity release	29	23	17	4	4	1
TOTAL CUSTOMERS AT YEAR END	362,874	352,377	340,022	330,367	320,674	312,198
INTEREST COVERAGE RATIO	3.96	3.45	3.63	3.50	3.23	2.08
AVERAGE THERM USE PER CUSTOMER						
Residential	1,184	1,031	1,211	1,175	1,158	1,016
Commercial	4,682	4,636	5,287	5,013	4,899	4,245
DEGREE DAYS	5,715	4,877	5,064	5,048	4,965	4,208
WEATHER AS A PERCENT OF NORMAL	115%	98%	102%	103%	97%	79%
MAXIMUM DAY SENDOUT (thousands of therms)	4,722	4,527	5,320	4,203	3,971	3,707
NUMBER OF EMPLOYEES	827	827	814	795	771	774

</TABLE>

Two-Year Stock History New Jersey Resources Corporation

The range of high and low sales prices as reported in The Wall Street Journal and dividends paid per share were as follows.

<TABLE>
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	1996		1995		Dividends Paid	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Fiscal Quarter	High	Low	High	Low	1996	1995
FIRST	$30 1/2	$24 1/4	$23	$19 3/4	$.38	$.38
SECOND	$29 7/8	$26 3/4	$23 3/8	$21 1/2	$.38	$.38
THIRD	$29 5/8	$26 5/8	$24 1/8	$21 7/8	$.39	$.38
FOURTH	$29 3/8	$26	$25 7/8	$21 7/8	$.39	$.38

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Consolidated

Net income was $37.1 million in 1996, compared with $24.8 million in 1995 and $33 million in 1994. As discussed in Note 2 to the Consolidated Financial Statements--Discontinued Operations, the 1995 results included a loss of $9.1 million, or $.52 per share, associated primarily with exiting the Company's oil and gas production business. Income from continuing operations was $37.1 million, $33.9 million and $31.7 million in 1996, 1995 and 1994, respectively. The increase in income from continuing operations each year was primarily the result of the impact of customer growth and higher margins from emerging markets of New Jersey Natural Gas Company (NJNG), the principal subsidiary of New Jersey Resources Corporation (the Company), and the improved results of the Company's unregulated energy services company, New Jersey Natural Energy Company (NJNE).

Earnings per share were $2.06 in 1996, $1.41 in 1995 and $1.93 in 1994. Earnings per share from continuing operations were $2.06, $1.93 and $1.86 in 1996, 1995 and 1994, respectively.

Dividends declared per share were $1.55 in 1996 and $1.52 in 1995 and 1994.

NJNG OPERATIONS

Federal Energy Regulatory Commission Order No. 636 (Order 636), which was designed to increase competition in the natural gas industry, required interstate pipeline companies to unbundle their sales and transportation services. The transition to a more deregulated interstate pipeline market has provided NJNG the opportunity to purchase and manage its own, specifically tailored gas supply portfolio, and to resell its pipeline capacity to other customers during off-peak periods.

The unbundling process is now being brought to the local distribution company level, whereby NJNG's commercial and industrial customers now have a choice as to their energy supplier and still use NJNG to transport their gas.

NJNG's financial results are summarized as follows:

<TABLE>
<CAPTION>

(Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Gross margin			
Residential and commercial	$147,078	$141,245	$146,778
Film transportation	12,573	4,691	250
Interruptible and agency	610	363	1,844
Off-system and capacity release	4,574	3,974	3,451
Total gross margin	$164,835	$150,273	$152,323
Operating income before income taxes	$ 71,976	$ 67,211	$ 65,663
Net income	$ 35,606	$ 33,703	$ 32,142

</TABLE>

Gross Margin
Gross margin, defined as gas revenues less gas costs and gross receipts and franchise taxes (GRFT), provides a more meaningful basis for evaluating natural gas distribution operations than gross revenues, since gas costs and GRFT are passed through to customers and, therefore, have no effect on earnings. Gas costs are charged to operating expenses on the basis of therm sales at the base and Levelized Gas Adjustment (LGA) cost rates included in NJNG's tariff. The LGA clause allows NJNG to recover gas costs that exceed the level reflected in its base rates. GRFT are also calculated on a per-therm basis and exclude sales to other utilities and off-system sales.

Residential and Commercial
Since fiscal 1993, NJNG's residential and commercial (i.e., firm) gross margin has been subject to a Weather-Normalization Clause (WNC) which provides for a revenue adjustment if the weather varies by more than one-half of one percent from normal, or 10-year average, weather. The accumulated adjustment from one heating season (i.e., October-May) is billed or credited to customers in the subsequent heating season.

Gross margin from sales to firm customers increased by $5.8 million, or 4%, in 1996 due to a 14% increase in firm therm sales and decreased by $5.5 million, or 4%, in 1995 due to a 14% decrease in firm therm sales.

Therm sales to firm customers were 504 million in 1996, compared with 442 million in 1995 and 504 million in 1994. The increase in therm sales in 1996 was due to 17% colder weather and customer growth. The decrease in therm sales in 1995 was due to 4% warmer weather and lower average customer usage which more than offset customer growth. The usage level imbedded in rates is not protected by the WNC.

The weather in 1996 was 15% colder than normal which, due to the WNC, resulted in $11.9 million of gross margin being deferred for future credit to customers. In 1995, warmer-than-normal weather resulted in $1.9 million of gross margin being accrued for recovery from customers in 1996. In 1994, colder-than-normal weather resulted in $2.7 million being deferred and credited to customers in 1995.

NJNG added 10,978 and 12,465 new customers, and converted the heating systems of another 891 and 923 existing customers in 1996 and 1995, respectively. The growth in 1996 represents an annual increase of approximately 22 million therms, or 4%, in sales to firm customers. NJNG remains one of the fastest-growing natural gas distribution companies in the country, and expects to maintain a customer growth rate of more than 3% in the future.

In 1997 and 1998, NJNG expects to add 12,000 and 12,500 new customers, respectively, and convert to natural gas heat an additional 750 existing customers each year. This would result in a sales increase of approximately 19 million therms per year, assuming normal weather and average use, and would increase gross margin under present rates by approximately $6 million per year. Future therm sales will continue to be affected by weather, the economic conditions in NJNG's service territory, conversion activity and other marketing efforts, as well as the conservation efforts of NJNG's customers.

Firm Transportation

At September 30, 1996 and 1995, NJNG provided firm transportation service to 2,002 and 880 commercial and industrial customers, respectively. NJNG transported 45 million therms for its firm customers in 1996, compared with 16 million in 1995. NJNG expects 1,200 more customers to utilize this service in 1997 as the deregulated gas markets continue to develop. NJNG's gross margin should not be impacted by customers who utilize the firm transportation service and purchase their gas from another supplier, as its tariffs are designed such that no profit is earned on the commodity portion of sales to firm customers.

Interruptible and Agency

NJNG services 40 customers through interruptible sales and/or transportation tariffs and through May 31, 1995 served certain of these customers through agency sales agreements. Sales made under the interruptible sales tariff are priced on market-sensitive oil and gas parity rates. Although therms sold and transported to interruptible customers represented 8% of total therm throughput in 1996 and 10% in 1995, they accounted for less than 1% of the total gross margin in each year due primarily to the regulated margin-sharing formulas that govern these sales. Under these formulas, NJNG retains 5% of the gross margin from transportation sales and 10% of the gross margin from interruptible sales, with the balance credited to firm customers through the LGA clause. Interruptible therm sales were 14 million in 1996, compared with 30 million in 1995 and 42 million in 1994. In addition, NJNG transported $85 million, 94 million and 38 million therms in 1996, 1995 and 1994, respectively, for its interruptible customers.

In June 1995, the agency sales function was transferred to NJNE. Gross margin from agency sales agreements totaled $1.4 million in 1994.

Off-System and Capacity Release

In order to reduce the overall cost of its gas supply commitments, NJNG has entered into contracts to sell gas to customers who are outside of its franchise territory. These off-system sales enable NJNG to spread its fixed demand costs, which are charged by pipelines to access their supplies year-round, over a larger and more diverse customer base. NJNG also participates in the capacity release market on the interstate pipeline system when the capacity is not needed for its own system requirements. Effective January 1994, NJNG retains 20% of the gross margin from these emerging markets.

NJNG's off-system sales totaled 238 million therms and generated $1.6 million of gross margin in 1996, compared with 246 million therms and $1.6 million of gross margin in 1995 and 260 million therms and $2.2 million of gross margin in 1994. The gross margin generated by the capacity release program increased to $3 million in 1996, compared with $2.4 million in 1995 and $1.2 million in 1994. The increase in 1996 was due primarily to the impact of colder weather on the value of capacity.

