

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2008

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file number 1-8359

NEW JERSEY RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of
incorporation or organization)

1415 Wyckoff Road, Wall, New Jersey 07719

(Address of principal
executive offices)

22-2376465

(I.R.S. Employer
Identification Number)

732-938-1480

(Registrant's telephone number,
including area code)

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

Common Stock - \$2.50 Par Value

(Title of each class)

New York Stock Exchange

(Name of each exchange on which registered)

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: ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: ☒ Accelerated filer: ☐ Non-accelerated filer: ☐ Smaller reporting company: ☐

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes: ☐ No: ☒

The number of shares outstanding of \$2.50 par value Common Stock as of February 4, 2009 was 42,318,558.

NEW JERSEY RESOURCES CORPORATION

Part I

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NEW JERSEY RESOURCES CORPORATION

Part I

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report, including, without limitation, statements as to management expectations and beliefs presented in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Part I, Item 3. “Quantitative and Qualitative Disclosures about Market Risk,” Part II, Item I. “Legal Proceedings” and in the notes to the financial statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can also be identified by the use of forward-looking terminology such as “may,” “intend,” “expect,” “believe” or “continue” or comparable terminology and are made based upon management’s expectations and beliefs concerning future developments and their potential effect upon New Jersey Resources Corporation (NJR or 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 cautions readers that the assumptions that form the basis for forward-looking statements regarding customer growth, customer usage, financial condition, results of operations, cash flows, capital requirements, market risk and other matters for fiscal 2009 and thereafter include many factors that are beyond the Company’s ability to control or estimate precisely, such as estimates of future market conditions, the behavior of other market participants and changes in the debt and equity capital markets. The factors that could cause actual results to differ materially from NJR’s expectations include, but are not limited to, those discussed in Risk Factors in Item 1A, as well as the following:

- weather and economic conditions;
- demographic changes in the New Jersey Natural Gas (NJNG) service territory;
- the rate of NJNG customer growth;
- volatility of natural gas commodity prices and its impact on customer usage, cash flow, NJR Energy Services’ (NJRES) operations and on the Company’s risk management efforts;
- changes in rating agency requirements and/or credit ratings and their effect on availability and cost of capital to the Company;
- continued volatility or seizure of the credit markets that would result in the decreased availability and access to credit at NJR to fund and support physical gas inventory purchases and other working capital needs at NJRES, and all other non-regulated subsidiaries, as well as negatively affect access to the commercial paper market and other short-term financing markets at NJNG to allow it to fund its commodity purchases and meet its short-term obligations as they come due;
- the impact to the asset values and funding obligations of NJR’s pension and postemployment benefit plans as a result of a continuing downturn in the financial markets;
- increases in borrowing costs associated with variable-rate debt;
- commercial and wholesale credit risks, including creditworthiness of customers and counterparties;
- the ability to obtain governmental approvals and/or financing for the construction, development and operation of certain non-regulated energy investments;
- risks associated with the management of the Company’s joint ventures and partnerships;
- the impact of governmental regulation (including the regulation of rates);
- conversion activity and other marketing efforts;
- actual energy usage of NJNG’s customers;
- the pace of deregulation of retail gas markets;
- access to adequate supplies of natural gas;
- the regulatory and pricing policies of federal and state regulatory agencies;
- the ultimate outcome of pending regulatory proceedings, including the possible expiration of the Conservation Incentive Program (CIP);
- changes due to legislation at the federal and state level;
- the availability of an adequate number of appropriate counterparties in the wholesale energy trading market;
- sufficient liquidity in the wholesale energy trading market and continued access to the capital markets;
- the disallowance of recovery of environmental-related expenditures and other regulatory changes;
- environmental-related and other litigation and other uncertainties;
- the effects and impacts of inflation on NJR and its subsidiaries operations;
- change in accounting pronouncements issued by the appropriate standard setting bodies; and
- terrorist attacks or threatened attacks on energy facilities or unrelated energy companies.

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.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended December 31,	
<i>(Thousands, except per share data)</i>	2008	2007
OPERATING REVENUES	\$801,304	\$811,138
OPERATING EXPENSES		
Gas purchases	698,145	684,694
Operation and maintenance	36,408	32,179
Regulatory rider expenses	13,561	12,165
Depreciation and amortization	7,361	9,403
Energy and other taxes	23,633	18,160
Total operating expenses	779,108	756,601
OPERATING INCOME	22,196	54,537
Other income	858	1,528
Interest expense, net	6,547	7,810
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	16,507	48,255
Income tax provision	5,245	18,494
Equity in earnings of affiliates, net of tax	514	424
NET INCOME	\$11,776	\$ 30,185
EARNINGS PER COMMON SHARE		
BASIC	\$0.28	\$0.72
DILUTED	\$0.28	\$0.72
DIVIDENDS PER COMMON SHARE	\$0.31	\$0.27
WEIGHTED AVERAGE SHARES OUTSTANDING		
BASIC	42,170	41,678
DILUTED	42,495	41,928

See Notes to Unaudited Condensed Consolidated Financial Statements

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended December 31,	
(Thousands)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 11,776	\$ 30,185
Adjustments to reconcile net income to cash flows from operating activities:		
Unrealized loss on derivative instruments	7,086	3,080
Depreciation and amortization	7,581	9,478
Allowance for funds (equity) used during construction	—	(373)
Deferred income taxes	(4,794)	8,549
Manufactured gas plant remediation costs	(5,875)	(4,041)
Equity in earnings from investments, net of distributions	(514)	1,512
Cost of removal – asset retirement obligations	(19)	(177)
Contributions to employee benefit plans	(182)	(150)
Changes in:		
Components of working capital	(41,153)	(57,844)
Other noncurrent assets	(38,448)	2,423
Other noncurrent liabilities	27,582	833
Cash flows used in operating activities	(36,960)	(6,525)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(18,207)	(13,526)
Real estate properties and other	(145)	(168)
Cost of removal	(1,462)	(1,208)
Investments in equity investees and other	(21,000)	(2,998)
Withdrawal from restricted cash construction fund	4,200	—
Cash flows used in investing activities	(36,614)	(17,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	6,196	4,192
Tax benefit from stock options exercised	972	547
Proceeds from sale-leaseback transaction	6,268	7,485
Payments of long-term debt	(30,973)	(937)
Purchases of treasury stock	(1,126)	(10,071)
Payments of common stock dividends	(11,776)	(10,633)
Net proceeds from short-term debt	87,350	32,547
Cash flows from financing activities	56,911	23,130
Change in cash and temporary investments	(16,663)	(1,295)
Cash and temporary investments at beginning of period	42,626	5,140
Cash and temporary investments at end of period	\$ 25,963	\$ 3,845
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$(96,726)	\$(194,958)
Inventories	108,055	33,940
Underrecovered gas costs	25,017	(18,883)
Gas purchases payable	(43,369)	96,217
Prepaid and accrued taxes, net	43,830	31,043
Accounts payable and other	(6,541)	(1,017)
Restricted broker margin accounts	(51,882)	(881)
Customers' credit balances and deposits	(24,957)	7,299
Other current assets	5,420	(10,604)
Total	\$(41,153)	\$ (57,844)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$4,185	\$6,434
Income taxes	\$1,427	\$2,661

See Notes to Unaudited Condensed Consolidated Financial Statements

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	December 31, 2008	September 30, 2008
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$1,384,312	\$1,366,237
Real estate properties and other, at cost	29,953	29,808
	1,414,265	1,396,045
Accumulated depreciation and amortization	(385,879)	(378,759)
Property, plant and equipment, net	1,028,386	1,017,286
CURRENT ASSETS		
Cash and temporary investments	25,963	42,626
Customer accounts receivable		
Billed	258,827	227,132
Unbilled revenues	75,008	9,417
Allowance for doubtful accounts	(5,140)	(4,580)
Regulatory assets	21,080	51,376
Gas in storage, at average cost	370,488	478,549
Materials and supplies, at average cost	5,116	5,110
Prepaid state taxes	9,641	37,271
Derivatives, at fair value	224,123	208,703
Broker margin account	74,884	41,277
Other	12,517	12,785
Total current assets	1,072,507	1,109,666
NONCURRENT ASSETS		
Investments in equity investees and other	139,970	115,981
Regulatory assets	407,014	340,670
Derivatives, at fair value	27,226	24,497
Restricted cash construction fund	—	4,200
Other	12,284	13,092
Total noncurrent assets	586,494	498,440
Total assets	\$2,687,387	\$2,625,392

See Notes to Unaudited Condensed Consolidated Financial Statements

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 1. FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

CAPITALIZATION AND LIABILITIES

<i>(Thousands)</i>	December 31, 2008	September 30, 2008
CAPITALIZATION		
Common stock equity	\$ 736,496	\$ 726,958
Long-term debt	460,708	455,117
Total capitalization	1,197,204	1,182,075
CURRENT LIABILITIES		
Current maturities of long-term debt	30,844	60,119
Short-term debt	265,550	178,200
Gas purchases payable	272,147	315,516
Accounts payable and other	43,375	61,735
Dividends payable	13,099	11,776
Deferred and accrued taxes	27,491	24,720
New Jersey clean energy program	12,513	3,056
Derivatives, at fair value	204,174	146,320
Broker margin account	10,797	29,072
Customers' credit balances and deposits	38,500	63,455
Total current liabilities	918,490	893,969
NONCURRENT LIABILITIES		
Deferred income taxes	232,038	239,703
Deferred investment tax credits	7,112	7,192
Deferred revenue	8,910	9,090
Derivatives, at fair value	20,315	25,016
Manufactured gas plant remediation	120,230	120,730
Postemployment employee benefit liability	53,846	52,272
Regulatory liabilities	61,820	63,419
New Jersey clean energy program	34,030	—
Asset retirement obligation	24,768	24,416
Other	8,624	7,510
Total noncurrent liabilities	571,693	549,348
Commitments and contingent liabilities <i>(Note 13)</i>		
Total capitalization and liabilities	\$2,687,387	\$2,625,392

See Notes to Unaudited Condensed Consolidated Financial Statements

NEW JERSEY RESOURCES CORPORATION

Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited condensed consolidated financial statements have been prepared by New Jersey Resources Corporation (NJR or the Company) in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The September 30, 2008 balance sheet data is derived from the audited financial statements of the Company. These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in NJR's 2008 Annual Report on Form 10-K.

The unaudited condensed consolidated financial statements include the accounts of NJR and its subsidiaries, New Jersey Natural Gas Company (NJNG), NJR Energy Services Company (NJRES), NJR Retail Holdings Corporation (Retail Holdings), NJR Energy Investment Corporation (NJREI) and NJR Service Company (NJR Service). Intercompany transactions and accounts have been eliminated. NJREI's primary subsidiaries are NJR Energy Corporation (NJR Energy) and NJR Steckman Ridge Storage Company. NJR Energy invests primarily in energy-related ventures through its subsidiary, NJNR Pipeline Company (Pipeline), which holds the Company's 5.53 percent ownership interest in Iroquois Gas and Transmission System, L.P. (Iroquois). NJR Steckman Ridge Storage Company holds the Company's 50 percent combined interest in Steckman Ridge GP, LLC and Steckman Ridge, LP (collectively, Steckman Ridge), a natural gas storage facility that was acquired and is being developed with a partner in western Pennsylvania. Retail Holdings' two principal subsidiaries are NJR Home Services Company (NJRHS) and Commercial Realty & Resources Corporation (CR&R).

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of the results of the interim periods presented. These adjustments are of a normal and recurring nature. Because of the seasonal nature of NJR's utility and wholesale energy services operations, in addition to other factors, the financial results for the interim periods presented are not indicative of the results that are to be expected for the fiscal year ended September 30, 2009.

Customer Accounts Receivable

Customer accounts receivable include outstanding billings from the following subsidiaries as of:

<i>(Thousands)</i>	December 31, 2008		September 30, 2008	
NJNG	\$ 62,824	24%	\$ 21,398	9%
NJRES	188,135	73	198,902	88
NJRHS and other	7,868	3	6,832	3
Total	\$258,827	100%	\$227,132	100%

Accounts receivable related to estimated unbilled revenues and allowance for doubtful accounts are associated with NJNG only.

Gas in Storage

The following table summarizes Gas in storage by company as of:

<i>(\$ in thousands)</i>	December 31, 2008		September 30, 2008	
	Assets	Bcf	Assets	Bcf
NJNG	\$163,808	19.4	\$189,828	22.1
NJRES	206,680	30.6	288,721	27.6
Total	\$370,488	50.0	\$478,549	49.7

NEW JERSEY RESOURCES CORPORATION

Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

New Accounting Standards

Recently Adopted

Effective October 1, 2008 NJR adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157) for its financial assets and liabilities, with the exception of its pension assets. NJR will apply the provisions of SFAS 157 to its pension assets and non-financial assets and liabilities that are not measured at least annually prospectively on October 1, 2009. SFAS 157 defines fair value as the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants, and establishes a fair value hierarchy of market and unobservable data that is used to develop pricing assumptions. The adoption of SFAS 157 did not have a material impact on NJR's financial position or results of operations. See *Note 4, Fair Value Measurements*, for more information on the adoption of SFAS 157, as well as the required disclosures.

On April 10, 2007, the FASB issued FASB Staff Position No. FIN 39-1 (FSP FIN 39-1), Amendment of FASB Interpretation No. 39. FSP FIN 39-1 provides additional guidance for parties that are subject to master netting arrangements. Specifically, for transactions that are executed with the same counterparty, it permits companies to offset the fair values of amounts recognized for derivatives as well as the related fair value amounts of cash collateral receivables or payables, when certain conditions apply. FSP FIN 39-1 became effective for fiscal years beginning after November 15, 2007. As NJR's policy has been to present its derivative positions and any receivables or payables with the same counterparty on a gross basis, FSP FIN 39-1 had no impact on its statement of financial position and results of operations.

Other Recently Issued Standards

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to elect to measure eligible items at fair value as an alternative to hedge accounting and to mitigate volatility in earnings. A company can elect either the fair value option according to a pre-existing policy, when the asset or liability is first recognized, or when it enters into an eligible firm commitment. Changes in the fair value of assets and liabilities, for which the Company chooses to apply the fair value option, are reported in earnings at each reporting date. SFAS 159 also provides guidance on disclosures that are intended to provide comparability to other companies' assets and liabilities that have different measurement attributes and to other companies with similar financial assets and liabilities. SFAS 159 became effective for NJR as of October 1, 2008; however, since the Company did not elect the fair value option for any items, the provisions of SFAS 159 do not impact our results of operations or financial condition.

On December 4, 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements* (SFAS 160). SFAS 160 is an amendment of Accounting Research Bulletin (ARB) No. 51 and was issued to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements. This Statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries. SFAS 160 clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and that a parent company must recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 is effective for fiscal years beginning after December 15, 2008, and early adoption is prohibited. The Company has concluded that this statement will have no impact on its statement of financial position and results of operations.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, (SFAS 161). SFAS 161 requires enhanced qualitative and quantitative disclosures on the objectives and accounting for derivatives and related hedging activities, as well as their impacts on the financial statements. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. NJR will adopt SFAS 161 during the second quarter of fiscal year 2009 and is evaluating the effect of adoption on its footnote disclosures.

NEW JERSEY RESOURCES CORPORATION

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REGULATION

October Base Rate Order

As a result of increases in NJNG's operation, maintenance and capital costs, on November 20, 2007, NJNG petitioned the New Jersey Board of Public Utilities (BPU) to increase base rates for delivery service by approximately \$58.4 million, which included a return on NJNG's equity component of 11.5 percent. This request was consistent with NJNG's objectives of providing safe and reliable service to its customers and earning a market-based return on its regulated investments.

On October 3, 2008, the BPU unanimously approved and made effective the settlement of NJNG's base rate case. As a result, NJNG received a revenue increase in its base rates of \$32.5 million, which is inclusive of an approximate \$13 million impact of a change to the Conservation Incentive Program (CIP) baseline usage rate, received an allowed return on equity component of 10.3 percent, reduced its depreciation expense component from 3.0 percent to 2.34 percent and reduced its annual depreciation expense by \$1.6 million as a result of the amortization of previously recovered asset retirement obligations.