Operating Income before Income Taxes

Operating income before income taxes increased by 7% to $72 million in 1996, as the increase in gross margin more than offset higher operation and maintenance expenses associated primarily with the impact of growth and colder weather on operations. Operating income before income taxes increased by 2% to $67.2 million in 1995, due to lower operation and maintenance expenses resulting primarily from lower health care and inventory costs, which more than offset the decrease in firm margin and the transfer of the agency sales function.

Summary

The 6% increase in NJNG's earnings in 1996 reflected continued customer growth and higher margins from emerging markets. NJNG expects to continue to generate incremental margins from growth in its core markets and aggressively pursue new markets to diversify and improve its demand profile while continuing its cost containment programs, as it remains committed to providing a proper return to its investors. Also, the continuation of the WNC should reduce the variability of both customer bills and NJNG's earnings due to weather fluctuations.

NJNE OPERATIONS

NJNE was formed in 1995 to facilitate the unregulated marketing of natural gas and fuel and capacity management services.

NJNE's financial results are summarized as follows:

<TABLE>

<CAPTION>

(Thousands)	1996	1995
<S>	<C>	<C>
Revenues	$78,869	$23,711
Operating income before income taxes	$ 3,633	$ 1,206
Net income	$ 2,329	$ 783

</TABLE>

NJNE had 1,459 and 808 retail customers at September 30, 1996 and 1995, respectively. Retail sales increased to 8.9 billion cubic feet (bcf) from 4.6 bcf and gross margin from these sales increased to $3.4 million from $1.7 million in 1996 and 1995, respectively, reflecting this customer growth.

In August 1995, NJNE entered into a three-year fuel management agreement with GPU Service Inc. to manage their gas purchases and interstate pipeline capacity. Total gas under management increased to 28.7 bcf, compared with 6.9 bcf, and gross margin from fuel and capacity management services increased to $2.6 million from $437,000 in 1996 and 1995, respectively, reflecting primarily this agreement.

CR&R OPERATIONS

Commercial Realty & Resources Corporation's (CR&R) financial results are summarized as follows:

<TABLE>
<CAPTION>

(Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues	$ 4,272	$12,770	$12,466
Operating income (loss) before income taxes	$ (323)	$ 6,367	$ 5,426
Income (loss) before SFAS 109*	$(1,494)	$ (67)	$ 349
Net income (loss)	$(1,494)	$ (67)	$ 1,009

</TABLE>
*Effective in 1994

In November 1995, CR&R sold certain of its real estate assets for $52.65 million in cash. This transaction required the one-time write-off of unamortized commissions and other costs totaling $1.8 million, which is reflected in operating income (loss) before income taxes. The transaction also included the issuance of options to the buyer to purchase adjacent undeveloped land parcels at various prices.

In December 1995, CR&R sold a 157,000-square foot office building for $31.85 million in a sale-leaseback transaction. CR&R's pre-tax gain on this transaction was $17.8 million, which is included in Deferred revenue and is being amortized over 25 years in accordance with generally accepted accounting principles. The primary tenant of the facility, NJNG, is leasing the building under a long-term master lease agreement and will continue to occupy a majority of the space in the building. Prior to the transaction, NJNG leased about 79% of the building under a long-term lease.

In September 1996, CR&R entered into a contract to sell 11 acres of undeveloped land for $550,000. This transaction is expected to close in the first quarter of fiscal 1997 and resulted in a pre-tax loss in 1996 of $560,000.

CR&R's completed space totaled 260,000 square feet at September 30, 1996, compared with 914,200 square feet in each of the prior two years. The occupancy rate of CR&R's total portfolio at September 30, 1996 was 100%.

CR&R's earnings before the effect of SFAS 109 (See Note 7) decreased by $416,000 in 1995, as expenses associated with evaluating CR&R's strategic alternatives more than offset lower interest costs realized from refinancing activity.

NJR ENERGY OPERATIONS

See Note 2 to the Consolidated Financial Statements -- Discontinued Operations for a discussion of the Company's decision to exit the oil and gas production business and account for this segment as a discontinued operation. NJR Energy

Corporation's (NJR Energy) continuing operations consist of its equity investments in the Iroquois Gas Transmission System, L.P. (Iroquois) and the Market Hub Partners, L.P. (MHP).

NJR Energy's financial results from continuing operations are summarized as follows:

<TABLE>
<CAPTION>

(Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues	$ 2,207	$ 557	$ 765
Operating income before income taxes	$ 2,035	$ 27	$ 99
Net income (loss)	$ 555	$(1,185)	$ (712)

</TABLE>

The higher earnings in 1996 reflect improved results from its investment in Iroquois and decreased interest expense. All periods include interest expense related to debt remaining after the sale of its oil and gas reserves as discussed in Note 2. NJR Energy plans to further reduce such debt from the cash flow generated by its equity investments. NJR Energy's 1995 results included a provision of $560,000 related to its investment in Iroquois.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated

The Company meets the common equity requirements of each subsidiary, if any, through new issuances of its common stock, including the proceeds from its Automatic Dividend Reinvestment Plan (DRP). In April 1996, the DRP was amended to allow for the purchase of shares in the open market to satisfy the plan's needs. Effective July 1, 1996, shares needed for the DRP were purchased on the open market. The Company can switch funding options every 90 days. During 1996, the Company raised $5.7 million from its DRP, compared with $10.8 million in 1995 and $12.1 million in 1994. The Company provides the debt requirements for its unregulated companies, while NJNG satisfies its debt needs by issuing short-term and long-term debt based upon its own financial profile.

It is the Company's objective to maintain a consolidated capital structure that reflects the different characteristics of each business segment and provides adequate financial flexibility for accessing capital markets as required. Based upon its existing mix of investments, it is the Company's goal to maintain a common equity ratio in a range of 45% to 50%.

In order to meet the working capital and external debt financing requirements of the unregulated companies, as well as its own working capital needs, the Company maintains committed credit facilities totaling $135 million with a number of banks and has a $10 million credit facility available on an offering basis.

At September 30, the Company's consolidated capital structure was as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Common stock equity	46%	41%
Preferred stock	3	3
Long-term debt	51	56
Total	100%	100%

</TABLE>

NJNG

The seasonal nature of NJNG's operations creates large short-term cash requirements, primarily to finance gas purchases and customer accounts receivable. NJNG obtains working capital for these requirements, as well as for the temporary financing of construction expenditures, sinking fund needs and GRFT payments through the issuance of commercial paper and short-term bank loans. To support the issuance of commercial paper, NJNG maintains committed credit facilities totaling $65 million with a number of commercial banks and has an additional $20 million in lines of credit available on an offering basis.

Capital Requirements
NJNG's capital requirements for 1994 through 1996 and projected amounts through 1998 are as follows:

(thousands)	Construction expenditures	Maturities and redemption of long-term debt	Redemption of preferred stock	Total
1994	$ 54,506	$ 14,064	$ 270	$ 68,840
1995	$ 47,286	$ 34,564	$ 1,066	$ 82,916
1996	$ 48,216	$ 7,364	$ 124	$ 55,704
1997	$ 54,200	$ 8,180	$ 120	$ 62,500
1998	$ 50,000	$ 13,500	$ 120	$ 63,620

The level of construction expenditures results primarily from the need for services, mains and meters to support NJNG's continued customer growth, and general system renewals and improvements. Optional redemption activity included $6 million of First Mortgage Bonds in 1996, $31 million of First Mortgage Bonds and $796,000 of preferred stock in 1995 and $10.5 million of First Mortgage Bonds in 1994. Based on current market conditions, NJNG expects to optionally redeem the remaining $8.2 million balance of its 8.5% Series P Bonds in 1997 and $13.5 million of its 9% Series Q Bonds in 1998.

Financing

(Thousands)	1996	1995	1994
Cash flow	$ 66,955	$ 59,778	$ 65,619
External financing			
Common stock	$ 5,037	$ 9,619	$ 10,887
Long-term debt	$ 26,000	$ 53,500	$ 44,500

Cash flow, defined as net income adjusted for depreciation, amortization of deferred charges and the change in deferred income taxes, represents the cash generated from operations available for capital expenditures, dividends, working capital and other requirements. Cash flow increased by 12% in 1996 due primarily to higher earnings and higher deferred tax benefits. Cash flow decreased by 9% in 1995 due to the reversal of certain deferred tax benefits, which more than offset higher earnings.

NJNG's external financing requirements in 1997 and 1998 are expected to average about $33 million annually and are expected to be met through additional issuances of short-term and long-term debt. The timing and mix of these issuances will be geared toward maintaining a common equity ratio in a range of 50% to 55%, which is consistent with maintaining NJNG's current short-term and long-term credit ratings and providing access to external capital.

NJNE

NJNE's financing requirements, if any, are met by the Company's committed credit facilities. NJNE generated cash flow of $2.6 million and $431,000 in 1996 and 1995, respectively, and as of September 30, 1996 had not made any significant capital investments. Accordingly, NJNE did not require any external financing as of September 30, 1996.

CR&R

CR&R's capital requirements and financing activity for 1994 through 1996 were as follows:

(Thousands)	1996	1995	1994
Capital expenditures	$ 7,862	$ 5,214	$ 2,619
Cash flow	$ (11,490)	$ 2,611	$ 3,987

External financing			
Long-term debt	$(58,379)	$ 2,302	$ (1,734)

</TABLE>

Proceeds from asset sales in 1996 totaled $84.5 million, which, net of related taxes and expenses, were used by the Company to reduce debt. CR&R's negative cash flow in 1996 reflects the decrease in deferred taxes related to these sales.

CR&R's future capital expenditures will be limited to the fit-up of existing tenant space, the development of existing acreage and additional investments, as approved by the Board of Directors, made for the purpose of preserving the value of particular real estate holdings.

Under these parameters, in 1994 the Board of Directors approved the construction of a 76,300 square foot flex building on 10 acres of land in its Monmouth Shores Corporate Park (MSCP) which was completed in 1996 and is 100% occupied. The total project cost was $6.8 million. CR&R is also constructing a 98,000 square foot addition to an existing building at a cost of approximately $5.4 million. This additional space has been pre-leased and is expected to be completed in January 1997. CR&R currently has 193 acres of undeveloped land.

External financing activity in 1994 included the refinancing of CR&R's 11 5/8%, $13.8 million mortgage. Funds for this refinancing were obtained from the Company's bank credit facilities.

Capital expenditures are projected to be $1.2 million in 1997 in connection with the completion of the above-mentioned addition. Such expenditures are expected to be funded through internal generation and the Company's committed credit facilities.

NJR ENERGY

NJR Energy's capital requirements and financing activity for 1994 through 1996 were as follows:

(Thousands)	1996	1995	1994
Capital expenditures and equity investments	$ 2,937	$6,509	$1,979
Cash flow	$ (1,174)	$4,875	$4,783
External financing			
Common stock	$ 600	$1,200	$1,200
Long-term debt	$(16,073)	$ (582)	$(5,179)

Proceeds from the sale of NJR Energy's oil and gas reserves totaled $19.6 million in 1996, which, net of related taxes and expenses, were used by the Company to reduce debt. NJR Energy's negative cash flow in 1996 reflects the decrease in deferred taxes related to these sales.

NJR Energy formed NJR Storage Corporation (Storage) in December 1994 to participate in MHP, which is expected to develop, own and operate a system of five natural gas market centers with high-deliverability salt cavern storage facilities. The market centers are expected to be strategically located in Texas, Louisiana, Mississippi, Michigan and Pennsylvania. As of September 30, 1996, Storage's 5.67% equity investment in MHI totaled $8 million.

Effects of Inflation

Under the ratemaking process, the recovery of utility plant costs through depreciation and the allowed return on plant investment are limited to levels based upon the historical cost of utility plant, which is significantly less than current replacement costs. The Company believes, based on past practices, that NJNG will be allowed to earn on the increased cost of its investment when replacement of the facilities is included in rate base. The Company's other operations have not been significantly affected by inflation.

New Accounting Standards

See Note 1 to the Consolidated Financial Statements for a discussion of new accounting standards.

Summary

The Company is confident that it will have adequate cash flow and proper access to both the short-term and long-term capital needed to meet the projected

capital and dividend requirements of each subsidiary. The Company and NJNG will also explore various alternatives to take advantage of favorable interest rates and its share repurchase program to reduce their overall cost of capital. In addition, NJNG is committed to providing quality service to its customers and a fair return to the Company's shareowners, without the need for base rate increases. The Company will continue to take steps to align its asset base with its new strategic direction, which is focused on its core natural gas distribution, emerging markets, retail marketing and wholesale energy businesses.

Certain matters discussed in this annual report are "forward-looking statements" intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such statements address future plans, objectives, expectations and events concerning various matters such as capital expenditures, earnings, litigation, rate and other regulatory matters, liquidity and capital resources, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements, by reason of factors such as gas industry restructuring, including ongoing state and federal activities, future economic conditions, legislation, regulation, competition, and other circumstances affecting anticipated rates, revenues and costs.

Financial Statement Responsibility — New Jersey Resources Corporation

The management of New Jersey Resources Corporation and its subsidiaries is responsible for the integrity and objectivity of the financial statements and related disclosures of the Company. These statements and disclosures have been prepared using management's best judgment and are in conformity with generally accepted accounting principles applied on a consistent basis. The financial statements have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report.

To meet its responsibilities with respect to financial information, management maintains and enforces a system of financial accounting controls, which is designed to give reasonable assurance as to the reliability of the financial records and the protection of assets. This system is augmented by written policies and procedures, an organizational structure that provides for appropriate division of responsibility and careful selection and training of personnel.

This system is also tested by the Company's Internal Audit Department. Management believes the system is effective and provides reasonable assurance that all transactions are properly recorded.

In addition, the Company has a Code of Conduct that requires all employees to maintain the highest level of ethical standards and requires key management personnel to formally declare their compliance with the Code annually.

The Board of Directors, through its Audit Committee, which is currently composed of eight outside directors, oversees management's responsibilities for accounting, internal controls and financial reporting. The Audit Committee meets periodically with management, the internal auditors and independent auditors to discuss auditing and financial matters and to assure that each is carrying out its responsibilities. Both the internal and independent auditors have access to the Audit Committee at any time.

Independent Auditors' Report — [Deloitte & Touche LLP Logo]

To the Shareowners and Board of Directors of New Jersey Resources Corporation:
We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of New Jersey Resources Corporation and its subsidiaries as of September 30, 1996 and 1995 and the related consolidated statements of income, common stock equity and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all

material respects, the financial position of the companies at September 30, 1996 and 1995 and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

We have also previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheets and consolidated statements of capitalization as of September 30, 1994, 1993, 1992, and 1991, and the related consolidated statements of income, common stock equity and cash flows for the years ended September 30, 1993, 1992 and 1991 (none of which are presented herein) and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth in the Selected Financial Data for each of the six years in the period ended September 30, 1996 for the Company, presented on page 24, is fairly stated on all material respects, in relation to the consolidated financial statements from which it has been derived.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey

October 28, 1996

<TABLE>
<CAPTION>

Fiscal years ended September 30,	1996	1995	1994
OPERATING REVENUES	$548,512	$454,593	$497,075
OPERATING EXPENSES			
Gas purchases	327,991	251,086	286,352
Operation and maintenance	69,488	59,233	64,194
Depreciation and amortization	23,229	23,022	21,236
Gross receipts tax, etc.	49,533	46,017	53,744
Federal income taxes	18,671	15,967	16,569
Total operating expenses	488,912	395,325	442,095
OPERATING INCOME	59,600	59,268	54,980
OTHER INCOME, NET	68	362	30
INTEREST CHARGES, NET			
Long-term debt	20,123	22,630	20,413
Short-term debt and other	878	1,452	1,206
Total interest charges, net	21,001	24,082	21,619
INCOME BEFORE PREFERRED STOCK DIVIDENDS	38,667	35,548	33,391
Preferred stock dividends	1,599	1,629	1,662
INCOME FROM CONTINUING OPERATIONS	37,068	33,919	31,729
Discontinued Operations			
Loss from operations, net	--	(439)	545
Loss from disposal, less income tax benefits of $4,681	--	(8,695)	--
Cumulative effect of change in accounting for income taxes	--	--	721
NET INCOME	$ 37,068	$ 24,785	$ 32,995
EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS	$ 2.06	$ 1.93	$ 1.86
Loss from discontinued operations	--	(.52)	.03
Cumulative effect of change in accounting for income taxes	--	--	.04
EARNINGS PER COMMON SHARE	$ 2.06	$ 1.41	$ 1.93
DIVIDENDS PER COMMON SHARE	$ 1.55	$ 1.52	$ 1.52
AVERAGE SHARES OUTSTANDING	18,030	17,605	17,096

</TABLE>

Consolidated Statements of Common Stock Equity
(Thousands)