Conservation Incentive Program (CIP)

The CIP allows NJNG to recover utility gross margin variations related to both weather and customer usage. Recovery of such utility gross margin variations (filed for annually and recovered one year following the end of the CIP usage year) is subject to additional conditions, including an earnings test and an evaluation of Basic Gas Supply Service (BGSS) related savings.

In May 2008, NJNG filed its Petition for the Annual Review of its CIP Program for recoverable CIP amounts for fiscal 2008, requesting an additional \$6.8 million and approval to modify its CIP recovery rates effective October 1, 2008. The additional amount brought the total recovery requested to \$22.4 million. On October 3, 2008, the BPU approved the CIP petition on a provisional basis, effective the date of the Board Order. It is anticipated that NJNG will file a petition in the spring of 2009 to extend its CIP or implement a similar mechanism on a permanent basis, to be effective October 1, 2009.

In conjunction with the CIP, NJNG incurs costs related to its obligation to fund programs that promote customer conservation efforts during the three-year term of the CIP pilot program. As of December 31, 2008, NJNG had a remaining liability of \$662,000 related to these programs.

Basic Gas Supply Service (BGSS)

BGSS is a BPU approved rate mechanism designed to allow for the recovery of natural gas commodity costs. NJNG periodically adjusts its periodic BGSS rates for its residential and small commercial customers to reflect increases or decreases in the cost of natural gas sold to customers.

In May 2008, NJNG filed for an increase to the periodic BGSS factor to be effective October 1, 2008, that would increase an average residential heating customer's bill by approximately 18 percent due to an increase in the price of wholesale natural gas. Subsequent to the time of the filing, wholesale natural gas prices moderated, and on September 22, 2008, NJNG, the Staff of the BPU and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) signed an agreement for an increase to the periodic BGSS factor that would increase an average residential heating customer's bill by approximately 8.9 percent. On October 3, 2008, the BPU approved the BGSS increase on a provisional basis, effective the date of the Board Order.

On December 17, 2008, NJNG provided notice that it would implement a \$30 million BGSS-related rate credit that will lower sales customers' bills in January and February 2009. This rate credit was due primarily to a decline in wholesale commodity costs subsequent to the October 2008 BGSS price change.

NEW JERSEY RESOURCES CORPORATION

Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Incentive Programs

NJNG is eligible to receive financial incentives for reducing BGSS costs through a series of utility gross margin-sharing programs that include off-system sales, capacity release, storage incentive and financial risk management (FRM) programs. In October 2007, the BPU reduced the sharing percentage of the margin generated by the FRM program retained by NJNG from 20 percent to 15 percent effective November 1, 2007. In October 2008, the Board's base rate order provided for the extension of the incentive programs through October 31, 2011, along with a moderate expansion of the storage incentive and FRM programs.

Societal Benefits Charge (SBC) and Weather Normalization Clause (WNC)

The SBC is comprised of three primary components: a Universal Service Fund rider (USF), a Manufactured Gas Plant (MGP) Remediation Adjustment (RA), and the New Jersey Clean Energy Program (NJCEP). In February 2008, NJNG filed an application regarding its SBC proposing no change to the rates previously approved in October 2007 (February 2008 SBC filing). On January 27, 2009, NJNG filed an application regarding its SBC to increase its RA factor and its NJCEP factor while maintaining its effective rate on USF (January 2009 SBC filing). The January 2009 SBC filing is subject to BPU staff and Rate Counsel review and must be approved by the BPU prior to implementing the new SBC rates.

USF

Through the USF, eligible customers receive a credit toward their utility bill. The credits applied to eligible customers are recovered through the USF rider in the SBC. NJNG recovers carrying costs on deferred USF balances.

In June 2008, the natural gas utilities in the State of New Jersey collectively filed with the BPU to increase the statewide USF recovery rate effective October 1, 2008. In the BPU's October 21, 2008 Order, the USF increase was approved on a provisional basis, effective October 24, 2008 and it also approved interest on USF deferred balances at the Treasury Constant Maturity 2-year rate, plus 60 basis points, net of tax, with the rate changing on a monthly basis. NJNG believes the increase has a negligible impact on customers.

MGP

In October 2007, the BPU approved \$14.7 million in eligible costs to be recovered annually for MGP remediation expenditures incurred through June 30, 2006. The February 2008 SBC filing included MGP remediation expenditures incurred through June 30, 2007, resulting in an expected annual recovery of \$17.7 million. The January 2009 SBC filing included MGP remediation expenditures incurred through June 30, 2008 resulting in an expected annual recovery of \$20.7 million.

New Jersey Clean Energy Program (NJCEP)

In October 2008, the BPU released a final Order, updating state utilities' funding obligations for NJCEP for the period from January 1, 2009 to December 31, 2012. NJNG's share of the total funding requirement of \$1.2 billion is \$50.8 million. Accordingly, as of December 31, 2008 NJNG recorded the obligation and a corresponding regulatory asset at a present value of \$44.3 in the Unaudited Condensed Consolidated Balance Sheets. NJNG's annual obligation gradually increases from \$10.3 million in fiscal 2009 to \$15.9 million in fiscal 2012. As of December 31, 2008, NJNG also has a \$2.2 million obligation remaining from the January 1, 2005 to December 31, 2008 period. The January 2009 SBC filing included an increase to the NJCEP factor. The proposed factor is expected to recover \$12.9 million annually.

WNC

As of December 31, 2008, NJNG has a \$629,000 unrecovered balance related to gross margin variations incurred during the fiscal 2006 winter period. On October 3, 2008, the BPU provisionally approved a decrease to NJNG's WNC rate, effective the date of the Board Order, to fully recover its remaining WNC balance.

NEW JERSEY RESOURCES CORPORATION

Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Economic Stimulus

On January 20, 2009, NJNG filed two petitions with the BPU seeking approval to implement programs designed to both stimulate the state and local economy through infrastructure investments and encourage energy efficiency. If approved, the Accelerated Infrastructure Investment Program (AIP) will allow NJNG to accelerate \$70.8 million of previously planned infrastructure projects, maintaining safe and reliable service to NJNG's customers while increasing workforce development. Proposed as a 2-year program, the AIP will be funded through an annual adjustment to customers' base rates. The second filing, for an Energy Efficiency (EE) Program and associated cost recovery mechanism, requests BPU approval to implement various programs to encourage energy efficiency for residential and commercial customers. NJNG proposed to recover the EE costs of approximately \$22.9 million over a 4-year period through a clause mechanism similar to the SBC. Both programs include the recovery of NJNG's overall cost of capital.

Regulatory Assets & Liabilities

The Company had the following regulatory assets, all related to NJNG, on the Unaudited Condensed Consolidated Balance Sheets:

<i>(Thousands)</i>	December 31, 2008	September 30, 2008	Recovery Period
Regulatory assets—current			
Underrecovered gas costs	\$ 2,977	\$ 27,994	Less than one year (1)
WNC	629	919	Less than one year (2)
CIP	17,474	22,463	Less than one year (3)
Total current	\$ 21,080	\$ 51,376	
Regulatory assets—noncurrent			
Remediation costs (Notes 2 and 13)			
Expenditures, net of recoveries	\$ 91,346	\$ 92,164	(4)
Liability for future expenditures	120,230	120,730	(5)
CIP	1,275	2,397	(6)
Deferred income and other taxes	12,624	12,726	Various (7)
Derivatives (Note 3)	77,528	49,610	(8)
Postemployment benefit costs (Note 10)	52,472	52,519	(9)
SBC/Clean Energy	51,539	10,524	Various (10)
Total noncurrent	\$407,014	\$340,670	

- (1) Recoverable, subject to BPU approval, through BGSS, without interest.
- (2) Recoverable as a result of BPU approval in October 2008, without interest. This balance reflects the net results from winter period of fiscal 2006. No new WNC activity has been recorded since October 1, 2006 due to the existence of the CIP.
- (3) Recoverable or refundable, subject to BPU annual approval, without interest. Balance includes approximately \$6.6 million relating to the weather component of the calculation and approximately \$10.9 million relating to the customer usage component of the calculation. Recovery from customers is designed to be one year from date of rate approval by the BPU.
- (4) Recoverable, subject to BPU approval, with interest over rolling 7-year periods.
- (5) Estimated future expenditures. Recovery will be requested when actual expenditures are incurred (see Note 13. *Commitments and Contingent Liabilities – Legal Proceedings*).
- (6) Recoverable or refundable, subject to BPU annual approval, without interest. Balance includes approximately \$523,000 relating to the weather component of the calculation and approximately \$752,000 relating to the customer usage component of the calculation.
- (7) Recoverable without interest, subject to BPU approval.
- (8) Recoverable, subject to BPU approval, through BGSS, without interest.
- (9) Recoverable or refundable, subject to BPU approval, without interest. Includes unrecognized service costs recorded in accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postemployment Plans* that NJNG has determined are recoverable in rates charged to customers (see Note 10. *Employee Benefit Plans*).
- (10) Recoverable with interest, subject to BPU approval.

If there are any changes in regulatory positions that indicate the recovery of regulatory assets is not probable, the related cost would be charged to income in the period of such determination.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company had the following regulatory liabilities, all related to NJNG, on the Unaudited Condensed Consolidated Balance Sheets:

<i>(Thousands)</i>	December 31, 2008	September 30, 2008
Regulatory liabilities—noncurrent		
Cost of removal obligation <i>(1)</i>	\$61,820	\$63,419
Total-noncurrent	\$61,820	\$63,419

(1) NJNG accrues and collects for cost of removal in rates. This liability represents collections in excess of actual expenditures. Approximately \$21.3 million, including accretion of \$370,000 for the three months ended December 31, 2008, of regulatory assets relating to asset retirement obligations have been netted against the cost of removal obligation as of December 31, 2008 (see Note 11. Asset Retirement Obligations).

3. DERIVATIVE INSTRUMENTS

The Company and its subsidiaries are subject to market risk due to fluctuations in the price of natural gas. To manage the risk of such fluctuations, the Company and its subsidiaries enter into financial futures and forward contracts, option agreements and swap agreements to economically hedge future purchases and sales of natural gas. Due to the nature of these arrangements, they qualify as derivatives in accordance with FAS 133.

Effective October 1, 2007, the Company changed the treatment of its physical commodity contracts at NJRES, such that the changes in fair value of new contracts are included in earnings, and are not accounted for using the “normal purchase normal sales” (normal) scope exception of SFAS 133. As well, effective October 1, 2008, due to changes in the Company’s ability to assert physical delivery, the Company is no longer treating physical commodity contracts executed prior to October 1, 2007 as normal. Therefore, all NJRES physical commodity contracts are accounted for at fair value in the Unaudited Condensed Consolidated Balance Sheets, with changes in fair value included as a component of gas purchases in the Unaudited Condensed Consolidated Statements of Income. All physical commodity contracts at NJNG and NJR Energy continue to be designated as normal and accounted for under accrual accounting.

All of the Company’s financial derivative instruments (financial futures, options or swaps), are accounted for in accordance with SFAS 133 and recorded at fair value in the Unaudited Condensed Consolidated Balance Sheets. Changes in fair value are recorded as a component of Gas purchases or Operating revenues, for NJRES and NJR Energy, respectively, in the Unaudited Condensed Consolidated Statements of Income as unrealized gains or losses. Changes in fair value of NJNG’s financial derivative instruments are recorded as a component of Regulatory assets or liabilities in the Unaudited Condensed Consolidated Balance Sheets, as these amounts will be recovered through future BGSS amounts as an increase or reduction to the cost of natural gas in NJNG’s tariff.

The Company enters into financial derivative instruments as an economic hedge of the purchase and sale of natural gas. These derivatives are marked at fair value and recognized in the Unaudited Condensed Consolidated Statements of Income as a component of Gas purchases, or Operating revenues, as appropriate, in the current period. However, the change in value of the actual physical natural gas purchase is recognized in income only when that natural gas has been sold, which is normally in a future period. Therefore, mismatches between the timing of recognizing gains or losses on the derivative instruments and the timing of the actual sale of the natural gas that is being economically hedged creates volatility in the results of NJR, although the Company’s true economic results are unaffected.

Generally, exchange-traded futures contracts require a deposit of margin cash, the amount of which is subject to change based on market price movements and in accordance with exchange rules. The Company maintains broker margin accounts for NJNG and NJRES. The balances are as follows:

<i>(Thousands)</i>	December 31, 2008	September 30, 2008
NJNG broker margin deposit	\$ 74,884	\$ 41,277
NJRES broker margin (liability)	\$(10,797)	\$(29,072)

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS

As noted in Note 1, *General*, NJR adopted SFAS 157 and has applied the provisions to its financial assets and liabilities, which include financial derivatives, physical commodity contracts qualifying as derivatives, available for sale securities and other financial assets and liabilities. SFAS 157 defines and establishes a framework for measuring fair value. SFAS 157 requires that companies consider assumptions market participants would make when pricing assets and liabilities that are required to be recognized at fair value in accordance with previously issued accounting pronouncements.

SFAS 157 also requires additional disclosures that are intended to convey the reliability of price inputs used to determine fair value. To facilitate this, SFAS 157 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on the source of the data used to develop the price inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to inputs that are based on unobservable market data and include the following:

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets; NJR's Level 1 assets and liabilities include primarily exchange traded financial derivative contracts and listed equities;
Level 2	Significant price data, other than Level 1 quotes, that is observed either directly or indirectly; NJR's level 2 assets and liabilities include over-the-counter physical forward commodity contracts and swap contracts or derivatives that are initially valued using observable quotes and are subsequently adjusted to include time value, credit risk or estimated transport pricing components. These additional adjustments are not considered to be significant to the ultimate recognized values.
Level 3	Inputs derived from a significant amount of unobservable market data; these include NJR's best estimate of fair value and are derived primarily through the use of internal valuation methodologies. Certain of NJR's physical commodity contracts that are to be delivered to inactive traded points on a pipeline are included in this category.

NJNG's, NJRES' and NJR Energy's financial derivatives portfolios can consist of futures, options and swaps. NJR primarily uses the market approach and its policy is to use actively quoted market prices when available. The principal market for its derivative transactions is the natural gas wholesale market, therefore, the primary source for its price inputs is the New York Mercantile (NYMEX) exchange. NJRES also uses Natural Gas Exchange (NGX) for Canadian delivery points and Platts and NYMEX ClearPort for certain over the counter physical forward commodity contracts. However, NJRES also engages in transactions which result in transporting natural gas to delivery points for which there is no actively quoted market price. In these cases, NJRES' policy is to use the best information available to determine fair value based on internal pricing models, which include estimates extrapolated from broker quotes or pricing services. As of December 31, 2008, less than 1 percent of total fair value of NJRES' derivative assets and liabilities was derived using such inputs.

NJR Energy uses NYMEX settlement prices to value its long-dated swap contracts. NJR also has available for sale securities and other financial assets that include listed equities, mutual funds and money market funds for which there are active exchange quotes available.

When NJR determines fair values, we adjust measurements, as needed, for credit risk associated with counterparties, as well as our own credit risk. NJR determines these adjustments by using historical default probabilities that correspond to the applicable Standard and Poor's issuer ratings, while also taking into consideration collateral and netting arrangements that serve to mitigate risk. As of December 31, 2008, NJR further adjusted certain fair values, based on the change in a market index that tracks the credit default swaps of investment grade companies, to factor in the current instability in the credit markets.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The adoption of SFAS 157 did not have a material impact to NJR's financial condition or results of operations. Assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 are summarized as follows:

(Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
ASSETS:				
Physical forward commodity contracts	\$ —	\$ 20,678	\$123	\$ 20,801
Financial derivative contracts	148,973	81,575	—	230,548
Available for sale securities (1)	8,887	—	—	8,887
Other assets	1,690	—	—	1,690
Total assets at fair value	\$159,550	\$102,253	\$123	\$ 261,926
LIABILITIES:				
Physical forward commodity contracts	—	\$ 19,946	\$ —	\$ 19,946
Financial derivative contracts	\$ 166,068	38,475	—	204,543
Other liabilities	1,690	—	—	1,690
Total liabilities at fair value	\$167,758	\$ 58,421	\$ —	\$ 226,179

(1) Included in Investments in equity investees and other in the Unaudited Condensed Consolidated Balance Sheets.