<TABLE>
<CAPTION>

<S>	<C> Number of Shares	<C> Common Stock	<C> Premium on Common Stock	<C> Treasury Stock and Other	<C> Retained Earnings
BALANCE AT SEPTEMBER 30, 1993	16,820	$ 42,050	$182,996	$ (750)	$ 6,017
Net income					32,995
Common stock issued under stock plans	483	1,206	10,918		
Cash dividends declared					(26,019)
Reduction of ESOP term loan and other				750	
BALANCE AT SEPTEMBER 30, 1994	17,303	43,256	193,914	--	12,993
Net income					24,785
Common stock issued under stock plans	490	1,225	9,585		
Cash dividends declared					(26,790)
Unearned compensation				(49)	
BALANCE AT SEPTEMBER 30, 1995	17,793	44,481	203,499	(49)	10,988
Net income					37,068
Common stock issued under stock plans	325	814	6,017		
Cash dividends declared					(27,969)
Treasury stock and other	(34)			(928)	
BALANCE AT SEPTEMBER 30, 1996	18,084	$ 45,295	$209,516	$ (977)	$ 20,087

</TABLE>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(Thousands) New Jersey Resources Corporation

<TABLE>
<CAPTION>

<S> Fiscal years ended September 30,	<C> 1996	<C> 1995	<C> 1994
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 37,068	$ 24,785	$ 32,995
Adjustments to reconcile net income to cash flows			
Depreciation and amortization	23,229	27,280	27,595
Amortization of deferred charges	3,385	2,022	2,701
Deferred income taxes	(7,211)	6,523	14,075
Loss from disposal of discontinued operations	--	8,695	--
Cumulative effect of change in accounting for income taxes	--	--	(721)
Changes in working capital	3,232	9,458	(30,711)
Other, net	(1,924)	(480)	(4,494)
Net cash flows from operating activities	57,779	78,283	41,440
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	20,000	67,000	50,250
Proceeds from common stock	6,868	10,819	12,087
Payments of long-term debt	(81,564)	(35,238)	(28,580)
Payments of preferred stock	(124)	(1,066)	(270)
Payments of common stock dividends	(27,663)	(26,605)	(25,836)
Net change in short-term debt	(1,400)	(30,600)	(12,100)
Net cash flows (used in) from financing activities	(83,883)	(15,690)	19,751
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Expenditures for			
Utility plant	(48,216)	(47,286)	(54,506)
Real estate properties	(7,862)	(5,214)	(2,619)
Equity investments	(2,937)	(5,259)	(462)
Oil and gas properties	--	(1,250)	(1,517)
Cost of removal	(3,757)	(4,470)	(4,875)

Proceeds from sale of assets	98,619	--	3,184
Net cash flows from (used in) investing activities	35,847	(63,479)	(60,795)
Net change in cash and temporary investments	9,743	(886)	396
Cash and temporary investments at beginning of the year	1,065	1,951	1,555
Cash and temporary investments at end of the year	$10,808	$ 1,065	$ 1,951
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Construction Fund	$ 6,000	$(12,500)	$ --
Receivables	(4,805)	(1,486)	(4,055)
Inventories	(11,630)	5,480	3,747
Deferred gas costs	(3,380)	12,353	(6,560)
Purchased gas	2,402	14,154	(9,865)
Accrued and prepaid taxes, net	(734)	(4,895)	(19,193)
Customers' credit balances and deposits	7,805	1,560	2,841
Other, net	7,574	(5,208)	2,374
Total	$ 3,232	$ 9,458	$(30,711)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION			
Cash paid during the year for			
Interest (net of amount capitalized)	$18,198	$ 23,067	$ 19,455
Income taxes	$24,781	$ 8,426	$ 6,734
Non-cash investing and financing activities			
Capital lease	$31,850	--	--

The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>
<CAPTION>
(Thousands)

September 30,	1996	1995
<S>	<C>	<C>
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Utility plant at cost	$ 811,484	$ 736,434
Real estate properties, at cost	45,010	49,509
	856,494	785,943
Accumulated depreciation and amortization	(201,296)	(189,808)
Property, plant and equipment, net	655,198	596,135
CURRENT ASSETS		
Cash and temporary investments	10,808	1,065
Construction fund	6,500	12,500
Customer accounts receivable	27,900	23,598
Unbilled revenues	6,884	6,366
Allowance for doubtful accounts	(878)	(422)
Gas in storage, at average cost	39,484	26,703
Materials and supplies, at average cost	7,292	8,443
Prepaid state taxes	16,297	18,041
Deferred gas costs	20,478	17,098
Assets held for sale, net	--	66,997
Other	5,197	5,512
Total current assets	139,962	185,901
DEFERRED CHARGES AND OTHER		
Equity investments	13,924	10,709
Regulatory assets	37,150	22,934
Other	8,953	10,685
Total deferred charges and other	60,027	44,328
TOTAL ASSETS	$ 855,187	$ 826,364

CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Common stock equity	$ 273,921	$ 258,919
Redeemable preferred stock	20,880	21,004
Long-term debt	303,363	352,227
Total capitalization	598,164	632,150
CURRENT LIABILITIES		
Current maturities of long-term debt	1,501	2,364
Short-term debt	35,000	16,400
Purchased gas	33,638	31,236
Accounts payable and other	32,183	24,924
Dividends payable	7,066	6,761
Accrued taxes	6,032	8,510
Customers' credit balances and deposits	23,845	16,040
Total current liabilities	139,265	106,235
DEFERRED CREDITS		
Deferred income taxes	52,010	51,851
Deferred investment tax credits	11,280	11,628
Deferred revenue	21,816	3,300
Other	32,652	21,200
Total deferred credits	117,758	87,979
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
TOTAL CAPITALIZATION AND LIABILITIES	$ 855,187	$ 826,364

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>
<CAPTION>

September 30,	1996	1995
<S>	<C>	<C>
COMMON STOCK EQUITY		
Common stock, $2.50 par value, authorized 50,000,000 shares; issued shares 1996, 18,117,562; 1995, 17,792,517	$ 45,295	$ 44,481
Premium on common stock	209,516	203,499
Treasury stock at cost and other; 1996, 33,400 shares	(977)	(49)
Retained earnings	20,087	10,988
Total common stock equity	273,921	258,919
REDEEMABLE PREFERRED STOCK		
New Jersey Natural Gas Company		
$100 par value, cumulative; authorized shares 1996, 518,800; 1995, 520,045, outstanding shares		
4-3/4% series - 1995, 45	--	4
5.65% series - 1996, 8,800; 1995, 10,000	880	1,000
7.72% series - 1996 and 1995, 200,000	20,000	20,000
Total redeemable preferred stock	20,880	21,004

</TABLE>

LONG-TERM DEBT

<TABLE>
<CAPTION>

New Jersey Natural Gas Company First mortgage bonds		Maturity Date		
<S>	<C>	<C>	<C>	<C>
10%	Series N	May 1, 2001	--	5,000
8.5%	Series P	March 1, 2002	6,818	8,182
9%	Series Q	December 1, 2017	13,500	13,500
10.10%	Series S	June 1, 2009	20,000	20,000
7.05%	Series T	March 1, 2016	9,545	9,545
7.25%	Series U	March 1, 2021	15,000	15,000
7.50%	Series V	December 1, 2002	25,000	25,000

5-3/8%	Series W	August 1, 2023	10,300	10,300
6.27%	Series X	November 1, 2009	30,000	30,000
6.25%	Series Y	August 1, 2024	10,500	10,500
8.25%	Series Z	October 1, 2004	25,000	25,000
Variable	Series AA	August 1, 2030	25,000	25,000
Variable	Series BB	August 1, 2030	16,000	16,000
6.88%	Series CC	October 1, 2010	20,000	--
Capital lease obligation			31,700	--
Short-term debt refinanced			--	20,000
Total			258,363	233,027
New Jersey Resources Corporation				
Revolving credit agreements, at floating rates		October 1, 1997 - January 1, 1999	45,000	119,200
Total long-term debt			303,363	352,227
TOTAL CAPITALIZATION			$598,164	$632,150

</TABLE>

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

New Jersey Resources Corporation (the Company) is an energy services holding company providing retail and wholesale natural gas and related energy services to customers in 17 states from Texas to New York. Its principal subsidiary, New Jersey Natural Gas Company (NJNG), provides regulated natural gas energy services and other energy-related services in central and northern New Jersey and participates in capacity release and off-system sales programs. Other subsidiaries include: New Jersey Natural Energy Company (NJNE), an unregulated marketer of natural gas and fuel and capacity management services, Commercial Realty and Resources Corp. (CR&R), a commercial office real estate developer, and NJR Energy Corporation (NJR Energy), an investor in energy-related ventures.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated.

Regulatory Accounting

NJNG maintains its accounts in accordance with the Uniform System of Accounts as prescribed by the New Jersey Board of Public Utilities (the BPU). As a result of the ratemaking process, the accounting principles applied by NJNG differ in certain respects from those applied by unregulated businesses.

Utility Plant and Depreciation

Depreciation is computed on a straight-line basis for financial statement purposes, using rates based on the estimated average lives of the various classes of depreciable property. The composite rate of depreciation was 3.12% of average depreciable property in 1996, 3.05% in 1995 and 3% in 1994. When depreciable properties are retired, the original cost thereof, plus cost of removal less salvage, is charged to accumulated depreciation.

Utility Revenues

Customers are billed through monthly cycle billings on the basis of one month's actual or estimated usage. Revenues are based upon service rendered.

Gas Purchases

NJNG's tariff includes a Levelized Gas Adjustment (LGA) clause, which is normally revised on an annual basis. Under this clause, NJNG projects its cost of gas, net of supplier refunds and credits from non-firm sales and transportation activities, over the subsequent 12 months and recovers the excess, if any, of such projected costs over those included in its base rates through monthly levelized charges to customers. Any under- or over-recoveries are deferred and reflected in the LGA clause in the subsequent year.

Gross Receipts Tax, Etc.

Gross receipts tax, etc. consists principally of New Jersey gross receipts and franchise taxes (GRFT), which are eventually paid to the municipalities in which NJNG has utility plant facilities, and a surtax paid to the state. These taxes are calculated on a per-therm basis and are paid in lieu of personal property and state income taxes. Such amounts represent approximately 90% of the Gross receipts tax, etc. figures.

Federal Income Taxes

Through September 30, 1993, deferred federal income taxes were provided for timing differences between book and taxable income, except that NJNG provided such taxes only to the extent permitted for ratemaking purposes. Effective October 1, 1993, deferred federal income taxes are calculated in conformance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes" (SFAS 109) (See Note 7: Federal Income Taxes).

Investment tax credits have been deferred and are being amortized as a reduction to the tax provision over the average lives of the related property.

Capitalized Interest

The Company's capitalized interest totaled $1.4 million in 1996 and $2.6 million in 1995 and 1994.

Financial Instruments and Risk Management

Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized in income or as adjustments of carrying amounts when the hedged transaction occurs (See Note 10: Financial Instruments and Risk Management).

Regulatory Assets

Regulatory Assets at September 30, 1996 and 1995 consist of the following items that are being amortized through rates over remaining time periods ranging from 1 to 7 years, except for $28.3 million of projected remediation costs, without any return on the unamortized balances.

(Thousands)	1996	1995
Remediation costs (Note 11).....	$34,342	$19,632
Postretirement costs (Note 9).....	2,235	1,474
Other.....	573	1,828
Total.....	$37,150	$22,934

Included in Other Deferred Credits are the following items:

(Thousands)	1996	1995
Remediation costs (Note 11).....	$28,300	$14,000
Postretirement costs (Note 9).....	2,302	1,594
Total.....	$30,602	$15,594

Statements of Cash Flows

For purposes of reporting cash flows, all temporary investments with maturities of three months or less are considered cash equivalents.

New Accounting Standards

In 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121), which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing this review an undiscounted operating cash flow before interest test is used and any resulting impairment required would be measured based on the fair value of the asset. The Company is evaluating the requirements of SFAS 121 which must be adopted by fiscal 1997 and currently believes that it will not have a material impact on its consolidated financial condition or results of operations.

In 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 125), which established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. Under SFAS 123 the Company may either adopt the new fair value-based accounting method or continue the intrinsic value-based method established in Accounting Principles Board Opinion No. 25 and provide pro forma disclosures of net income and earnings per share as if the accounting provisions of SFAS 123 had been adopted. The Company plans to adopt only the disclosure requirements of SFAS 123, which must be adopted by fiscal 1997. Therefore, such adoption will have no effect on the Company's consolidated financial condition or results of operations.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year reporting.

Use of Estimates

The consolidated financial statements of the Company include estimates and assumptions of certain assets, liabilities, revenues and expenses and the disclosure of certain contingent assets and liabilities. Actual future results may differ from such estimates.

2. DISCONTINUED OPERATIONS

In 1995, the Company adopted a plan to exit the oil and natural gas production business and pursue the sale of the reserves and related assets of its affiliates, NJR Energy and New Jersey National Resources Company. The Company accounted for this segment as a discontinued operation and recorded a loss from the disposal of $9.1 million, or $.52 per share. This charge was based on losses during the year prior to discontinued operations status, estimates of the anticipated loss from operations until the assets were sold, the estimated loss on the sale of the remaining reserves, and other costs related in the closing of its offices in Dallas and Tulsa. The Company completed the sale of its oil and gas properties in 1996 for $19.6 million and used the proceeds to reduce outstanding debt. Based upon the results of the asset sales and costs incurred to date, the Company currently estimates that the reserve established in 1995 for the discontinued operations is adequate.

In 1995, the Company announced that its efforts in the wholesale electric power generation market would be focused on gas sales and fuel management services, rather than seeking long-term investments in gas-fired generating facilities. Accordingly, the Company accounted for its subsidiary in this business as discontinued operation.

The 1994 results from discontinued operations included an after-tax gain of $2.1 million from the termination of a power purchase agreement, partially offset by losses from the oil and gas operations.

3. COMMON STOCK

At September 30, 1996, there were 2,077,264 shares reserved for issuance under the Company's Automatic Dividend Reinvestment, Employee Stock Ownership and Retirement Savings Plan.

A total of 750,000 shares are reserved for issuance to key employees under the Executive Long-Term Incentive Compensation Plan (the Plan) at the discretion of the Board of Directors. At September 30, 1996, there were 483,786 shares reserved for issuance or grant under the plan. All options granted under the Plan have been non-qualified stock options, allow for the purchase of common stock at prices equal to the average market value for the 20 trading days preceding the date of grant, vest over four years and must be exercised within 10 years.

A total of 175,000 shares are reserved for issuance to outside directors under the Restricted Stock and Stock Option Program for Outside Directors (the Program). Under the Program, each Director received an award of 200 shares of restricted stock which vests evenly over four years. Each director was also granted 5,000 options and will receive an annual grant of 1,000 options. In 1996, a total of 600 shares were issued and 150 shares were forfeited. At September 30, 1996, there were 85,950 shares reserved for issuance or grant under the Program. All options granted under the Program allow for purchase of common stock at prices equal to the closing price on the date of grant, vest over five years and must be exercised within 10 years.

****

The following table summarizes the stock option activity for the past three

years:

<TABLE>
<CAPTION>

(Thousands)	Shares	Price Range
<S>	<C>	<C>
Outstanding at September 30, 1993	90,936	$ 19.01 - $ 22.25
Granted	57,222	26.00
Exercised	(1,220)	22.25
Forfeited	(8,449)	22.25 - 26.00
Outstanding at September 30, 1994	138,489	19.01 - 26.00
Granted	139,672	22.875 - 24.375
Forfeited	(68,094)	19.01 - 26.00
Outstanding at September 30, 1995	210,067	19.01 - 26.00
Granted	148,750	27.75 - 29.00
Exercised	(54,027)	19.01 - 26.00
Forfeited	(33,994)	22.25 - 27.75
Outstanding at September 30, 1996	270,796	$ 22.25 - $ 29.00
Exercisable at September 30, 1996	43,969	$ 22.25 - $ 26.00

</TABLE>

In September 1996, the Board of Directors authorized the repurchase of up to one million of the Company's common shares and the Company repurchased 33,400 shares of its common stock at a cost of $933,000.

4. REDEEMABLE PREFERRED STOCK

Under the terms of its preferred stock agreements, NJNG purchases 1,200 shares of the 5.65% series annually at par plus accumulated dividends. The series is redeemable at NJNG's option for $102 per share plus accumulated dividends at any time. In 1996 and 1995, NJNG redeemed a total of 45 and 9,455 shares, respectively, of the 4 3/4% series. The 7.72% series is subject to mandatory redemption in 2001 at par and optional redemption from 1998 to 2000 at prices declining from $101.72 to $100 per share plus accumulated dividends.

Preferred stockholders are entitled to one vote per share on all NJNG matters and have priority as to dividends. The agreements prohibit the distribution of common stock dividends unless NJNG is in compliance with all their provisions. In addition, whenever preferred dividends are in arrears in an amount equal to four quarterly dividends, preferred stockholders may elect a number of directors necessary to constitute one less than a majority of NJNG's Board of Directors, until such dividends are paid in full.