A reconciliation of the beginning and ending balances of NJRES' derivatives measured at fair value based on significant unobservable inputs is as follows:

(Thousands)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Derivatives	Other	Total
Beginning balance – October 1, 2008	\$5,342	\$ —	\$5,342
Total gains (losses) realized and unrealized	136	—	136
Purchases, sales, other settlements, net	(899)	—	(899)
Net transfers in and/or out of level 3	(4,448)	—	(4,448)
Ending balance - December 31, 2008	\$ 131	\$ —	\$ 131

NJR will prospectively apply the provisions of SFAS 157 to its pension assets and non-financial assets and liabilities beginning on October 1, 2009.

5. INVESTMENTS IN EQUITY INVESTEEES AND OTHER

NJR's Investments in equity investees and other include the following investments:

(Thousands)	December 31, 2008	September 30, 2008
Steckman Ridge	\$106,457	\$ 84,285
Iroquois	24,497	23,604
Other	9,016	8,092
Total	\$139,970	\$115,981

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NJR's investment in Steckman Ridge increased \$22.2 million during the three months ended December 31, 2008, including cash investments of \$21 million and capitalized costs of \$1.2 million.

NJR uses the equity method of accounting for its investments in Steckman Ridge and Iroquois.

Other investments represent investments in equity securities of publicly traded energy companies, all of which are immaterial on an individual basis, and are accounted for as available for sale securities, with any change in the value of such investments recorded as Accumulated other comprehensive income, a component of Common stock equity.

The following is summarized financial information for Iroquois:

<i>(Millions)</i>	Three Months Ended December 31,	
	2008	2007
Operating revenues	\$41.8	\$38.8
Operating income	\$21.7	\$19.3
Net income	\$ 9.5	\$ 7.6

<i>(Millions)</i>	December 31, 2008	September 30, 2008
Current assets	\$ 52.6	\$ 64.2
Noncurrent assets	\$753.4	\$729.2
Current liabilities	\$ 49.8	\$ 39.3
Noncurrent liabilities	\$334.9	\$348.9

6. EARNINGS PER SHARE

The following table presents the calculation of the Company's basic and diluted earnings per share:

<i>(Thousands, except per share amounts)</i>	Three Months Ended December 31,	
	2008	2007
Net Income, as reported	\$11,776	\$30,185
Basic earnings per share		
Weighted average shares of common stock outstanding—basic	42,170	41,678
Basic earnings per common share	\$0.28	\$0.72
Diluted earnings per share		
Weighted average shares of common stock outstanding—basic	42,170	41,678
Incremental shares ⁽¹⁾	325	250
Weighted average shares of common stock outstanding—diluted	42,495	41,928
Diluted earnings per common share	\$0.28	\$0.72

⁽¹⁾ Incremental shares consist of stock options, stock awards and performance units.

7. DEBT

NJR

On December 13, 2007, NJR entered into a \$325 million, five-year, revolving, unsecured credit facility. As of December 31, 2008, NJR had \$62 million in borrowings outstanding under the facility.

As of December 31, 2008, NJR had one letter of credit outstanding for \$675,000 on behalf of CR&R, which will expire on December 3, 2009. The letter of credit is in place to support development activities.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On February 15, 2008, NJR entered into an agreement for a stand-alone letter of credit that may be drawn upon through February 15, 2009 for up to \$15 million. No amounts have been drawn under this letter of credit as of December 31, 2008.

NJNG

On November 1, 2008, upon maturity, NJNG redeemed its \$30 million, 6.27 percent, Series X First Mortgage bonds.

In October 2007, NJNG entered into an agreement for standby letters of credit that may be drawn upon through December 15, 2009 for up to \$50 million. As of December 31, 2008, no letters of credit have been issued under this agreement. These letters of credit would not reduce the amount available to be borrowed under NJNG's credit facility.

As of December 31, 2008, NJNG has a \$250 million committed facility with several banks, with a 5-year term expiring in December 2009. This facility is used to support NJNG's commercial paper program.

NJNG received \$6.3 million and \$7.5 million in December 2008 and 2007, respectively, in connection with the sale-leaseback of its natural gas meters. This sale-leaseback program is expected to be continued on an annual basis.

NJNG is obligated with respect to loan agreements securing six series of variable rate bonds totaling approximately \$97.0 million of variable-rate debt backed by securities issued by the New Jersey Economic Development Authority (EDA). The EDA bonds are commonly referred to as auction rate securities (ARS) and have an interest rate reset every 7 or 35 days, depending upon the applicable series. On those dates, an auction is held for the purposes of determining the interest rate of the securities. The interest rate associated with the NJNG variable-rate debt is based on the rates on the EDA ARS. For the three months ended December 31, 2008, all of the auctions surrounding the EDA ARS have failed, resulting in those bonds bearing interest at their maximum rates, defined in the EDA ARS as the lesser of (i) 175 percent of 30-day LIBOR or (ii) 10 to 12 percent per annum, as applicable to such series of ARS. As of December 31, 2008, the 30-day LIBOR rate was 0.44 percent. While the failure of the ARS auctions does not signify or constitute a default on NJNG, the EDA ARS does impact NJNG's borrowing costs of the variable-rate debt. As such, NJNG currently has a weighted average interest rate of 0.8 percent as of December 31, 2008, compared with a weighted average interest rate of 4.6 percent as of September 30, 2008. There can be no assurance that the EDA ARS will have enough market liquidity to return interest rates below their maximum rate.

In October 2005, NJNG entered into a loan agreement under which the EDA loaned NJNG the proceeds from \$35.8 million of tax-exempt EDA Bonds. NJNG deposited \$15.0 million of the proceeds into a construction fund to finance subsequent construction in the northern division of NJNG's territory. NJNG drew down \$10.8 million from the construction fund prior to fiscal year 2008 and drew down the remaining \$4.2 million during the first quarter of fiscal 2009.

Neither NJNG nor the results of its operations are obligated or pledged to support the NJR or NJRES credit facilities.

NJRES

As of December 31, 2008, NJRES had a 3-year, \$30 million committed credit facility that expires in October 2009 with a multinational financial institution. There were no borrowings under this facility as of December 31, 2008.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidated

There were no issuances or redemptions of long-term debt securities for NJR or NJRES during the three months ended December 31, 2008.

A summary of NJR's and NJNG's long-term debt, committed credit facilities which require commitment fees on the unused amounts, and NJRES' committed facility that does not require a fee, are as follows:

<i>(Thousands)</i>	December 31, 2008	September 30, 2008
NJR		
Long - term debt ⁽¹⁾	\$ 75,000	\$ 75,000
Bank credit facilities	\$325,000	\$325,000
Amount outstanding at end of period	\$ 62,000	\$ 32,700
Weighted average interest rate at end of period	0.78%	2.46%
NJNG		
Long - term debt ⁽²⁾	\$349,800	\$379,800
Bank credit facilities	\$250,000	\$250,000
Amount outstanding at end of period	\$203,550	\$145,500
Weighted average interest rate at end of period	1.19%	2.31%
NJRES		
Bank credit facilities	\$30,000	\$30,000
Amount outstanding at end of period	—	—
Weighted average interest rate at end of period	—	—

⁽¹⁾ Amounts are comprised of \$25.0 million issued in March 2004, maturing in March 2009, and \$50.0 million issued in September 2007, maturing in September 2017.

⁽²⁾ Long-term debt excludes lease obligations of \$66.7 million and \$60.4 million at December 31, 2008 and September 30, 2008, respectively.

8. CAPITALIZED FINANCING COSTS AND DEFERRED INTEREST

Allowance for Funds Used During Construction, (AFUDC) included in Utility plant, and capitalized interest included in Real estate properties and other and Investments in equity investees and other on the Unaudited Condensed Consolidated Balance Sheets, are as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2008	2007
AFUDC – Utility plant	\$258	\$535
	4.00%	%
Weighted average rate		8.31
Capitalized interest – Real estate properties and other	\$—	\$36
Weighted average interest rates	—%	5.08%
Capitalized interest – Investments in equity investees and other	\$843	\$855
Weighted average interest rates	5.50%	5.98%

The AFUDC amounts shown in the table above for the three months ended December 31, 2007 include an equity component based on NJNG's prior return on equity rate of 11.5 percent. As a result of the BPU's Base Rate Order issued in October 2008, NJNG implemented certain rate design changes, including a change to its AFUDC calculation and a return on equity rate of 10.3 percent (see *Note 2. Regulation*). Effective October 3, 2008, NJNG is allowed to recover an incremental cost of equity component during periods when its short-term debt balances are lower than its construction work in progress. For the three months ended December 31, 2008, AFUDC only includes a debt component.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NJR, through its CR&R subsidiary, capitalizes interest associated with the development and construction of its commercial buildings. Interest is also capitalized associated with the acquisition, development and construction of a natural gas storage facility through NJR's equity investment in Steckman Ridge (see Note 5. *Investments in Equity Investees and other*).

Pursuant to a BPU order, NJNG is permitted to recover carrying costs on uncollected balances related to SBC program costs, which include NJCEP, RAC and USF expenditures. Accordingly, Other income included \$563,000 and \$738,000 of deferred interest related to these SBC program costs for period ended December 31, 2008 and 2007, respectively.

9. STOCK-BASED COMPENSATION

On November 11, 2008, the Company granted 106,730 restricted shares that vested immediately. On the same date the Company also granted 8,481 shares that vested immediately and were issued on November 17, 2008. As of December 31, 2008, 2,448,586 and 107,203 shares, respectively, remain available for future awards to employees and directors.

During the first three months of fiscal 2009, included in operation and maintenance expense is \$711,000 related to stock-based compensation. As of December 31, 2008 there remains \$1.9 million of deferred compensation related to unvested shares and options, which is expected to be recognized over the next 3 years.

10. EMPLOYEE BENEFIT PLANS

Pension and Other Postemployment Benefit Plans (OPEB)

The components of the net periodic cost for pension benefits, including NJR's Pension Equalization Plan, and OPEB costs (principally health care and life insurance) for employees and covered dependents were as follows:

(Thousands)	Pension		OPEB	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
Service cost	\$ 678	\$ 728	\$ 584	\$ 488
Interest cost	1,937	1,648	1,006	821
Expected return on plan assets	(2,188)	(2,183)	(647)	(583)
Recognized actuarial loss	139	275	319	262
Prior service cost amortization	14	14	20	20
Special termination benefit	—	—	89	89
Net periodic cost	\$ 580	\$ 482	\$1,371	\$1,097

For fiscal 2009, the Company has no minimum pension funding requirements, however, funding requirements are uncertain and can depend significantly on changes in actuarial assumptions, returns on plan assets and changes in demographic factors. It is anticipated that the annual funding level to the OPEB plans will range from \$1.2 million to \$1.4 million over the next five years. Additional contributions may be made based on market conditions and various assumptions.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. ASSET RETIREMENT OBLIGATIONS (ARO)

NJR recognizes AROs related to the costs associated with cutting and capping its main and service gas distribution pipelines of NJNG, which is required by New Jersey law when taking such gas distribution pipelines out of service.

The following is an analysis of the change in the ARO liability for the period ended December 31, 2008:

(Thousands)

Balance at October 1, 2008	\$24,416
Accretion	371
Additions	—
Retirements	(19)
Balance at December 31, 2008	\$24,768

Accretion amounts are not reflected as an expense on NJR's Unaudited Condensed Consolidated Statements of Income, but rather are deferred as a regulatory asset and netted against NJNG's regulatory liabilities, for presentation purposes, on the Unaudited Condensed Consolidated Balance Sheet.

12. INCOME TAXES

As of September 30, 2008 the Company had a FIN 48 (Reserve for Uncertain Tax Positions) balance of \$6.5 million. During the first quarter of fiscal year 2009, the company settled a tax court case with the State of New Jersey, which resulted in a decrease to the reserve balance of \$2.7 million.

Over the next twelve months the company expects to finalize the September 30, 2005 Internal Revenue Service (IRS) tax audit, which is expected to result in an additional reduction to the remaining FIN 48 balance of \$3.8 million. The \$3.8 million relates to one issue which has been settled favorably and will result in no changes to the company's tax liability related to the issue. As such the FIN 48 reserve is expected to be released during fiscal 2009.

Currently the company has no reason to believe that there will be any new additions to the FIN 48 reserve.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Cash Commitments

NJNG has entered into long-term contracts, expiring at various dates through 2023, for the supply, storage and delivery of natural gas. These contracts include current annual fixed charges of approximately \$87.6 million at current contract rates and volumes, which are recoverable through the BGSS.

For the purpose of securing adequate storage and pipeline capacity, NJRES enters into storage and pipeline capacity contracts, which require the payment of certain demand charges by NJRES, in order to maintain the ability to access such natural gas storage or pipeline capacity, during a fixed time period, which generally range from one to five years. Demand charges are based on established rates as regulated by the Federal Energy Regulatory Commission (FERC). These demand charges represent commitments to pay storage providers or pipeline companies for the right to store and transport natural gas utilizing their respective assets. As of December 31, 2008, NJRES had contractual obligations for current annual demand charges related to storage contracts and pipeline capacity contracts of \$27.3 million and \$52.2 million, respectively.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2008, there were NJR guarantees covering approximately \$421 million of natural gas purchases and demand fee commitments of NJRES and NJNG not yet reflected in Accounts payable on the Unaudited Condensed Consolidated Balance Sheet. Commitments as of December 31, 2008 for natural gas purchases and future demand fees, for the next five fiscal year periods, are as follows:

<i>(Thousands)</i>	2009	2010	2011	2012	2013	Thereafter
NJRES						
Natural gas purchases	\$600,177	\$109,213	\$ —	\$ —	\$ —	\$ —
Storage demand fees	27,266	18,136	12,735	9,791	2,235	1,913
Pipeline demand fees	52,242	31,792	15,743	6,265	5,298	4,940
Sub-total NJRES	\$679,685	\$159,141	\$ 28,478	\$16,056	\$ 7,533	\$ 6,853
NJNG						
Natural gas purchases	\$ 76,054	\$ 16,123	\$ —	\$ —	\$ —	\$ —
Storage demand fees	21,873	18,996	10,842	7,392	7,042	2,347
Pipeline demand fees	65,725	78,253	76,948	71,597	71,483	297,474
Sub-total NJNG	\$163,652	\$113,372	\$ 87,790	\$78,989	\$78,525	\$299,821
Total	\$843,337	\$272,513	\$116,268	\$95,045	\$86,058	\$306,674

Costs for storage and pipeline demand fees, included as a component of Gas purchases on the Unaudited Condensed Consolidated Statements of Income, are as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2008	2007
NJRES	\$28.5	\$27.6
NJNG	20.5	18.7
Total	\$49.0	\$46.3

NJNG's capital expenditures are estimated at \$77.3 million for fiscal 2009, of which approximately \$18.4 million has been committed, and consists primarily of its construction program to support customer growth, maintenance of its distribution system, replacement needed under pipeline safety regulations and an automated meter reading installation project.

The Company's future minimum lease payments under various operating leases are less than \$3.2 million annually for the next five years and \$1.6 million in the aggregate for all years thereafter.