The Company has 400,000 shares of authorized and unissued $100 par value preferred stock. The Company has created and reserved for issuance 50,000 shares of Series A Junior Participating Cumulative Preferred Stock (Series A Stock) in connection with the adoption of the Company's shareholder rights plan.

On July 31, 1996, the Board of Directors adopted a shareholder rights plan that provides for the distribution of one right for each share of common stock outstanding on August 15, 1996. Each right entitles its holder to purchase 1/1000 of one share of the Series A Stock at an exercise price of $55.

The rights plan provides that after a person or group acquires 10% or more of the Company's common stock, each of the rights, except for the holder of the 10%, becomes the right to acquire shares of the Company's common stock having a market value equal to twice the exercise price. If a person or group acquires at least 10%, but less than 50%, the Board of Directors may exchange each right for one share of the Company's common stock. The rights may be redeemed for $.01 per right at any time prior to the first public announcement or communication to the Company that a person or group has crossed the 10% threshold.

5. LONG-TERM DEBT, DIVIDENDS AND RETAINED EARNINGS RESTRICTIONS

Annual redemption requirements for the next five years are as follows: 1997, $1.5 million; 1998, $21.4 million; 1999, $28.2 million; 2000 and 2001, $3.2 million.

NJNG's mortgage secures its first mortgage bonds and represents a lien on substantially all its property, including gas supply contracts. Certain indentures supplemental to the mortgage include restrictions as to cash dividends and other distributions on NJNG's common stock, which restrictions

apply so long as certain series of first mortgage bonds are outstanding. Under the most restrictive provision, approximately $35.5 million of NJNG's retained earnings was available at September 30, 1996.

In October 1993, NJNG received approval from the BPU to issue up to $75 million under a Medium-Term Note (MTN) Program. In October 1995, NJNG issued $20 million of its 6 7/8% Series CC First Mortgage Bonds due 2010 under the MTN Program and used the proceeds to reduce its outstanding short-term debt. Accordingly, at September 30, 1995, $20 million of short-term debt was reclassified as long-term debt for financial reporting purposes.

In August 1995, NJNG entered into a loan agreement with the New Jersey Economic Development Authority (the Authority) under which the Authority loaned to NJNG the proceeds from the Authority's $16 million Natural Gas Facilities Revenue Bonds, Series 1995B (the EDA Bonds). The rates of interest on the EDA Bonds are variable, currently set at a daily mode, and may be changed from time to time by NJNG to daily, weekly, flexible or long-term interest rate modes, not to exceed 12% per annum, and mature on August 1, 2030. To provide initial liquidity support for the mandatory and optional tender provisions of the EDA Bonds, NJNG also entered into a standby bond purchase agreement with a bank. To secure its loan from the Authority, NJNG issued $3.5 million of its First Mortgage Bonds, Adjustable Rate Series BB (Series BB Bonds), with interest rates and maturity dates similar to those of the EDA Bonds.

The remaining proceeds from the EDA Bonds were deposited into a project construction fund with the indenture trustee for the EDA Bonds. NJNG may obtain such funds in reimbursement of its qualified expenditures relating to the project upon delivering an equivalent amount of its Series BB Bonds to the indenture trustee. In August 1996, NJNG issued an additional $6 million of its Series BB Bonds and received the proceeds from the construction fund. The $9.5 million of outstanding Series BB Bonds, together with the remaining $6.5 million of proceeds from the EDA Bonds in the project construction fund, are held as security for the EDA Bonds.

In August 1996, NJNG redeemed the outstanding $6 million balance of its 10% Series N First Mortgage Bonds due 2001.

In December 1995, the BPU approved NJNG's petition to enter into a master lease agreement for its headquarters building for a 25.5 year term that ends in 2021, with two five-year renewal options. The present value of the agreement's minimum lease payments totaled $31.7 million at September 30, 1996, and is reflected as both a capital lease and a capital lease obligation, which are included in Utility Plant and Long-Term Debt, respectively, in the Consolidated Balance Sheets at September 30, 1996. In accordance with its ratemaking treatment, NJNG records rent expense as if the lease was an operating lease. Minimum annual lease payments are $2.3 million in 1997 through 1999, $2.4 million in 2000 and $2.6 million in 2001, with $63.3 million over the remaining term of the lease. Approximately 21% of the building, representing approximately $100,000 of minimum annual lease payments through 1999, is presently subleased to other tenants.

The Company has six committed revolving credit agreements totaling $135 million which provide for bank loans at negotiable rates at or below the prime rate. At September 30, 1996, a total of $45 million was outstanding under these agreements, of which $20 million matures in 1998 and $25 million matures in 1999.

The Company had two interest rate swap agreements, having an aggregate notional amount of $45 million, to eliminate the impact of changes in interest rates on a portion of its floating rate long-term debt. The agreements effectively fixed the Company's interest rate on $15 million of its floating rate revolving credit facilities at 9.5% through 1999 and on $30 million of its floating rate debt at 9% through 1996. In April 1996, the Company terminated its $30 million swap agreement at a cost of $548,000, which is being amortized over the original term of the swap agreement. In the event of nonperformance by the counterparty, the Company's interest cost on the $15 million of long-term debt would revert to a floating rate based on a three- or six-month LIBOR. However, the Company does not anticipate nonperformance by the counterparty.

The Company's remaining long-term debt outstanding under revolving credit agreements at September 30, 1996 and 1995 totaled $30 million and $74.2 million, with a weighted average interest rate of 5.7% and 6.3%, respectively.

6. SHORT-TERM DEBT AND CREDIT FACILITIES

Committed credit facilities of NJNG support the issuance of commercial paper and provide for bank loans at negotiable rates at or below the prime rate.

These credit facilities total $65 million and require commitment fees on the unused amounts. In addition, the Company has $10 million and NJNG has $20 million in lines of credit that are available on an offering basis without payment of a commitment fee. A comparison of pertinent data follows:

(Thousands)	1996	1995	1994
Bank credit facilities	$65,000	$65,000	$71,000
Maximum amount outstanding	$44,100	$78,700	$74,000
Average daily amount outstanding			
Notes payable to banks	$ 4,900	$ 6,600	$ 9,200
Commercial paper	$13,100	$24,200	$30,300
Weighted average interest rate			
Notes payable to banks	5.73%	5.87%	4.00%
Commercial paper	5.70%	5.63%	3.88%
Amount outstanding at year end			
Notes payable to banks	-	$ 3,400	$ 5,000
Commercial paper	$35,000	$33,000	$62,000
Interest rate at year end			
Notes payable to banks	-	6.03%	4.88%
Commercial paper	5.43%	5.83%	4.93%

7. FEDERAL INCOME TAXES

The Company's federal income tax returns have been examined by the Internal Revenue Service through 1993 and all significant matters have been settled.

Effective October 1, 1993, the Company adopted SFAS No. 109, which requires the implementation of a liability method for the financial reporting of income taxes, as compared with the deferred method. Under the liability method, deferred tax balances must be recorded for all temporary differences and are adjusted to reflect changes in tax rates. Previously, deferred tax balances were not recorded for certain ratemaking items and were not adjusted to reflect changes in tax rates. The cumulative effect of adopting SFAS 109 on the Company's unregulated operations was a credit to net income of $721,000, or $.04 per share, in 1994. The effect on NJNG was to decrease its deferred tax liability by $375,000 with an offsetting regulatory liability, as the Company believes it is probable that the effects of SFAS 109 on NJNG will be payable to customers in the future.

Federal income tax expense applicable to continuing operations differs from the amount computed by applying the statutory rate to pre-tax income for the following reasons:

(Thousands)	1996	1995	1994
Tax expense at statutory rate of 35%	$20,081	$18,094	$17,613
Increase (reduction resulting from			
Depreciation and cost of removal	(854)	(1,410)	(1,032)
Amortization of investment tax credits	(348)	(397)	(394)
Section 1341 refunds	--	(990)	--
Other	(172)	862	398
Provision for federal income taxes	$18,707	$16,159	$16,585

The provision for federal income taxes is composed of the following:

(Thousands)	1996	1995	1994
Current	$ 26,643	$11,561	$10,392
Deferred			
Excess tax depreciation	6,329	6,460	3,487

Deferred gain on sale of real estate	(12,255)	--	--
Weather-normalization clause	(4,705)	1,545	(477)
Gross receipts and franchise taxes	--	--	(3,580)
Alternative minimum tax	687	2,576	1,057
Contributions	75	319	1,943
Deferred gas costs	2,305	(3,970)	2,322
Coal gas costs and other	(24)	(1,935)	1,835
Total deferred	(7,588)	4,995	6,587
Amortization of investment tax credits	(348)	(397)	(394)
Total provision	$ 18,707	$16,159	$16,585
Charged to: Operating expenses	$ 18,671	$15,967	$16,569
Other income, net	36	192	16
Total provision	$ 18,707	$16,159	$16,585

</TABLE>

The Company has utilized all alternative minimum tax credit carry-forwards at September 30, 1996.