Legal Proceedings

Manufactured Gas Plant Remediation

NJNG is responsible for the remedial cleanup of three Manufactured Gas Plant (MGP) sites, dating back to gas operations in the late 1800s and early 1900s, which contain contaminated residues from former gas manufacturing operations. NJNG is currently involved in administrative proceedings with the New Jersey Department of Environmental Protection (NJDEP), as well as 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, under Administrative Consent Orders or Memoranda of Agreement with the NJDEP.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NJNG may, subject to BPU approval, recover its remediation expenditures, including carrying costs, over rolling 7-year periods pursuant to a Remediation Adjustment (RA) approved by the BPU. In October 2007, the BPU approved \$14.7 million in eligible costs to be recovered annually for MGP remediation expenditures incurred through June 30, 2006. In February 2008, NJNG filed an application regarding its SBC which included MGP remediation expenditures incurred through June 30, 2007, resulting in an expected annual recovery of \$17.7 million. On January 27, 2009, NJNG filed an application regarding its SBC including MGP remediation expenditures incurred through June 30, 2008 resulting in an expected annual recovery of \$20.7 million. As of December 31, 2008, \$91.3 million of previously incurred remediation costs, net of recoveries from customers and insurance proceeds, are included in Regulatory assets on the Unaudited Condensed Consolidated Balance Sheet.

In September 2008, NJNG updated an environmental review of the MGP sites, including a review of potential liability for investigation and remedial action. NJNG estimated at the time of the review that total future expenditures to remediate and monitor the three MGP sites for which it is responsible will range from approximately \$120.2 million to \$177.2 million. NJNG's estimate of these liabilities is based upon known facts, existing technology and enacted laws and regulations in place when the review was completed. However, NJNG expects actual costs to differ from these estimates. Where it is probable that costs will be incurred, but the information is sufficient only to establish a range of possible 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, NJNG has recorded an MGP remediation liability and a corresponding Regulatory asset of \$120.2 million on the Unaudited Condensed Consolidated Balance Sheet. 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 MGP-related costs through the RAC. If any future regulatory position indicates that the recovery of such costs is not probable, the related cost would be charged to income in the period of such determination. However, because recovery of such costs is subject to BPU approval, there can be no assurance as to the ultimate recovery through the RAC or the impact on the Company's results of operations, financial position or cash flows, which could be material.

General

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business. In the Company's opinion, other than as disclosed in Part II Item 1 of this Form 10-Q, the ultimate disposition of these matters will not have a material adverse effect on its financial condition, results of operations or cash flows.

NEW JERSEY RESOURCES CORPORATION
Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. BUSINESS SEGMENT AND OTHER OPERATIONS DATA

Information related to the Company's various business segments and other operations, excluding capital expenditures, which are presented in the Unaudited Condensed Consolidated Statements of Cash Flows, is detailed below.

The Natural Gas Distribution segment consists of regulated energy and off-system, capacity and storage management operations. The Energy Services segment consists of unregulated wholesale energy operations. The Retail and Other operations consist of appliance and installation services, commercial real estate development, investments and other corporate activities.

<i>(Thousands)</i>	2008	Three Months Ended December 31, 2007
Operating Revenues		
Natural Gas Distribution	\$ 340,908	\$ 284,360
Energy Services	463,094	520,211
Segment Subtotal	804,002	804,571
Retail and Other	(2,654)	6,631
Intercompany revenues ⁽¹⁾	(44)	(64)
Total	\$ 801,304	\$ 811,138
Depreciation and Amortization		
Natural Gas Distribution	\$ 7,161	\$ 9,233
Energy Services	51	53
Segment Subtotal	7,212	9,286
Retail and Other	149	117
Total	\$ 7,361	\$ 9,403
Operating Income (Loss)		
Natural Gas Distribution	\$ 42,186	\$ 31,602
Energy Services	(9,378)	22,563
Segment Subtotal	32,808	54,165
Retail and Other	(10,658)	372
Intercompany expenses ⁽¹⁾	46	—
Total	\$ 22,196	\$ 54,537
Interest Income ⁽²⁾		
Natural Gas Distribution	\$ 658	\$ 1,202
Energy Services	17	107
Segment Subtotal	675	1,309
Retail and Other	6	55
Total	\$ 681	\$ 1,364
Interest Expense, net		
Natural Gas Distribution	\$ 6,460	\$ 6,119
Energy Services	(24)	877
Segment Subtotal	6,436	6,996
Retail and Other	111	814
Total	\$ 6,547	\$ 7,810
Income Tax Provision (Benefit)		
Natural Gas Distribution	\$ 13,336	\$ 10,045
Energy Services	(3,727)	8,666
Segment Subtotal	9,609	18,711
Retail and Other	(4,364)	(217)
Total	\$ 5,245	\$ 18,494

(1) Consists of transactions between subsidiaries that are eliminated and reclassified in consolidation

(2) Included in Other income in the Unaudited Condensed Consolidated Statement of Income

NEW JERSEY RESOURCES CORPORATION

Part I

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The chief operating decision maker of the Company is the Chief Executive Officer (CEO). The CEO uses net financial earnings as a measure of profit or loss in measuring the results of the Company's segments and operations. A reconciliation of Net financial earnings to consolidated Net Income, for the three months ended December 31, 2008 and 2007, respectively, is as follows:

<i>(Thousands)</i>	2008	Three Months Ended December 31, 2007
Reconciliation of net financial earnings to consolidated net income:		
Natural Gas Distribution	\$23,074	\$16,670
Energy Services	9,383	19,092
Retail and Other	21	545
Consolidated Net Financial Earnings	32,478	36,307
Less:		
Unrealized loss from derivative instruments, net of taxes	4,122	3,080
Realized loss from derivative instruments related to natural gas inventory, net of taxes	16,580	3,042
Consolidated Net Income	\$11,776	\$30,185

The Company's assets for the various business segments and business operations are detailed below:

<i>(Thousands)</i>	December 31, 2008	September 30, 2008
Assets at end of period:		
Natural Gas Distribution	\$1,868,319	\$1,761,964
Energy Services	629,310	689,992
Segment Subtotal	2,497,629	2,451,956
Retail and Other	232,246	231,551
Intercompany Assets ⁽¹⁾	(42,488)	(58,115)
Total	\$2,687,387	\$2,625,392

(1) Consists of transactions between subsidiaries that are eliminated and reclassified in consolidation

For the three months ended December 31, 2008, NJRES had one customer who represented more than 10 percent of its total revenue. Management believes that the loss of this customer would not have a material effect on its financial position, results of operations or cash flows as an adequate number of alternative counterparties exist.

15. OTHER

At December 31, 2008, there were 42,256,517 shares of common stock outstanding and the book value per share was \$17.43.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Overview

New Jersey Resources Corporation (NJR or the Company) is an energy services holding company providing retail natural gas service in New Jersey and wholesale natural gas and related energy services to customers in states from the Gulf Coast and Mid-Continent regions to the New England region and Canada through its two principal subsidiaries, New Jersey Natural Gas Company (NJNG) and NJR Energy Services Company (NJRES).

Comprising the Natural Gas Distribution segment, NJNG is a natural gas utility that provides regulated retail natural gas service in central and northern New Jersey and also participates in the off-system sales and capacity release markets. NJNG is regulated by the New Jersey Board of Public Utilities (BPU).

NJRES comprises the Energy Services segment. NJRES maintains and transacts around a portfolio of physical assets consisting of natural gas storage and transportation contracts. In addition, NJRES provides wholesale energy services to non-affiliated utility and energy companies.

The retail and other business operations (Retail and Other) includes NJR Energy (NJRE), an investor in energy-related ventures, most significantly through NJNR Pipeline Company, which holds the Company's 5.53 percent interest in Iroquois Gas and Transmission System, LP (Iroquois), a 412-mile natural gas pipeline from the New York-Canadian border to Long Island, New York, and NJR Steckman Ridge Storage Company, which has a 50 percent equity ownership interest in Steckman Ridge GP, LLC and Steckman Ridge, LP (collectively, Steckman Ridge), a planned 17.7 billion cubic foot (Bcf) natural gas storage facility, with up to 12 Bcf working capacity, which is being jointly developed and constructed with a partner in western Pennsylvania; NJR Investment Company, which makes energy-related equity investments; NJR Home Services Company (NJRHS), which provides service, sales and installation of appliances; Commercial Realty and Resources Corporation (CR&R), which holds and develops commercial real estate; and NJR Service Corporation (NJR Service), which provides support services to the various NJR businesses.

Net income and assets by business segment and business operations for the three months ended December 31, 2008 and 2007, respectively, are as follows:

<i>(Thousands)</i>	Three Months Ended December 31,			
	2008		2007	
Net Income (Loss)				
Natural Gas Distribution	\$23,074	196%	\$16,670	55%
Energy Services	(5,614)	(48)	13,150	44
Retail and Other	(5,684)	(48)	365	1
Total	\$11,776	100%	\$30,185	100%

<i>(Thousands)</i>	December 31, 2008		September 30, 2008	
Assets				
Natural Gas Distribution	\$1,868,319	70%	\$1,761,964	67%
Energy Services	629,310	23	689,992	26
Retail and Other	232,246	9	231,551	9
Intercompany Assets ⁽¹⁾	(42,488)	(2)	(58,115)	(2)
Total	\$2,687,387	100%	\$2,625,392	100%

⁽¹⁾ Consists of transactions between subsidiaries that are eliminated and reclassified in consolidation

NJRES and NJR Energy account for certain of their derivative instruments (financial futures, swaps and options) used to economically hedge the forecasted purchase, sale and transportation of natural gas at fair value, as required under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (as amended and interpreted, SFAS 133). Effective October 1, 2007, the Company changed the treatment of its physical commodity contracts at NJRES, such that the changes in fair

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

value of new contracts are included in earnings, and are not accounted for using the “normal purchase normal sales” (normal) scope exception of SFAS 133. In addition, effective October 1, 2008, due to changes in the Company’s ability to assert physical delivery, the Company is no longer treating physical commodity contracts executed prior to October 1, 2007 as normal. Therefore, all NJRES physical commodity contracts are accounted for at fair value on the Unaudited Condensed Consolidated Balance Sheets, with changes in fair value included as a component of gas purchases on the Unaudited Condensed Consolidated Statements of Income. All physical commodity contracts at NJNG and NJR Energy continue to be designated as normal and accounted for under accrual accounting.

The change in fair value of these derivative instruments at NJRES and NJR Energy over periods of time, referred to as unrealized gains or losses, can result in substantial volatility in reported net income under generally accepted accounting principles of the United States of America (GAAP). When a financial instrument settles the result is the realization of these gains or losses. NJRES utilizes certain financial instruments to economically hedge natural gas inventory placed into storage that will be sold at a later date, all of which were contemplated as part of an entire forecasted transaction. GAAP requires that when a financial instrument that is economically hedging natural gas that has been placed into inventory, but not yet sold, has been settled, the realized gain or loss associated with that settlement must be reflected currently in the income statement. While NJRES will recognize the same economic impact from the entire planned transaction, this also leads to additional volatility in NJRES’ reported earnings.

Unrealized losses and gains at NJRES and NJR Energy are the result of changes in the fair value of natural gas futures and fixed and basis swaps, as applicable, used to economically hedge future natural gas purchases, sales and transportation. Realized gains and losses at NJRES include the settlement of natural gas futures instruments used to economically hedge natural gas purchases in inventory that have not been sold.

Included in Net income are unrealized gains and (losses) in the Energy Services segment of \$1.6 million and \$(2.9) million, after taxes, for the three-month period ended December 31, 2008 and 2007, respectively. Also included in Net income are realized (losses) of \$(16.6) million and \$(3.0), after taxes, for the three-month period ended December 31, 2008 and 2007, respectively, which are related to derivative instruments that have settled and are designed to economically hedge natural gas that is in storage inventory at December 31, 2008 and 2007, respectively.

Included in Net income are unrealized (losses) in the Retail and Other business operations of \$(5.7) million and \$(180,000), after taxes, for the three-month period ended December 31, 2008 and 2007, respectively.

Natural Gas Distribution Segment

Natural Gas Distribution operations have been managed with the goal of growing profitably through several key initiatives including:

- Earning a reasonable rate of return on the investments in its natural gas distribution system, as well as recovery of all prudently incurred costs in order to provide safe and reliable service throughout NJNG’s service territory.
- Working with the BPU and the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel), on the implementation and continuing review of the Conservation Incentive Program (CIP). The CIP allows NJNG to promote conservation programs to its customers while maintaining protection of its utility gross margin associated with reduced customer usage. CIP usage differences are calculated annually and are recovered one year following the end of the CIP usage year;
- Managing its new customer growth rate, which is expected to be approximately 1.3 percent over the next two years. In fiscal 2009 and 2010, NJNG currently expects to add, in total, approximately 12,000 to 14,000 new customers. The Company believes that this growth would increase utility gross margin under its base rates as provided by approximately \$3.6 million annually, as calculated under NJNG’s CIP tariff;

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- Generating earnings from various BPU-authorized gross margin-sharing incentive programs; and
- Managing the volatility of wholesale natural gas prices through a hedging program designed to keep customers' Basic Gas Supply Service (BGSS) rates as stable as possible.

Based upon increases in NJNG's operation, maintenance and capital costs, NJNG petitioned the BPU, on November 20, 2007, to increase base rates for its natural gas delivery service. This base rate filing was consistent with NJNG's objectives of providing safe and reliable service to its customers and earning a market-based return.

On October 3, 2008, the BPU unanimously approved and made effective the settlement of NJNG's base rate case. As a result, NJNG received a revenue increase in its base rates of \$32.5 million, which is inclusive of an approximate \$13 million impact of a change to the CIP baseline usage rate, received an allowed return on equity component of 10.3 percent, reduced its depreciation expense component from 3.0 percent to 2.34 percent and reduced its annual depreciation expense of \$1.6 million as a result of the amortization of previously recovered asset retirement obligations.

The CIP allows NJNG to recover utility gross margin variations related to both weather and customer usage. Recovery of such margin variations is subject to additional conditions including an earnings test, which includes a return on equity component of 10.3 percent, and an evaluation of Basic Gas Supply Service (BGSS)-related savings achieved. An annual review of the CIP must be filed in June of each year, coincident with NJNG's annual BGSS filing. In October 2007, the BPU provisionally approved NJNG's initial CIP recovery rates, which are designed to recover approximately \$15.6 million of accrued margin amounts. In October 2008, the BPU provisionally approved recovery of an additional \$6.8 million of accrued margin for the CIP. It is anticipated that NJNG will file a petition in the spring of 2009 to extend its CIP or implement a similar mechanism on a permanent basis, to be effective October 1, 2009.

In conjunction with the CIP, NJNG is required to administer programs that promote customer conservation efforts. As of December 31, 2008 and September 30, 2008, the obligation to fund these conservation programs was recorded at its present value of \$662,000 and \$864,000, respectively on the Unaudited Condensed Consolidated Balance Sheets.

In conducting NJNG's business, management focuses on factors it believes may have significant influence on its future financial results. NJNG's policy is to work with all stakeholders, including customers, regulators and policymakers, to achieve favorable results. These factors include the rate of NJNG's customer growth in its service territory, which can be influenced by general economic conditions as well as political and regulatory policies that may impact the new housing market. A portion of NJNG's customer growth comes from the conversion market, which is influenced by the delivered cost of natural gas compared with competing fuels, interest rates and other economic conditions.

As a regulated company, NJNG is required to recognize the impact of regulatory decisions on its financial statements. As a result, significant costs are deferred and treated as regulatory assets, pending BPU decisions regarding their ultimate recovery from customers. The most significant costs incurred that are subject to this accounting treatment include manufactured gas plant (MGP) remediation costs and wholesale natural gas costs. Actual remediation costs may vary from management's estimates due to the developing nature of remediation requirements, regulatory decisions by the New Jersey Department of Environmental Protection (NJDEP) and related litigation. If there are changes in the regulatory position on the recovery of these costs, such costs would be charged to income in the period of such determination.

Due to the capital-intensive nature of NJNG's operations and the seasonal nature of its working capital requirements, significant changes in interest rates can also impact NJNG's results.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Energy Services Segment

NJRES provides unregulated wholesale energy services, including base load natural gas, peaking and balancing services, utilizing physical assets it controls through natural gas pipeline transportation and storage contracts, as well as providing asset management services to customers in states from the Gulf Coast and Mid-continent regions to the Appalachian and Northeast regions and Canada.

NJRES incorporates the following elements to provide for growth, while focusing on maintaining a low-risk operating and counterparty credit profile:

- Providing natural gas portfolio management services to nonaffiliated utilities and electric generation facilities;
- Leveraging transactions for the delivery of natural gas to customers by aggregating the natural gas commodity costs and transportation costs in order to minimize the total cost required to provide and deliver natural gas to NJRES’ customers by identifying the lowest cost alternative with the natural gas supply, transportation availability and markets to which NJRES is able to access through its business footprint and contractual asset portfolio;
- Identifying and benefiting from variations in pricing of natural gas transportation and storage assets due to location or timing differences of natural gas prices to generate gross margin; and
- Managing economic hedging programs that are designed to mitigate adverse market price fluctuations in natural gas transportation and storage commitments.

NJRES views “financial margin” as a financial measurement metric. NJRES’ financial margin, which is a non-GAAP financial measure, represents revenues earned from the sale of natural gas less costs of natural gas sold, transportation and storage, and excludes any accounting impact from the change in fair value of derivative instruments designed to hedge the economic impact of its transactions that have not been settled, which represent unrealized gains and losses, and realized gains and losses associated with financial instruments economically hedging natural gas in storage and not yet sold as part of a planned transaction. NJRES uses financial margin to gauge operating results against established benchmarks and earnings targets as it eliminates the impact of volatility in GAAP earnings that can occur prior to settlement of the physical commodity portion of the transactions and therefore is more representative of the overall expected economic result.

NJRES has built a portfolio of customers including local distribution companies, industrial companies, electric generators and retail aggregators. Sales to these customers have allowed NJRES to leverage its transportation and storage capacity and manage sales to these customers in an aggregate fashion. This strategy allows NJRES to extract more value from its portfolio of natural gas storage and pipeline transportation capacity through the arbitrage of pricing differences as a result of locational differences or over different periods of time.

NJRES also focuses on creating value from underutilized natural gas assets, which are typically amassed through contractual rights to natural gas transportation and storage capacity. NJRES has developed a portfolio of natural gas storage and transportation capacity in states in the Northeast, Gulf Coast, Mid-continent and Appalachian regions of the United States and eastern Canada. These assets become more valuable when prices change between these areas and across time periods. NJRES seeks to optimize this process on a daily basis as market conditions change by evaluating all the natural gas supplies, transportation and opportunities to which it has access, to find the most profitable alternative to serve its various commitments. This enables NJRES to capture geographic pricing differences across these various regions as delivered natural gas prices change as a result of market conditions. NJRES focuses on earning a financial margin on a single original transaction and then utilizing that transaction, and the changes in prices across the regions or across time periods, as the basis to further improve the initial result.

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In a similar manner, NJRES participates in natural gas storage transactions where it seeks to identify pricing differences that occur over time, as prices for future delivery periods at many different delivery points, are readily available. For example, NJRES generates financial margin by locking in the differential between purchasing natural gas at a low current or future price and, in a related transaction, selling that natural gas at a higher current or future price, all within the constraints of its credit and contracts policies. Through the use of transportation and storage services, NJRES is able to generate financial margin through pricing differences that occur over the duration of time the assets are held.

NJRES’ portfolio management customers include nonaffiliated utilities and electric generation plants. Services provided by NJRES include optimization of underutilized natural gas assets and basic gas supply functions.

NJRES also participates in park-and-loan transactions with pipeline counterparties, where NJRES will borrow natural gas when there is an opportunity to capture arbitrage value. In these cases, NJRES evaluates the economics of the transaction to determine if it can capture pricing differentials in the marketplace in order to be able to generate financial margin. In evaluating these transactions NJRES will compare the fixed fee it will pay and the resulting spread it can generate when considering the amount it will receive to sell the borrowed gas to another counterparty in relation to the cost it will incur to purchase the gas at a later date for return back to the pipeline. When the transaction allows NJRES to generate a financial margin, NJRES will fix the financial margin by economically hedging the transaction with natural gas futures.

In conducting its business, NJRES mitigates risk by following formal risk management guidelines, including trading limits, approval processes, segregation of duties, and formal contract and credit review and approval procedures. NJRES continuously monitors and seeks to reduce the risk associated with various counterparties credit exposure. The Risk Management Committee (RMC) of NJR, oversees compliance with these established guidelines.

Retail and Other Business Operations

As part of the Retail and Other business operations NJR utilizes a subsidiary, NJR Energy Holdings, to develop its investments in natural gas “mid-stream” assets. Mid-stream assets are natural gas transportation and storage facilities. NJR believes that acquiring, owning and developing these mid-stream assets, which operate under a tariff structure that has either a regulated or market-based rate, can provide a significant growth opportunity for the Company. To that end, NJR has ownership interests in Iroquois (regulated rate) and Steckman Ridge (anticipated market-based rate), which is currently under development, and is actively pursuing other potential opportunities that meet its investment and development criteria. Other businesses included as part of Retail and Other include NJRHS, which provides service, sales and installation of appliances to over 144,000 customers and is focused on growing its installation business and expanding its service contract customer base, and CR&R, which seeks additional opportunities to enhance the value of its undeveloped land.

The financial results of Retail and Other consist primarily of the operating results of NJRHS and equity in earnings attributable to the Company’s equity investment in Iroquois, as well as to investments made by NJR Energy, an investor in other energy-related ventures through its operating subsidiaries.

On June 5, 2008, the Federal Energy Regulatory Commission (FERC) issued Steckman Ridge a certificate of public convenience and necessity authorizing the ownership, construction and operation of its natural gas storage facility and associated facilities. NJR anticipates that Steckman Ridge will be placed in service during the summer of 2009. As of December 31, 2008, NJR has invested \$99.7 million in Steckman Ridge. This amount excludes capitalized interest and other direct costs. Total project costs related to the development of the storage facility are currently estimated at approximately \$265 million, of which NJR is obligated to fund 50 percent or approximately \$132.5 million. NJR anticipates that Steckman Ridge will seek non-recourse financing upon completion of the construction and development of its facilities, thereby potentially reducing the final expected recourse obligation of NJR. There can be no assurances that such non-recourse project financing will be secured or available for Steckman Ridge.

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Part I

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Critical Accounting Policies

A summary of NJR’s critical accounting policies is included in *Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations* of its Annual Report on Form 10-K for the period ended September 30, 2008. NJR’s critical accounting policies have not changed materially from those reported in the 2008 Annual Report on Form 10-K with the exception of the following:

Derivative Instruments

Derivative activities are recorded in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted, (SFAS 133) under which NJR records the fair value of derivatives held as assets and liabilities. In addition, NJRES also treats contracts for the purchase or sale of natural gas as derivatives and, therefore, records them at fair value in the Unaudited Condensed Consolidated Balance Sheet, with changes in fair value being recorded as a component of Gas purchases in the Unaudited Condensed Consolidated Statements of Income.

NJRES previously applied the “normal purchase normal sale” (normal) scope exception for certain physical commodity contracts that were executed prior to October 1, 2007 which otherwise qualified as derivatives. Based on current conditions in the credit markets and developments within the natural gas industry, NJRES has determined that the probability of physical delivery with these counterparties could potentially diminish and, therefore, these contracts meet the requirements, outlined in SFAS 133, to continue applying the normal scope exception. As a result, NJRES will no longer recognize these contracts at cost. Effective October 1, 2008, NJRES will treat these contracts as derivatives and record them at fair value in the Unaudited Condensed Consolidated Balance Sheet, with changes in fair value being recorded as a component of Gas purchases in the Unaudited Condensed Consolidated Statements of Income.

Effective October 1, 2008, NJR began applying the provisions of SFAS 157 *Fair Value Measurement* (see *Note 5, Fair Value Measurements*). As a result of the adoption of SFAS 157, NJR implemented procedures to evaluate its own credit profile to determine an appropriate valuation adjustment to the recorded amount of its derivative liabilities. NJR uses historical default probabilities corresponding to Standard and Poor’s issuer ratings and considers conditions in the credit markets to further adjust the valuation, when deemed appropriate, based on the change in a market index that tracks the credit default swaps of investment grade companies.

Capitalized Financing Costs

NJNG capitalizes an allowance for funds used during construction (AFUDC) as a component of Utility plant in the Unaudited Condensed Consolidated Balance Sheets. Under regulatory rate practices and in accordance with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, NJNG fully recovers AFUDC through base rates. As a result of the BPU’s Base Rate Order issued in October 2008, NJNG implemented certain rate design changes, including a change to its AFUDC calculation. Effective October 3, 2008, NJNG is allowed to recover an incremental cost of equity component during periods when its short-term debt balances are lower than its construction work in progress balance. This results in a non-cash income statement recognition that will also be capitalized as a component of Utility plant.

Recently Issued Accounting Standards

Refer to *Note 1. General*, for discussion of recently issued accounting standards.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations

Consolidated

Net income for the three-month period ended December 31, 2008 decreased by 61 percent to approximately \$11.8 million, compared with net income of approximately \$30.2 million for the same period in fiscal 2007. Basic and diluted earnings per share decreased by 61 percent to \$0.28 and \$0.28, compared with \$0.72 and \$0.72, respectively.

The decrease in net income was due primarily to decreased gross margin at NJRES as a result of higher realized losses on derivatives associated with economic hedges of natural gas in inventory due primarily to declining NYMEX prices in the current fiscal period of \$16.6 million, net of tax, partially offset by increased operating income at NJNG driven by higher utility gross margin as a result of changes to its base rates approved by the BPU that became effective October 3, 2008 and higher margins related to its storage incentive program.

The Company's Operating revenues and Gas purchases are as follows:

<i>(Thousands)</i>	Three Months Ended December 31,		
	2008	2007	% Change
Operating revenues	\$801,304	\$811,138	(1.2)%
Gas purchases	\$698,145	\$684,694	2.0 %

Operating revenues decreased \$(9.8) million and Gas purchases increased \$13.5 million for the three months ended December 31, 2008, compared with the same period of the prior fiscal year due primarily to:

- a decrease in Operating revenues of \$(57.1) million and Gas purchases of \$(26.8) million at NJRES due primarily to lower average prices partially offset by slightly higher transaction volumes;
- a decrease in Operating revenues of \$(9.3) million at NJR Energy due to greater unrealized losses, which were the result of declining market prices within a portfolio of net long financial derivative positions; partially offset by
- an increase in Operating revenues of \$56.5 million and Gas purchases of \$40.3 million at NJNG due primarily to BGSS customer refunds issued in fiscal 2008 that did not recur in fiscal 2009 and weather being 10 percent colder than the first quarter of the same period of the prior fiscal year. In addition, the first quarter operating revenues were favorably impacted by the base rate increase.

Natural Gas Distribution Segment

NJNG is a local natural gas distribution company that provides regulated retail energy services to approximately 486,000 residential and commercial customers in central and northern New Jersey and participates in the off-system sales and capacity release markets.

NJNG's business is seasonal by nature, as weather conditions directly influence the volume of natural gas delivered. Specifically, customer demand substantially increases during the winter months when natural gas is used for heating purposes. As a result, NJNG receives most of its gas distribution revenues during the first and second fiscal quarters and is subject to variations in earnings and working capital during the year.

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Part I

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The Electric Discount and Energy Competition Act (EDECA) provides the framework for New Jersey’s energy markets, which are open to competition from other energy suppliers. Currently, NJNG’s residential markets are open to competition, and its rates are segregated between BGSS (natural gas commodity) and delivery (i.e., transportation) components. NJNG earns no utility gross margin on the commodity portion of its natural gas sales. NJNG earns utility gross margin through the delivery of natural gas to its customers. Under an existing order from the BPU, BGSS can be provided by suppliers other than the state’s natural gas utilities.

NJNG’s financial results are summarized as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2008	2007
Utility Gross Margin		
Operating revenues	\$340,908	\$284,360
Less:		
Gas purchases	230,452	190,148
Energy and other taxes	21,587	16,363
Regulatory rider expense	13,561	12,165
Total Utility Gross Margin	75,308	65,684
Operation and maintenance expense	24,950	23,879
Depreciation and amortization	7,161	9,233
Other taxes not reflected in utility gross margin	1,011	970
Operating income	42,186	31,602
Other income	684	1,232
Interest expense, net	6,460	6,119
Income tax provision	13,336	10,045
Net income	\$ 23,074	\$ 16,670

The following table summarizes Utility Gross Margin and throughput in billion cubic feet (Bcf) of natural gas by type:

<i>(\$ in thousands)</i>	Three Months Ended December 31,			
	2008		2007	
	Margin	Bcf	Margin	Bcf
Residential	\$49,687	13.3	\$45,400	12.7
Commercial, Industrial & Other	13,381	3.2	13,796	2.8
Transportation	8,432	3.0	4,934	2.8
Total Firm	71,500	19.5	64,130	18.3
Incentive programs	3,724	12.2	1,420	9.7
Interruptible	84	0.9	134	1.6
Total Utility Gross Margin/throughput	\$75,308	32.6	\$65,684	29.6

Utility Gross Margin

NJNG’s utility gross margin is defined as natural gas revenues less natural gas purchases, sales tax, a Transitional Energy Facilities Assessment (TEFA) and regulatory rider expenses, and may not be comparable to the definition of gross margin used by others in the natural gas distribution business and other industries. Utility gross margin is comprised of three major categories which include utility firm gross margin, incentive programs and utility gross margin from interruptible customers. Management believes that utility gross margin provides a more meaningful basis than revenue for evaluating utility operations since natural gas costs, sales tax, TEFA and regulatory rider expenses are included in operating revenue and passed through to customers and, therefore, have no effect on utility gross margin.

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Natural gas costs are charged to operating expenses on the basis of therm sales at the prices in NJNG’s BGSS tariff approved by the BPU. The BGSS tariff rate includes projected natural gas costs, net of supplier refunds, the impact of hedging activities and credits from non-firm sales and transportation activities. Any underrecoveries or overrecoveries from the projected amounts are deferred and reflected in the BGSS tariff rate in subsequent years.

TEFA, which is included in Energy and other taxes on the Unaudited Condensed Consolidated Statements of Income, is calculated on a per-therm basis and excludes sales to cogeneration facilities, other utilities and off-system sales. TEFA represents a regulatory allowed assessment imposed on all energy providers in the state of New Jersey, as TEFA has replaced the previously used utility gross receipts tax formula.

Regulatory rider expenses consist of recovery of state-mandated programs and the remediation adjustment clause costs. These expenses are offset by corresponding revenues and are calculated on a per-therm basis.

NJNG’s Operating revenues increased by \$56.5 million, or 20 percent, and Gas purchases increased by \$40.3 million, or 21 percent, for the three months ended December 31, 2008, respectively, compared with same period in the prior fiscal year as a result of:

- an increase in Operating revenue and Gas purchases related to a BGSS customer refund in December 2007 that did not recur in the first quarter of fiscal 2009 in the amount of \$32.1 million and \$30.0 million, respectively. The prior year customer refund was inclusive of sales tax refund of \$2.1 million and was the result of anticipated reductions in cost to acquire wholesale natural gas, as compared to the established rate included in NJNG’s BGSS tariff;
- an increase in Operating revenue and Gas purchases related to firm sales in the amount of \$25.6 million and \$18.1 million, respectively, as a result an increase in BGSS rates approved by the BPU;
- an increase in Operating revenue and Gas purchases related to firm sales in the amount of \$14.5 million and \$9.5 million, respectively, due primarily to weather being 10 percent colder than the same period of the prior fiscal year;
- an increase in Operating revenue in the amount of \$4.8 million related to fixed revenue as a result of changes approved by the BPU for restructured tariffs; partially offset by
- a decrease in Operating revenue and Gas purchases related to off-system sales in the amount of \$12.8 million and \$12.6 million, respectively, as a result of lower average sale prices due to the change in the wholesale price of natural gas;
- a decrease in Operating revenue related to the CIP program in the amount of \$5.3 million due primarily to a change in the CIP baseline use per customer benchmark resulting from the October 3, 2008 base rate case;
- a decrease in Operating revenue and Gas purchases related to interruptible sales in the amount of \$2.1 million and \$1.8 million, respectively, due to a decrease in sales to electric co-generation customers;
- a decrease in Gas purchases related to increased amounts earned through the financial risk management (FRM) and capacity release incentive programs of \$1.8 million in fiscal 2009 as compared to \$345,000 in fiscal 2008 due primarily to the FRM program’s increased annual cost and volume limitations, which allowed NJNG the ability to capitalize on more hedging opportunities; and
- a decrease of \$1.1 million in Gas purchases related to increased amounts received through the storage incentive program due primarily to the timing of the incentive margins during the program’s April 2008 through October 2008 injection period as compared to the same period in the prior fiscal year.