The tax effects of significant temporary differences comprising the Company's net deferred income tax liability at September 30, 1996 and 1995, were as follows:

<TABLE>
<CAPTION>

(Thousands)	1996	1995
<S>	<C>	<C>
Current		
Deferred gas costs	$ 8,431	$ 5,984
Weather-normalization clause	(4,126)	547
Other	(4,249)	(1,006)
Current deferred tax liability, net	$ 56	$ 5,525
Non-current		
Property related items	$ 74,424	$64,092
Deferred gain on sale of real estate	(12,255)	--
Customer contributions	(3,451)	(4,080)
Capitalized overhead and interest	(4,587)	(4,989)
Alternative minimum taxes	--	(2,577)
Unamortized investment tax credits	(4,315)	(4,315)
Coal gas costs and other	2,194	3,720
Non-current deferred tax liability, net	$ 52,010	$51,851

</TABLE>

8. REGULATORY ISSUES

NJNG's Weather Normalization Clause (WNC) provides for a revenue adjustment if the weather varies by more than one-half of one percent from the 10-year average, or normal, weather. The accumulated adjustment from one hearing season (i.e., October-May) is billed or credited to customers in the subsequent heating season.

In November 1995, the BPU approved a Stipulation Agreement (the Stipulation) relating to the 1995 Remediation Rider (RA), WNC, Demand Side Management Adjustment Clause (DSMAC) and LGA clause. The approval of the Stipulation allowed recovery over seven years of gas remediation costs incurred through June 1995 of $9.1 million, the collection of $1.9 million of gross margin that was accrued in fiscal 1995 due to the impact of warmer-than-normal weather on the WNC, and implementation of the initial DSMAC which is designed to recover $3.5 million of deferred and projected demand side management program costs. The Stipulation also provided for the extension of the WNC on a permanent basis.

The Stipulation also settled the July 1995 LGA petition and included a reduction of $5.2 million in gas costs, the continuation of NJNG's current margin-sharing formulas associated with its non-firm sales until the effective date of the BPU Order in NJNG's 1997-98 LGA, and approval for an extension of the Financial Risk Management (FRM) Pilot Program designed to provide price stability to NJNG's system supply portfolio. All of the costs and results of the FRM program are to be recovered through the LGA.

As a result of the approval of the Stipulation, NJNG's rates did not change.

In July 1996, NJNG filed for a net $8 million, or 2%, increase in its LGA. This LGA filing included updated components for its Gas Cost Recovery (GCR) factor, WNC, RA and DSMAC. The GCR factor increased by $21.2 million due to the increase in gas costs, resulting primarily from the cold winter weather in 1996. This increase is partially offset by a $12 million credit from the WNC, which reflects the margin impact of 15% colder-than-normal winter weather. In addition, NJNG requested certain modifications to its WNC to update various factors to more appropriately reflect current customers' usage and weather. A decision is expected in the first quarter of fiscal 1997.

9. EMPLOYEE BENEFIT PLANS

Pension Plans

The Company has two trusteed, noncontributory defined benefit retirement plans covering all regular, full-time employees with more than one year of service. Plan benefits are based on years of service and average compensation during the last five years of employment. The Company makes annual contributions to the plans consistent with the funding requirements of federal law and regulations.

The components of the net pension cost are as follows:

<TABLE>
<CAPTION>

(Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period	$1,748	$1,482	$1,733
Interest cost on projected benefit obligation	3,147	2,989	2,812
Return on plan assets	(3,617)	(3,326)	(3,160)
Net amortization and deferral	(152)	(172)	(159)
Net cost	$1,126	$973	$1,226

</TABLE>

Plan assets consist primarily of corporate equities and obligations, U.S. Government obligations and cash equivalents. A reconciliation of the funded status of the plans to the amounts recognized in the Consolidated Balance Sheets is presented below:

<TABLE>
<CAPTION>

(Thousands)	1996	1995
<S>	<C>	<C>
Plan assets at fair value	$48,627	$43,752
Actuarial present value of plan benefits		
Vested benefits	(33,239)	(30,532)
Non-vested benefits	(2,231)	(1,991)
Impact of estimated future compensation changes	(9,825)	(10,019)
Projected plan benefits	(45,295)	(42,542)
Plan assets in excess of projected plan benefits	3,332	1,210
Unrecognized net assets at beginning of the year	(2,363)	(2,669)

Unrecognized prior service costs	1,799	1,599
Unrecognized net gain	(5,958)	(2,204)
Net pension liability recognized in the Consolidated Balance Sheets	$(3,190)	$(2,064)

</TABLE>

The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Discount rate	7.75%	7.5%
Compensation increase	4.50%	4.25%
Long-term rate of return on plan assets	9.50%	9.0%

</TABLE>

Other Postretirement Benefits

Effective October 1, 1993, the Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"(SFAS 106), which requires an accrual method of accounting for postretirement benefits, similar to that presently in effect for pension plans. Previously, certain health care and life insurance benefits were charged to expense when paid. Under the accrual method, the cost of providing postretirement benefits will be recognized over the employee's service period. The Company's transition obligation associated with SFAS 106 is $8.6 million, which is being amortized over 20 years, and its annual expense has increased from approximately $400,000 to $1.5 million, of which over 95% relates to NJNG. As part of its January 1994 base rate order, NJNG is permitted to recover approximately 50% of its SFAS 106 expense currently and defer the balance with ultimate expected recovery of the deferred portion no later than that prescribed by generally accepted accounting principles. At September 30, 1996, $2.2 million of SFAS 106 expenses were deferred and are included in Regulatory Assets in the Consolidated Balance Sheets.

A reconciliation of the accumulated postretirement benefit obligation (APBO) to the amount recognized in the Consolidated Balance Sheets is presented below:

<TABLE>
<CAPTION>

(Thousands)	1996	1995
<S>	<C>	<C>
Retirees	$ (1,939)	$ (1,335)
Fully eligible participants	(2,694)	(3,071)
Other active participants	(7,828)	(6,100)
Total APBO	(12,461)	(10,506)
Plan assets	1,000	575
Unrecognized net loss	659	759
Unrecognized transition obligation	7,310	7,740
Unrecognized prior service costs	1,448	--
Net liability recognized in the Consolidated Balance Sheets	$(2,044)	$(1,432)

</TABLE>

The components of the net postretirement benefit cost are as follows:

<TABLE>
<CAPTION>

(Thousands)	1996	1995
<S>	<C>	<C>
Service cost	$404	$385
Interest cost	768	748
Amortization of transition obligation	430	430
Deferral of current expense	(833)	(794)
Total annual net expense	$769	$769

</TABLE>

The assumed health care cost trend rate used in measuring the APBO as of September 30, 1996 was 11%, declining 1% each year to 6% in 2001, and then remaining constant thereafter for participants under age 65. For participants age 65 and older the trend rate was 8% in 1996, declining 1% each year to 6% in 1998, and then remaining constant thereafter. A 1% increase in the trend rates would increase the APBO as of September 30, 1996, by $1.4 million and would increase the annual service and interest costs by $176,000. The assumed discount rate used in determining the APBO was 7.75% and 7.5% at September 30, 1996 and 1995, respectively.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

NJNE enters into fixed-price contracts to sell natural gas. As of September 30, 1996, NJNE entered into futures contracts to buy 5.2 bcf of natural gas through March 1998 at prices ranging from $1.89 to $2.70 per mmbtu and had a deferred unrealized gain of $251,000 related to these contracts.

In March 1992, NJR Energy entered into long-term, fixed-price contracts to sell natural gas to a gas marketing company. In October 1994, in conjunction with a shift in capital allocation policy, NJR Energy entered into a swap agreement which hedges its risk for sales volumes under the contract which were in excess of the estimated production from natural gas reserves owned at that time. As discussed in Note 2: Discontinued Operations, NJR Energy has sold its natural gas reserves pursuant to plan to exit the oil and gas production business. In order to hedge its risk for sales volumes under such contract that would have otherwise been fulfilled by its producing reserve base, NJR Energy entered into a second swap agreement in June 1995. In connection with the second swap, NJR Energy received $3.3 million, which is included in Deferred Revenue and is being amortized to income over the 15-year life of the agreement. Under the terms of the swap agreements, NJR Energy will pay to the counterparties the identical fixed price it receives from the gas marketing company (the fixed price) in exchange for the payment by the counterparties of an index price plus a spread per mmbtu (the floating price) for the total volumes under the gas sales contract. The swap agreements were effective as of November 1995, and will expire on the same date as the underlying gas sales contract.