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Sales tax and TEFA, which are presented as both components of Revenues and Operating Expenses in the Unaudited Condensed Consolidated Statements of Income, totaled \$21.6 million and \$16.4 million for the three months ended December 31, 2008 and 2007, respectively. The increase is due primarily to an increase of \$68.8 million in operating revenue from firm sales for the three months ended December 31, 2008.

Regulatory rider expenses are calculated on a per-therm basis and totaled \$13.6 million and \$12.2 million for the three months ended December 31, 2008 and 2007, respectively. The increase is due primarily to an increase in firm throughput of 1.2 Bcf for the three months ended December 31, 2008 as compared with the three months ended December 31, 2007, as a result of the previously mentioned colder weather and an increase in the SBC rate.

Utility gross margin is comprised of three major categories:

- Utility Firm Gross Margin, which is derived from residential and commercial customers who receive natural gas service from NJNG through either sales or transportation tariffs;
- Incentive programs, where margins generated or savings achieved from BPU-approved off-system sales, capacity release, Financial Risk Management (defined in Incentive Programs, below) or storage incentive programs are shared between customers and NJNG; and
- Utility gross margin from interruptible customers who have the ability to switch to alternative fuels.

Utility Firm Gross Margin

Utility firm gross margin is earned from residential and commercial customers who receive natural gas service from NJNG through either sales or transportation tariffs.

As a result of NJNG's implementation of the CIP, utility gross margin is no longer linked to customer usage. The CIP eliminates the disincentive to promote conservation and energy efficiency and facilitate normalizing NJNG's utility gross margin recoveries for variances not only in weather but also in other factors affecting usage, including customer conservation. Recovery of utility gross margin for the non-weather variance through the CIP is limited to the amount of certain gas supply cost savings achieved and is subject to an earnings test, which contains a return on equity component of 10.3 percent.

NJNG's total utility gross margin is not negatively affected by customers who use its transportation service and purchase natural gas from another supplier because its tariff is designed so that no profit is earned on the commodity portion of sales to firm customers. All customers who purchase natural gas from another supplier continue to use NJNG for transportation service.

Total utility firm gross margin increased \$7.4 million, or 11.5 percent, for the three months ended December 31, 2008, as compared to the same period in the prior fiscal year, due primarily to an increase in residential and commercial transport customer margin as a result of an increase in base rates effective October 3, 2008 partially offset by a decrease in the amounts accrued through the CIP program. The changes in customer margin were also favorably impacted by the increase in firm and transport customers of 2,100 and 3,100, respectively, over the same period in the prior fiscal year.

Utility firm gross margin from residential service sales increased to \$49.7 million for the three months ended December 31, 2008, as compared with \$45.4 million for the three months ended December 31, 2007. NJNG transported 13.3 Bcf for its firm customers in the three months ended December 31, 2008, compared with 12.7 Bcf for the same period ended December 31, 2007.

Utility firm gross margin from transportation service increased to \$8.4 million for the three months ended December 31, 2008, as compared to \$4.9 million for the three months ended December 31, 2007. NJNG transported 3.0 Bcf for its firm customers in the three months ended December 31, 2008, compared with 2.8 Bcf for the same period ended December 31, 2007.

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The weather for the three months ended December 31, 2008 was 1.8 percent colder than normal, based on a 20-year average, which resulted in a negative adjustment of utility gross margin under the weather component of the CIP of \$(216,000), compared with 8.2 percent warmer-than-normal weather for the same period last fiscal year, which resulted in an accrual of utility gross margin of \$2.9 million. Under the provisions of the CIP, accruals related to the weather portion are dependent on the occurrence of degree days and the magnitude of the variance in relation to a normal degree day. Customer usage was lower than the established benchmark during the first quarter of fiscal 2009, which resulted in an accrual of utility gross margin under the CIP of \$1.0 million compared with \$3.2 million in the first quarter of fiscal 2008. The change in the weather and non-weather components of the CIP include the effect of adjustments, normal degree days, consumption factors and benchmarks related to the baseline use per customer, which was amended with NJNG's new base rates approved by the BPU effective October 3, 2008.

NJNG had 12,053 and 9,324 residential customers and 5,214 and 4,889 commercial customers using its transportation service at December 31, 2008 and 2007, respectively. The increase in transportation customers for the period ended December 31, 2008 was due primarily to an increase in marketing activity by third party natural gas service providers in NJNG's service territory.

NJNG added 1,763 and 1,723 new customers during the three months ended December 31, 2008 and 2007, respectively. In addition, NJNG converted 162 and 104 existing customers to natural gas heat and other services during the same periods for fiscal 2009 and 2008, respectively. This customer growth represents an estimated annual increase of approximately 0.53 Bcf in sales to firm customers, assuming normal weather and usage.

Incentive Programs

To reduce the overall cost of its natural gas supply commitments, NJNG has entered into contracts to sell natural gas to wholesale customers outside its franchise territory when the natural gas is not needed for system requirements. These off-system sales enable NJNG to reduce its overall costs applicable to BGSS customers. NJNG also participates in the capacity release market on the interstate pipeline network when the capacity is not needed for its firm system requirements. NJNG retains 15 percent of the utility gross margin from these sales, with 85 percent credited to firm customers through the BGSS.

The Financial Risk Management (FRM) program is designed to provide price stability to NJNG's natural gas supply portfolio. The FRM program includes an incentive mechanism designed to encourage the use of financial instruments to economically hedge NJNG's natural gas costs. NJNG retains 15 percent of the utility gross margin, with 85 percent credited to firm customers through the BGSS.

The storage incentive program shares gains and losses on an 80 percent and 20 percent basis between customers and NJNG, respectively. This program measures the difference between the actual cost of natural gas injected into storage and a benchmark established with the purchase of a portfolio of futures contracts applicable to the April-through-October natural gas injection season.

On October 3, 2008, the BPU approved the Rate Order, which extends the incentive programs through October 31, 2011, and provides changes to certain volume and cost limitations surrounding these incentive programs.

NJNG's incentive programs totaled 12.2 Bcf and generated \$3.7 million of utility gross margin for the three months ended December 31, 2008, compared with 9.7 Bcf and \$1.4 million of utility gross margin during the same period last fiscal year. Utility gross margin from incentive programs comprised 4.9 percent of total utility gross margin for the three months ended December 31, 2008 and 2.2 percent of total utility gross margin for the same period in fiscal 2008, respectively. The increase in utility gross margin was due primarily to increased amounts received through the FRM program of \$1.2 million in the first quarter of fiscal 2009 as compared with \$230,000 in the first quarter of fiscal 2008 and \$1.1 million in the first quarter of fiscal 2009 from increased amounts received through the storage incentive program as discussed above.

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Interruptible Revenues

As of December 31, 2008, NJNG serves 45 customers through interruptible transportation and sales services. Interruptible customers are those customers whose service can be temporarily halted as they have the ability to utilize an alternate fuel source. Although therms transported and sold to interruptible customers represented 0.9 Bcf, or 2.8 percent, of total throughput for the three months ended December 31, 2008, and 1.6 Bcf, or 5.4 percent, of the total throughput during the same period in the prior fiscal year, they accounted for less than 1 percent of the total utility gross margin in each year.

Operation and Maintenance Expense

Operation and maintenance expense increased \$1.1 million, or 4.5 percent, during the three months ended December 31, 2008, as compared with the same period in the last fiscal year, due primarily to:

- an increase in the bad debt expense of \$325,000 as a result of an increase in operating revenue;
- an increase of \$180,000 in pipeline access clearing maintenance;
- higher pipeline integrity costs of \$130,000;
- increased postemployment benefit costs in the amount of \$121,000; and
- increased reserve for unused earned vacation of \$119,000.

Operating Income

Operating income increased \$10.6 million, or 33.5 percent, for the three months ended December 31, 2008 as compared with the same period in the last fiscal year, due primarily to:

- an increase in total Utility gross margin of \$9.6 million, as discussed above;
- a decrease in depreciation expense of \$2.1 million, due to a rate reduction from 3 percent to 2.34 percent and amortization of previously recovered asset retirement obligations, both of which were part of the settlement of the base rate case; partially offset by
- an increase in Operations and maintenance expense in the amount of \$1.1 million, as discussed above.

Interest Expense

Interest expense increased \$341,000 for the three months ended December 31, 2008 compared with the same period in the last fiscal year, due primarily to:

- an increase of \$1.8 million in long-term interest due to the new long-term fixed rate debt issuance of \$125 million in May 2008; partially offset by
- a decrease of \$1.4 million in short-term interest due to lower average interest rates and short-term borrowings of commercial paper and other variable-rate debt.

Net Income

Net income increased \$6.4 million, or 38.4 percent, to \$23.1 million from \$16.7 million in the three months ended December 31, 2008 and 2007, respectively, due primarily to an increase in Operating income of approximately \$10.6 million as discussed above, partially offset by higher income tax expense of \$3.3 million as a result of the higher Operating income.

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Energy Services Segment

NJRES is a non-regulated natural gas marketer and provides for the physical delivery of natural gas to its customers, while managing its exposure to the price risk associated with its natural gas commodity supply through the use of financial derivative contracts. In order to best serve its customers, which include other natural gas marketers, local distribution companies, industrial companies, electric generators and retail aggregators, and to manage the continuous changes in supply and demand that it faces in the market areas in which it participates, so that it can maximize its margins, NJRES has physical storage and transportation capacity contracts with natural gas storage facilities and pipelines. NJRES purchases natural gas predominately in the eastern United States and Canada, and transports that natural gas, through the use of its pipeline contracts to which it has reserved capacity through the payment of a fixed demand charge, to either storage facilities that it has reserved, primarily in the Appalachian, Mid-Continent and Gulf regions of the United States and eastern Canada or directly to customers in various market areas including the Northeastern region of the United States and eastern Canada.

When NJRES enters into contracts for the future delivery of physical natural gas, it simultaneously enters into financial derivative contracts at market prices to establish an initial financial margin for each of its forecasted physical commodity transactions. The financial derivative contracts also serve to protect the cash flows of the transaction from volatility in commodity prices as NJRES locks in pricing and can include futures, options, and swap contracts, which are all predominantly actively quoted on the NYMEX.

Through the use of its contracts for natural gas storage and pipeline capacity, NJRES is able to take advantage of pricing differences between geographic locations, commonly referred to as “locational spreads,” as well as over different time periods, for the delivery of natural gas to its customers, thereby improving the initially established financial margin result. NJRES utilizes financial futures, forwards and swap contracts to establish economic hedges that fix and protect the cash flows surrounding these transactions.

Accordingly, NJRES utilizes these contractual assets to optimize its opportunities to increase its financial margin by capitalizing on changes or events in the marketplace that impact natural gas demand levels. NJRES generates financial margin through three primary channels:

- *Storage:* NJRES attempts to take advantage of differences in market prices occurring over different time periods (time spreads) as follows:
 - * NJRES can purchase gas to inject into storage and concurrently lock in gross margin with a contract to sell the natural gas at a higher price at a future date; and
 - * NJRES can purchase a future contract with an early delivery date at a lower price and simultaneously sell another future contract with a later delivery date having a higher price.
- *Transportation (Basis):* Similarly, NJRES benefits from pricing differences between various receipt and delivery points along a natural gas pipeline as follows:
 - * NJRES can utilize its pipeline capacity by purchasing natural gas at a lower price location and transporting to a higher value location. NJRES can enter into a basis swap contract, a financial commodity derivative based on the price of natural gas at two different locations, when it will lead to positive cash flows and financial margin for NJRES.
- *Daily Sales Optimization:* Consists of buying and selling flowing gas on a daily basis while optimizing existing transport positions during short-term market price movements to benefit from locational spreads:
 - * Involves increasing the financial margin on established transportation hedges by capitalizing on price movements between specific locations.

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Typically, periods of greater price volatility provide NJRES with additional opportunities to generate financial margin by optimizing its storage and transport capacity assets, and capturing their respective time or locational spreads. The combination of strategically positioned natural gas storage and transportation capacities provides NJRES with a significant amount of arbitrage opportunities that are typically more prevalent during periods of high price volatility.

Predominantly all of NJRES' purchases and sales of natural gas result in the physical delivery of natural gas. NJRES has elected not to use the normal purchase normal sale scope exception of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, under which related liabilities incurred and assets acquired under these contracts are recorded when title to the underlying commodity passes. Therefore, all NJRES physical commodity contracts are recorded at fair value on the Unaudited Condensed Consolidated Balance Sheets with any changes in fair value recognized as a component of Gas purchases in the Unaudited Condensed Consolidated Statements of Income.

The changes in fair value of NJRES' financial derivative instruments, which are financial futures, swaps and option contracts are also recognized in the Unaudited Condensed Consolidated Statements of Income, as a component of Gas purchases.

NJRES' financial and physical contracts will result, over time, in earning a gross margin on the entire transaction. For financial reporting purposes under GAAP, the change in fair value associated with derivative instruments used to economically hedge these transactions are recorded as a component of Gas purchases in the Unaudited Condensed Consolidated Statements of Income during the duration of the financial instrument or commodity contract. These changes in fair value are referred to as unrealized gains and losses. In other instances, certain financial contracts designed to economically fix or hedge the price of natural gas that is purchased and placed into storage, to be sold at a later date, settle and result in realized gains, which are also recorded as a component of Gas purchases in the Unaudited Condensed Consolidated Statements of Income.

These unrealized gains or losses from the change in fair value of unsettled financial instruments and physical commodity contracts, or realized gains or losses related to financial instruments that economically hedge natural gas inventory that has not been sold as part of a planned transaction, cause large variations in the reported gross margin and earnings of NJRES. NJRES will continue to earn the gross margin established at inception of the transaction over the duration of the forecasted transaction and may be able to capitalize on events in the marketplace that enable it to increase the initial margin; however, gross margin or earnings during periods prior to the delivery of the natural gas will not reflect the underlying economic result.

NJRES expenses its demand charges, which represent the right to use natural gas pipeline and storage capacity assets of a third-party for a fixed period of time. These demand charges are expensed over the term of the related natural gas pipeline or storage contract. The term of these contracts vary from less than one year to five years.

NJRES' financial results are summarized as follows:

	Three Months Ended December 31,	
<i>(Thousands)</i>	2008	2007
Operating revenues	\$463,094	\$520,211
Gas purchases	467,732	494,546
Gross (loss) margin	(4,638)	25,665
Operation and maintenance expense	4,360	2,840
Depreciation and amortization	51	53
Other taxes	329	209
Operating (loss) income	(9,378)	22,563
Other income	13	130
Interest expense, net	(24)	877
Income tax (benefit) provision	(3,727)	8,666
Net (loss) income	\$ (5,614)	\$ 13,150

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Gross margin for the three months ended December 31, 2008 decreased by \$30.3 million, as compared with the same period in the last fiscal year, due primarily to a decrease of \$14.5 million in overall values on its financial and physical commodity contracts and lower Gross margin of \$15.8 million.

The lower fair values on financial instruments resulted primarily from a \$22.0 million increase in realized losses associated with economic hedges of natural gas in inventory. The realized losses pertain to financial derivative instruments that are designed to economically hedge natural gas storage injections, and as part of a planned transaction, are awaiting subsequent sale. The lower valuation on these financial instruments was due primarily to declining NYMEX prices in the current fiscal period. Partially offsetting the realized losses were higher unrealized gains of \$7.5 million that resulted primarily from higher valuations on financial instruments with short positions in the current fiscal period.

The lower operating results were due primarily to the expiration of a favorable physical transport capacity asset servicing the Northeast United States market region that was no longer available for asset optimization in the current fiscal period, as further discussed in the Financial Margin section.

Additionally, management of the Company uses non-GAAP measures when viewing the results of NJRES to monitor the operational results without the impact of unsettled and certain settled derivative instruments. These non-GAAP measures are “financial margin” and “net financial earnings.”

The following table is a computation of Financial margin of NJRES:

	Three Months Ended December 31,	
<i>(Thousands)</i>	2008	2007
Operating revenues	\$463,094	\$520,211
Gas purchases	467,732	494,546
Add:		
Unrealized (gain) loss on derivative instruments	(2,597)	4,922
Realized loss from derivative instruments related to natural gas inventory	27,194	5,163
Financial margin	\$ 19,959	\$ 35,750

A reconciliation of Operating income, the closest GAAP financial measurement, to the Financial margin of NJRES is as follows:

	Three Months Ended December 31,	
<i>(Thousands)</i>	2008	2007
Operating income	\$(9,378)	\$22,563
Add:		
Operation and maintenance expense	4,360	2,840
Depreciation and amortization	51	53
Other taxes	329	209
Subtotal – Gross margin	(4,638)	25,665
Add:		
Unrealized (gain) loss on derivative instruments	(2,597)	4,922
Realized loss from derivative instruments related to natural gas inventory	27,194	5,163
Financial margin	\$19,959	\$35,750

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A reconciliation of Net (loss) income to Net financial earnings is as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2008	2007
Net (loss) income	\$(5,614)	\$13,150
Add:		
Unrealized (gain) loss on derivative instruments, net of taxes	(1,583)	2,900
Realized loss from derivative instruments related to natural gas inventory, net of taxes	16,580	3,042
Net financial earnings	\$ 9,383	\$19,092

Financial margin for the three months ended December 31, 2008 and 2007 was \$20.0 million and \$35.8 million, respectively. The decrease of \$15.8 million is due primarily to the expiration of a highly favorable physical transport capacity contract servicing the Northeast market region that was no longer available for asset optimization in the current fiscal period, along with lower hedged values for transportation and higher transportation expenses. NJRES' total firm transportation capacity decreased by 185,400 dth/day, to 677,000 dth/day at December 31, 2008, from 862,400 dth/day at December 31, 2007. As a result, the combined operating results of the basis and cash book portfolios in the current fiscal period decreased by \$11.4 million, as compared with the same period in the last fiscal year. The storage book portfolio also decreased by \$4.4 million from the prior fiscal period, due primarily to lower average spreads on storage positions in the current fiscal period, and less firm storage capacity, which decreased to 25.1 Bcf in the current fiscal period from 26.9 Bcf in the prior fiscal period.

NJRES' operation and maintenance expense increased \$1.5 million during the three months ended December 31, 2008, compared with the same period in the last fiscal year, due primarily to adjustments in fiscal 2008 related to fiscal 2007 performance incentives, in addition to increased audit fees in fiscal 2009.

Future results are subject to NJRES' ability to maintain and expand its wholesale marketing activities and are contingent upon many other factors, including an adequate number of appropriate counterparties, volatility in the natural gas market, sufficient liquidity in the energy trading market and continued access to the capital markets.

Retail and Other Operations

The consolidated financial results of Retail and Other are summarized as follows:

<i>(Thousands)</i>	Three Months Ended December 31,	
	2008	2007
Operating revenues	\$(2,654)	\$6,631
Operation and maintenance expense	\$ 7,150	\$5,460
Equity in earnings, net of tax	\$ 514	\$ 424
Net (loss) income	\$(5,684)	\$ 365

Operating revenue for the three months ended December 31, 2008 decreased \$9.3 million compared to the same period in the prior fiscal year, due primarily to greater unrealized losses at NJR Energy, which were the result of declining market prices within a portfolio of net long financial derivative positions.

Operation and maintenance expense for the three months ended December 31, 2008 increased \$1.7 million compared to the same period in the prior fiscal year, due primarily to a combination of higher labor cost, increased rent and utilities expenses and higher health care premium costs at NJRHS during the three months ended December 31, 2008 and the fiscal 2008 true-up of fiscal 2007's short term incentive compensation costs at NJR in the first quarter of fiscal 2008.

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Taxes netted in Equity in earnings from Iroquois are \$339,000 and \$282,000 and are included in the Unaudited Condensed Consolidated Statements of Income for the three months ended December 31, 2008 and 2007, respectively. Equity in earnings from Iroquois is driven by the underlying performance of natural gas transportation through its existing pipeline, which is based on FERC regulated tariffs.

Net income for the three months ended December 31, 2008 decreased \$6.0 million compared to the same period in fiscal 2008 due primarily to the decreased operating revenue at NJR Energy, partially offset by lower income tax expense as a result of the lower Operating income.

NJR Energy has an economic hedge associated with a long-term fixed-price contract to sell gas to a counterparty. Unrealized losses or gains at NJR Energy are the result of the change in value associated with financial derivative instruments (futures contracts) designed to economically hedge the long-term fixed-price contract.

The Income statement impact represents unrealized losses associated with these derivative instruments of \$9.7 million and \$305,000 for the three months ended December 31, 2008 and 2007, respectively, which are recorded, pre-tax, as a component of Operating revenues.

Additionally, management of the Company uses the non-GAAP measure net financial earnings, when viewing the results of NJR Energy to monitor the operational results without the impact of unsettled derivative instruments.

A reconciliation of Net (loss) income to Net financial earnings, a non-GAAP measure, is as follows:

	Three Months Ended December 31,	
<i>(Thousands)</i>	2008	2007
Net (loss) income	\$(5,684)	\$365
Add:		
Unrealized loss on derivative instruments, net of taxes	5,705	180
Net financial earnings	\$ 21	\$545

Net financial earnings for the three months ended December 31, 2008, decreased \$500,000 compared to the same period in the prior fiscal year, due primarily to increased Operation and maintenance expense as discussed above, partially offset by lower Interest expense for NJR due to lower average interest rates and short-term borrowings.

Liquidity and Capital Resources

NJR’s objective is 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.

NJR’s consolidated capital structure was as follows:

	December 31, 2008	September 30, 2008
Common stock equity	49%	51%
Long-term debt	31	32
Short-term debt	20	17
Total	100%	100%

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Common stock equity

NJR satisfies its external common equity requirements, if any, through issuances of its common stock, including the proceeds from stock issuances under its Automatic Dividend Reinvestment Plan (DRP) and proceeds from the exercise of options issued under the Company's long-term incentive program. The DRP allows NJR, at its option, to use shares purchased on the open market or newly issued shares.

The Company has a share repurchase program that provides for the repurchase of up to 6.8 million shares. As of December 31, 2008, the Company repurchased approximately 5.4 million of those shares and has the ability to repurchase approximately 1.4 million additional shares under the approved program.

Debt

NJR and its unregulated subsidiaries rely on cash flows generated from operating activities and utilization of committed credit facilities to provide liquidity to meet working capital and external debt-financing requirements.

As of December 31, 2008, NJR, NJRES and NJNG had committed credit facilities of \$605 million with approximately \$339 million available under these facilities (see *Note 7. Debt*).

NJR believes that as of December 31, 2008, NJR, NJNG and NJRES were, and currently are, in compliance with all debt covenants.

NJR believes that existing borrowing availability, its current cash balances and its cash flow from operations will be sufficient to satisfy it and its subsidiaries' working capital, capital expenditure and dividend requirements for the foreseeable future. NJR, NJNG and NJRES currently anticipate that its financing requirements for the next twelve months will be met through the issuance of short-term debt, meter sale lease-backs and proceeds from the Company's DRP.

NJR

On December 13, 2007, NJR entered into a \$325 million, five-year, revolving, unsecured credit facility, which permits the borrowing of revolving loans and swing loans, as well as the issuance of letters of credit. Swing loans are loans made available on a same-day basis for an aggregate principal amount of up to \$50 million and repayable in full within a maximum of seven days of borrowing. It also permits an increase to the facility, from time to time, with the existing or new lenders, in a minimum of \$5 million increments up to a maximum \$100 million at the lending banks discretion. Borrowings under the new facility are conditional upon compliance with a maximum leverage ratio, as defined in the new credit facility, of not more than 0.65 to 1.00 at any time. NJR used the initial borrowings under the new credit facility to refinance its prior credit facility. In addition, certain of NJR's non-regulated subsidiaries have guaranteed to the lenders all of NJR's obligations under the new credit facility. Depending on borrowing levels and credit ratings, NJR's interest rate can either be, at its discretion, the London inter-bank offered rate ("LIBOR") or the Federal Funds Open Rate plus an applicable spread and facility fee. As of December 31, 2008, NJR's effective rate was 0.8 percent on outstanding borrowings of \$62 million under this credit facility.

In addition, borrowings under NJR's credit facility are conditioned upon compliance with a maximum leverage ratio, as defined in the credit facility, of not more than 0.65 to 1.00 at any time.

NJR uses its short term borrowings primarily to finance its share repurchases, to satisfy NJRES' short term liquidity needs and to finance, on an initial basis, unregulated investments. NJRES' use of high-injection, high-withdrawal storage facilities and anticipated pipeline park-and-loan arrangements, combined with related economic hedging activities in the volatile wholesale natural gas market, create significant short-term cash requirements.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

NJNG

On November 1, 2008, upon maturity, NJNG redeemed its \$30 million, 6.27 percent, Series X First Mortgage bonds.

NJNG satisfies its debt needs by issuing short- and long-term debt based upon its own financial profile. The seasonal nature of NJNG's operations creates large short-term cash requirements, primarily to finance natural gas purchases and customer accounts receivable. NJNG obtains working capital for these requirements, and for the temporary financing of construction and MGP remediation expenditures and energy tax payments, through the issuance of commercial paper and short-term bank loans.

To support the issuance of commercial paper, NJNG has a \$250 million committed credit facility with several banks, with a 5-year term, expiring in December 2009. NJNG had \$203.6 million of commercial paper borrowings supported by the credit facility as of December 31, 2008. In addition, borrowings under NJNG's credit facility are conditioned upon compliance with a maximum leverage ratio, as defined in the credit facility, of not more than 0.65 to 1.00 at any time and a minimum interest coverage ratio, as defined in the credit facility, of less than 2.50 to 1.00.

Neither NJNG nor its assets are obligated or pledged to support the NJR or NJRES facilities.

NJRES

NJRES has a 3-year \$30 million committed credit facility with a multinational financial institution. Borrowings under this facility are guaranteed by NJR. There were no borrowings under this facility as of December 31, 2008.

Contractual Obligations

The following table is a summary of NJR, NJNG and NJRES contractual cash obligations and financial commitments and their applicable payment due dates as of December 31, 2008.

		Up to	2-3	4-5	After
(Thousands)	Total	1 Year	Years	Years	5 Years
Long-term debt ⁽¹⁾	\$ 638,908	\$ 44,057	\$ 56,006	\$ 34,975	\$503,870
Capital lease obligations ⁽¹⁾	91,513	9,748	23,086	16,391	42,288
Operating leases ⁽¹⁾	11,735	3,251	4,301	2,570	1,613
Short-term debt	265,550	265,550	—	—	—
New Jersey Clean Energy Program ⁽¹⁾	53,077	12,514	24,667	15,896	—
Construction obligations	2,635	2,635	—	—	—
Remediation expenditures ⁽²⁾	120,230	18,530	35,900	22,200	43,600
Natural gas supply purchase obligations—NJNG	92,177	76,054	16,123	—	—
Demand fee commitments—NJNG	729,972	87,598	185,039	157,514	299,821
Natural gas supply purchase obligations—NJRES	709,390	600,177	109,213	—	—
Demand fee commitments—NJRES	188,356	79,508	78,406	23,589	6,853
Total contractual cash obligations	\$2,903,543	\$1,199,622	\$532,741	\$273,135	\$898,045

⁽¹⁾ These obligations include an interest component, as defined under the related governing agreements or in accordance with the applicable tax statute.

⁽²⁾ Expenditures are estimated

For fiscal 2009, the Company has no minimum pension funding requirements, however, funding requirements are uncertain and can depend significantly on changes in actuarial assumptions, returns on plan assets and changes in demographic factors. It is anticipated that the annual funding level to the OPEB plans will range from \$1.2 million to \$1.4 million over the next five years. Additional contributions may be made based on market conditions and various assumptions.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

As of December 31, 2008, there were NJR guarantees covering approximately \$421 million of natural gas purchases and demand fee commitments of NJRES and NJNG, included in natural gas supply purchase obligations above, not yet reflected in Accounts payable on the Unaudited Condensed Consolidated Balance Sheet.

The Company is obligated to fund up to \$132.5 million associated with the construction and development of Steckman Ridge. Currently, NJR anticipates that Steckman Ridge will seek non-recourse project financing for a portion of the facility once construction activities are completed, therefore potentially reducing the aggregate recourse amount funded by NJR. There can be no assurances that Steckman Ridge will eventually secure such non-recourse project financing.

Total capital expenditures for fiscal 2009 are estimated at \$77.3 million, including expenditures of \$18.4 million incurred during the three months ended December 31, 2008.

Off-Balance-Sheet Arrangements

The Company does not have any off-balance-sheet financing arrangements.

Cash Flow

Operating Activities

As presented in the Unaudited Condensed Consolidated Statements of Cash Flows, cash flow used in operating activities totaled \$37.0 million for the three months ended December 31, 2008, compared with cash flow used in operations of \$6.5 million for the same period in fiscal 2008. Cash used in operating activities was lower for the three month period ended December 31, 2008 as compared with the same period in fiscal 2008, largely as a result of lower net income during the current fiscal period, which was driven by less favorable operating results at NJRES. NJR employs the indirect method when preparing its Unaudited Condensed Consolidated Statement of Cash Flows. Net income is adjusted for any non-cash items, such as accruals and certain amortization amounts that impact earnings during the period. In addition, operating cash flows are affected by variations in working capital and the related changes in the beginning and period end balances, which can be impacted by the following:

- seasonality of NJR's business;
- fluctuations in wholesale natural gas prices;
- timing of storage injections and withdrawals;
- management of the deferral and recovery of gas costs,
- changes in contractual assets utilized to optimize margins related to natural gas transactions; and
- timing of the collections of receivables and payments of current liabilities.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

NJR needed less cash for its working capital requirements during the three months ended December 31, 2008 as compared with the same period in fiscal 2008. During the current fiscal period, NJR used \$41.2 million to satisfy liquidity needs compared with \$57.8 million during the prior fiscal quarter. The underlying factors that contributed to the decrease in cash used to support working capital requirements are as follows:

- a decrease in average natural gas costs at NJRES resulting in a reduction in the value of its gas in storage;
- comparatively lower sales volumes at NJRES stemming from a reduction in transportation capacity resulting in a decrease in its receivable balances;
- a reduction in NJNG's underrecovered gas costs during the current quarter as a result of gas costs falling below the commodity component of NJNG's BGSS rate billed to its customers compared with the prior year when cash flows were primarily impacted by a credit of \$32 million issued to NJNG's customers in anticipation of the lower commodity costs; partially offset by
- lower NYMEX prices during the current fiscal quarter which resulted in increased broker margin deposits for NJNG's financial derivatives; and
- Lower payable balances at the end of the current fiscal quarter compared to higher balances the previous year related to gas purchases at NJRES.

NJNG's MGP expenditures are currently expected to total \$17.6 million in fiscal 2009 (see *Note 13. Commitments and Contingent Liabilities*).

Investing Activities

Cash flow used in investing activities totaled \$36.6 million for the three months ended December 31, 2008, compared with \$17.9 million in the same period in fiscal 2008. The increase in cash used was due primarily to an increase in the cash invested in Steckman Ridge and higher NJNG utility plant expenditures offset by the drawdown from the restricted cash construction fund.