In order to secure the physical gas supply to meet the delivery requirements under its gas sales contracts, NJR Energy entered into a long-term purchase contract effective in November 1995, with a second gas marketing company for the identical volumes it is obligated to sell under the above-mentioned gas sales contract. NJR Energy has agreed to pay the supplier the identical floating price it is receiving under the swap agreements. In conjunction with this contract, NJR Energy received $1.9 million, which is included in Deferred Revenue and is being amortized to income over the life of the agreement.

The net result of the above swap agreements and purchase contract is that the Company has hedged both its price and volume risk associated with its long-term, fixed-price sales contract. The respective obligations of NJR Energy and the counterparties under the swap agreements are guaranteed, subject to a maximum amount, by the Company and the respective counterparties' parent corporations. In the event of nonperformance by the counterparties and their parent corporation, NJR Energy's financial results would be impacted by the difference, if any, between the fixed price it is receiving under the gas sales

contract compared with the floating price the Company is paying under the purchase contract. However, the Company does not anticipate nonperformance by the counterparties.

The fair value of cash and temporary investments, accounts receivable, accounts payable, commercial paper and borrowings under revolving credit facilities are estimated to equal their carrying amounts due to the short maturity of those instruments. The estimated fair value of long-term debt is based on quoted market prices for similar issues and the fair value of interest rate swap agreements is based on the estimated amount the Company would receive to pay to terminate the agreements. At September 30, 1996, the carrying amount of long-term debt was $273 million with a fair market value of $277.5 million and the Company would have to pay approximately $1.3 million to terminate its interest rate swap agreement.

11. COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditures are estimated at $57.9 million and $50.1 million in fiscal 1997 and 1998, respectively, and consist primarily of NJNG's construction program to support its customer growth and maintain its distribution system.

NJNG is participating in environmental investigations and the preparation of proposals for remedial action at 11 former manufactured gas plant (MGP) sites. Through the RA approved by the BPU, NJNG is recovering expenditures incurred through June 1995 over a seven-year period. Costs incurred subsequent to June 30, 1995 will be reviewed annually and, subject to BPU approval, recovered over seven-year periods. As of September 30, 1995, NJNG had estimated that it would incur additional expenditures of $14 million over the next five years for further investigation and remedial action at these sites and, accordingly reflected this amount in both Regulatory Assets and Other Deferred Credits. In 1996, NJNG, with the assistance of an outside consulting firm, completed an environmental review of the sites, including a review of its potential liability for investigation and remedial action for periods significantly beyond the five-year period. On the basis of such review, NJNG has estimated that, exclusive of insurance recoveries, if any, total future expenditures to remediate and monitor known MGP sites will range from $27.5 million to $60 million. NJNG's estimates of these liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations. Where available information is sufficient to estimate the amount of the liability, it is NJNG's policy to accrue the full amount of such estimate. Where the information is sufficient only to establish a range of probable liability and no point within the range is more likely than any other, it is NJNG's policy to accrue the lower end of the range. Accordingly, in the second quarter of fiscal 1996, NJNG increased its accrued liability and corresponding regulatory asset to $27.5 million. The actual costs to be incurred by NJNG are dependent upon

several factors, including final determination of remedial action, changing technologies and governmental regulations, the ultimate ability of other responsible parties to pay and any insurance recoveries. NJNG will continue to seek recovery of such costs through the RA.

NJNR Pipeline Company, a wholly-owned subsidiary of NJR Energy, owns a 2.8% equity interest in the Iroquois Gas Transmission System, L.P. (Iroquois) which has constructed and is operating a 375-mile, natural gas pipeline from the Canadian border to Long Island. The Company has guaranteed a pro-rata share of a debt service letter of credit obtained by Iroquois which totaled $944,000 at September 30, 1996. The Company does not expect to incur any cash requirements under the guarantee.

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business and other investigations. In management's opinion, the ultimate disposition of these matters will not have a material adverse effect on either its financial condition or results of operations.

12. BUSINESS SEGMENT DATA

Information related to the Company's various business segments, excluding capital expenditures, which are presented in the Consolidated Statements of Cash Flows, is detailed below:

<TABLE>
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(Thousands)

Fiscal years ended September 30,	1996	1995	1994
<S>	<C>	<C>	<C>
OPERATING REVENUES			

Natural gas distribution	$ 474,388	$ 426,662	$ 480,321
Energy marketing	78,869	23,711	7,001
Real estate	4,272	12,770	12,466
Oil and gas and other	2,275	557	765
Total before eliminations	559,804	463,700	500,553
Eliminations (intersegment revenues)	(11,292)	(9,107)	(3,478)
TOTAL	$ 548,512	$454,593	$ 497,075
DEPRECIATION AND AMORTIZATION			
Natural gas distribution	$ 22,513	$ 20,944	$ 19,270
Real estate	542	1,985	1,941
Oil and gas and other	174	93	25
TOTAL	$ 23,229	$ 23,022	$ 21,236
OPERATING INCOME BEFORE INCOME TAXES			
Natural gas distribution	$ 71,976	$ 67,211	$ 65,663
Energy marketing	3,633	1,206	--
Real estate	(323)	6,367	5,426
Oil and gas and other	2,985	451	460
TOTAL	$ 78,271	$ 75,235	$ 71,549
ASSETS AT YEAR END			
Natural gas distribution	$ 778,896	$ 690,566	$ 660,166
Energy Marketing	8,664	5,229	--
Real estate	40,414	95,572	94,516
Oil and gas and other	27,213	34,997	42,665
TOTAL	$ 855,187	$ 826,364	$ 797,347

</TABLE>

13. SELECTED QUARTERLY DATA (UNAUDITED)

A summary of financial data for each fiscal quarter of 1996 and 1995 follows. Due to the seasonal nature of the Company's utility business, quarterly amounts vary significantly during the year. In the opinion of management, the information furnished reflects all adjustments necessary for a fair presentation of the results of the interim periods.

<TABLE>
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(Thousands except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
1996				
Operating revenues	$159,739	$233,917	$94,456	$ 60,400
Operating income	$ 18,288	$ 32,225	$ 7,767	$ 1,320
Net income from continuing operations	$ 12,422	$ 26,941	$ 2,229	$ (4,524)
Net income	$ 12,422	$ 26,941	$ 2,229	$ (4,524)
Earnings per common share from continuing operations	$ .69	$ 1.50	$ .12	$ (.25)
Earnings per common share	$ .69	$ 1.50	$ .12	$ (.25)
1995				
Operating revenues	$128,965	$197,329	$74,444	$ 53,855
Operating income	$ 18,451	$ 32,204	$ 6,688	$ 1,925
Net income from continuing operations	$ 11,409	$ 25,679	$ 1,209	$ (4,378)
Net income	$ 11,240	$ 25,494	$(7,480)	$ (4,469)
Earnings per common share from continuing operations	$ .65	$ 1.46	$ .07	$ (.25)
Earnings per common share	$ .65	$ 1.45	$ (.42)	$ (.25)

</TABLE>

EXHIBIT 21-1

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	STATE OF INCORPORATION
New Jersey Natural Gas Company	New Jersey
NJR Energy Services Corp.	New Jersey
Subsidiaries:	
New Jersey Natural Energy Company	New Jersey
NJR Power Services Corporation	New Jersey
NJR Energy Corp.	New Jersey
Subsidiaries:	
New Jersey Natural Resources Company	New Jersey
NJNR Pipeline Company	New Jersey
NJR Storage Corporation	Delaware
Natural Resources Compressor Company	New Jersey
NJRE Operating Company	Oklahoma
NJR Development Corp.	New Jersey
Subsidiaries:	
Commercial Realty & Resources Corp.	New Jersey
NJR Computer Technologies, Inc.	New Jersey
Paradigm Power, Inc.	New Jersey
Subsidiaries:	
Lighthouse One, Inc.	New York
Lighthouse II, Inc.	Delaware

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NEW JERSEY RESOURCES CORPORATION'S 1996 ANNUAL REPORT TO STOCKHOLDERS INCLUDING THE CONSOLIDATED STATEMENTS OF INCOME, CONSOLIDATED STATEMENTS OF CASH FLOWS, CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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