On June 5, 2008, the Federal Energy Regulatory Commission (FERC) issued Steckman Ridge a certificate of public convenience and necessity authorizing the ownership, construction and operation of its natural gas storage facility and associated facilities. NJR anticipates that Steckman Ridge will be placed in service during the summer of 2009. As of December 31, 2008, NJR has invested \$99.7 million in Steckman Ridge. This amount excludes capitalized interest and other direct costs. Total project costs related to the development of the storage facility are currently estimated at approximately \$265 million, of which NJR is obligated to fund 50 percent or approximately \$132.5 million. NJR anticipates that Steckman Ridge will seek non-recourse financing upon completion of the construction and development of its facilities, thereby potentially reducing the final expected recourse obligation of NJR. There can be no assurances that such non-recourse project financing will be secured or available for Steckman Ridge.

Retail and Other capital expenditures each year have been made primarily in connection with investments made to preserve the value of real estate holdings. At December 31, 2008, CR&R owned 83 acres of undeveloped land and a 56,400-square-foot building on 5 acres of land.

NJRES does not currently anticipate any significant capital expenditures in fiscal 2009.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Financing Activities

Cash flow from financing activities totaled \$56.9 million for the three months ended December 31, 2008, compared with \$23.1 million for the same period in the prior fiscal year. During the current fiscal quarter, NJNG redeemed its \$30 million, 6.27 percent, Series X Mortgage bonds, which was offset by an increase in short-term borrowings compared with the prior fiscal quarter. This increase in short term debt was used to fund working capital requirements, as well as utility plant and other investments

NJNG provides funding for certain of its infrastructure projects through tax exempt, variable-rate debt, which has been issued to back six series of auction rate securities (ARS) through the Economic Development Authority of New Jersey (EDA), and are based on the borrowing costs of the ARS. During periods of reduced liquidity for ARS, NJNG's rate on its variable rate debt could default to a maximum rate of the lesser of (i) 175 percent of the 30-day LIBOR or (ii) 10 to 12 percent, as applicable to a particular series of ARS. NJNG is currently reviewing alternatives that include the refinancing of these bonds to eliminate any increase in interest rate risk.

NJNG received \$6.3 million and \$7.5 million in December 2008 and 2007, respectively, in connection with the sale-leaseback of its natural gas meters. This sale-leaseback program is expected to be continued on an annual basis.

Credit Ratings

The table below summarizes NJNG's current credit ratings issued by two rating entities, Standard and Poor's (S&P) and Moody's Investors Service, Inc. (Moody's):

	Standard and Poor's	Moody's
Corporate Rating	A	N/A
Commercial Paper	A-1	P-1
Senior Secured	A+	Aa3
Ratings Outlook	Negative	Negative

On December 12, 2008, Moody's adjusted NJNG's credit ratings outlook from stable to negative.

NJNG's S&P and Moody's ratings are investment-grade ratings. S&P and Moody's give NJNG's commercial paper the highest rating within the Commercial Paper investment-grade category. NJR is not a rated entity.

NJNG is not party to any lending agreements that would accelerate the maturity date of any obligation caused by a failure to maintain any specific credit rating. If such ratings are downgraded below investment grade, borrowing costs could increase, as will the costs of maintaining certain contractual relationships and for future financing. Even if ratings are downgraded without falling below investment grade, NJR and NJNG may still face increased borrowing costs under their respective credit facilities. A rating set forth above is not a recommendation to buy, sell or hold the Company's or NJNG's securities and may be subject to revision or withdrawal at any time. Each rating set forth above should be evaluated independently of any other rating.

The timing and mix of any external financings will target a common equity ratio that is consistent with maintaining the Company's current short- and long-term credit ratings.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Risk Management

Commodity Market Risks

Natural gas is a nationally traded commodity, and its prices are determined effectively by the New York Mercantile Exchange (NYMEX) and over-the-counter markets. The prices on the NYMEX and over-the-counter markets generally reflect the notional balance of natural gas supply and demand, but are also influenced significantly from time to time by other events.

The regulated and unregulated natural gas businesses of the Company and its subsidiaries are subject to market risk due to fluctuations, in the price of natural gas. To economically hedge against such fluctuations, the Company and its subsidiaries have entered into futures contracts, options agreements and swap agreements. To manage these derivative instruments, the Company has well-defined risk management policies and procedures that include daily monitoring of volumetric limits and monetary guidelines. The Company's natural gas businesses are conducted through three of its operating subsidiaries. First, NJNG is a regulated utility that uses futures, options and swaps to economically hedge against price fluctuations and its recovery of natural gas costs is governed by the BPU. Second, NJRES uses futures, options and swaps to economically hedge purchases and sales of natural gas. Finally, NJR Energy has entered into two swap transactions related to an 18-year fixed-price contract, expiring in October 2010 to sell remaining volumes of approximately 4.3 Bcf of natural gas (Gas Sales Contract) to an energy marketing company.

The following table reflects the changes in the fair market value of financial derivatives related to natural gas purchases and sales from September 30, 2008 to December 31, 2008:

<i>(Thousands)</i>	Balance September 30, 2008	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance December 31, 2008
NJNG	\$(49,610)	\$(32,499)	\$ (4,581)	\$(77,528)
NJRES	89,571	51,366	47,909	93,028
NJR Energy	20,190	(8,883)	800	10,507
Total	\$ 60,151	\$ 9,984	\$44,128	\$26,007

There were no changes in methods of valuations during the year ended December 31, 2008.

The following is a summary of fair market value of financial derivatives related to natural gas purchases and sales at December 31, 2008, by method of valuation and by maturity for each fiscal year period:

<i>(Thousands)</i>	2009	2010	2011-2013	After 2013	Total Fair Value
Price based on NYMEX	\$22,474	\$ 29	\$(1,657)	—	\$20,846
Price based on other external data	4,442	719	—	—	5,161
Total	\$26,916	\$748	\$(1,657)	—	\$26,007

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

The following is a summary of financial derivatives by type as of December 31, 2008:

		Volume (Bcf)	Price per Mmbtu	Amounts included in Derivatives (Thousands)
NJNG	Futures	21.0	\$ 5.64 - \$ 9.16	\$(51,076)
	Swaps	(5.8)	\$ 4.39 - \$13.95	(28,277)
	Options	12.4	\$ 5.98 - \$ 9.47	1,825
NJRES	Futures	(10.7)	\$ 5.20 - \$14.36	17,648
	Swaps	(64.7)	\$ 4.71 - \$14.41	72,660
	Options	—	\$10.22 - \$13.21	2,720
NJR Energy	Swaps	4.7	\$ 3.37 - \$ 4.39	10,507
Total				\$ 26,007

The following table reflects the changes in the fair market value of physical commodity contracts from September 30, 2008 to December 31, 2008:

(Thousands)	Balance September 30, 2008	Increase (Decrease) in Fair Market Value	Less Amounts Settled	Balance December 31, 2008
NJRES	\$1,714	\$ 13,193	\$14,052	\$855

The Company uses a value-at-risk (VaR) model to assess the market risk of its net futures, options and swap positions. VaR represents the potential loss in value of NJRES' trading portfolio due to adverse market movements over a defined time horizon (NJRES utilizes holding periods of 1 day and 10 days) with a specified confidence level (NJRES utilizes either a 95 percent or 99 percent confidence level). As an example, utilizing a 1 day holding period with a 95 percent confidence level would indicate that there is a 5 percent chance that the liquidation value of the NJRES portfolio would fall below the expected trading value by an amount at least as large as the calculated VaR.

The VaR at December 31, 2008, using the variance-covariance method with a 95 percent confidence level and a 1-day holding period, was \$1.0 million. The VaR with a 99 percent confidence level and a 10-day holding period was \$4.5 million. The calculated VaR represents an estimate of the potential change in the value of the net positions. These estimates may not be indicative of actual results because actual market fluctuations may differ from forecasted fluctuations.

Wholesale Credit Risk

NJNG, NJRES and NJR Energy engage in wholesale marketing activities. NJR monitors and manages the credit risk of its wholesale marketing operations through credit policies and procedures that management believes reduce overall credit risk. These policies include a review and evaluation of prospective counterparties' financial statements and/or credit ratings, daily monitoring of counterparties' credit limits, daily communication with traders regarding credit status and the use of credit mitigation measures, such as minimum margin requirements, collateral requirements and netting agreements. Examples of collateral include letters of credit and cash received for either prepayment or margin deposit.

The Company's Risk Management Committee (RMC) continuously monitors NJR's credit risk management policies and procedures. The RMC is comprised of individuals from NJR-affiliated companies that meet twice a month and, among other things, evaluates the effectiveness of existing credit policies and procedures, reviews material transactions and discusses emerging issues.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

The following is a summary of gross and net credit exposures, grouped by investment and noninvestment grade counterparties, as of December 31, 2008. Gross credit exposure is defined as the unrealized fair value of derivative and energy trading contracts plus any outstanding receivable for the value of natural gas delivered for which payment has not yet been received. Net credit exposure is defined as gross credit exposure reduced by collateral received from counterparties and/or payables, where netting agreements exist. The amounts presented below exclude accounts receivable for retail natural gas sales and services.

Unregulated counterparty credit exposure as of December 31, 2008, is as follows:

<i>(Thousands)</i>	Gross Credit Exposure	Net Credit Exposure
Investment grade	\$229,046	\$150,020
Noninvestment grade	3,169	—
Internally rated investment grade	27,639	16,564
Internally rated noninvestment grade	1,531	—
Total	\$261,385	\$166,584

NJNG's counterparty credit exposure as of December 31, 2008, is as follows:

<i>(Thousands)</i>	Gross Credit Exposure	Net Credit Exposure
Investment grade	\$22,743	\$17,471
Noninvestment grade	1,700	4
Internally rated investment grade	189	—
Internally rated noninvestment grade	—	—
Total	\$24,632	\$17,475

Due to the inherent volatility in the prices of natural gas commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If a counterparty failed to perform the obligations under its contract (for example, failed to deliver or pay for natural gas), then the Company could sustain a loss. This loss would comprise the loss on natural gas delivered but not paid for and/or the cost of replacing natural gas not delivered at a price higher than the price in the original contract. Any such loss could have a material impact on the Company's financial condition, results of operations or cash flows.

Interest Rate Risk—Long-Term Debt

At December 31, 2008, the Company (excluding NJNG) had no variable-rate long-term debt.

As of December 31, 2008 NJNG is obligated with respect to loan agreements securing six series of auction rate bonds totaling approximately \$97.0 million of variable-rate debt backed by securities issued by the EDA. The EDA bonds are ARS and have an interest rate reset every 7 or 35 days, depending upon the applicable series, when an auction is held for the purposes of determining the interest rate pricing of the securities. The interest rate associated with the NJNG variable-rate debt is based on the rates the EDA receives from its ARS. As of December 31, 2008, all of the auctions surrounding the EDA ARS have failed, resulting in the securities bearing interest at their maximum rates, as defined in the ARS, as the lesser of (i) 175 percent of 30-day LIBOR or (ii) 10 to 12 percent per annum, as applicable to such series of ARS. While the failure of the ARS auctions has no default impact on NJNG's variable-rate debt, it does impact its borrowing costs of the variable-rate debt. As such, NJNG currently has a weighted average interest rate of 0.8 percent as of December 31, 2008. There can be no assurance that the ARS securities of the EDA will have enough market liquidity to return interest rates below their maximum rate.

NEW JERSEY RESOURCES CORPORATION

Part I

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Continued)

Effects of Inflation

Although inflation rates have been relatively low to moderate in recent years, any change in price levels has an effect on operating results due to the capital-intensive and regulated nature of the Company's utility subsidiary. The Company attempts to minimize the effects of inflation through cost control, productivity improvements and regulatory actions where appropriate.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As discussed in "Part II. Item 9A. Controls and Procedures" in our Form 10-K for the fiscal year ended September 30, 2008, in connection with the Company's preparation of its consolidated financial statements for the fiscal year ended September 30, 2008, the Company identified an immaterial error in the recording of certain physical natural gas transactions, which were not recorded at the appropriate fair value during the interim quarters ended March 31, 2008 and June 30, 2008, as they were valued at an incorrect price. Controls were not designed properly or operating effectively to prevent or detect these pricing errors. Natural gas prices are volatile and it is reasonably possible that the volume of these transactions could have been larger during any interim period or for the fiscal year ended September 30, 2008. The Company concluded that it was reasonably possible that this control weakness could have resulted in a material error in its Consolidated Financial Statements had the volume of these transactions been larger.

As of December 31, 2008, under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, since the material weakness discussed above is not completely remediated, the Company's principal executive officer and principal financial officer concluded that, as of end of the period covered by this report, the Company's disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As a result of this conclusion, the financial statements for the period covered by this report were prepared with particular attention to the material weakness. Accordingly, management believes that the condensed consolidated financial statements included in this Quarterly Report fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented.

The Company continually reviews its disclosure controls and procedures and makes changes, as necessary, to ensure the quality of its financial reporting. As detailed below, the Company has implemented certain additional controls that it believes will significantly reduce the potential for similar issues to arise in the future.

Changes in Internal Control over Financial Reporting

Management and the Board of Directors are committed to the remediation of the material weakness set forth above as well as the continued improvement of the Company's overall system of internal control over financial reporting. Management is in the process of actively addressing and remediating the material weakness in internal control over financial reporting described above. Subsequent to the quarter and fiscal year ended September 30, 2008, in connection with the material weakness in internal control over financial reporting detailed above, the Company has implemented or will implement the following controls designed to substantially reduce the risk of a similar material weakness occurring in the future:

- expand training, education and accounting reviews for all relevant personnel involved in the accounting treatment and disclosures for the Company's commodity transacting;
- invest in additional resources with appropriate accounting technical expertise;

NEW JERSEY RESOURCES CORPORATION
Part I

ITEM 4. CONTROLS AND PROCEDURES (Continued)

- expand the review of the design of the internal control over financial reporting related to the accounting of commodity transacting, which will incorporate an analysis of the current staffing levels, job assignments and the design of all internal control processes for the accounting for commodity transacting and implement new and improved processes and controls, if warranted; and
- increase the level of review and discussion of significant accounting matters and supporting documentation with senior finance management.

As part of the Company's fiscal 2009 assessment of internal control over financial reporting, management will conduct sufficient testing and evaluation of the controls to be implemented as part of this remediation plan to ascertain that they are designed and are operating effectively. The effectiveness of remediation efforts will not be known until the Company can test those controls in connection with the management tests of internal control over financial reporting that the Company will perform during fiscal 2009. Management believes, however, these measures will fully remediate the above identified material weakness in internal control over financial reporting.

These were the only changes in the Company's internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. Subsequent to the end of the first fiscal quarter, the Company's Corporate Controller position was vacated. The Company has temporarily delegated the responsibilities of the function to other senior accounting managers while it conducts an employment search for a new Controller. These employees are qualified and capable of managing the additional responsibilities in the interim and will be doing so under the direction of the principal financial officer.

NEW JERSEY RESOURCES CORPORATION

Part II

ITEM 1. LEGAL PROCEEDINGS

Information regarding reportable legal proceedings is contained in Part I, "Item 3. Legal Proceedings" in NJR's Annual Report on Form 10-K for the year ended September 30, 2008, and is set forth in *Part I, Item 1, Note 12, Commitment and Contingent Liabilities—Legal Proceedings* in the Unaudited Condensed Consolidated Financial Statements. No legal proceedings became reportable during the quarter December 31, 2008 and there have been no material developments during such quarter regarding any previously reported legal proceedings, which have not been previously disclosed.

ITEM 1A. RISK FACTORS

While NJR attempts to identify, manage and mitigate risks and uncertainties associated with its business to the extent practical, under the circumstances, some level of risk and uncertainty will always be present. Part I, Item 1A, "Risk Factors," of NJR's 2008 Annual Report on Form 10-K includes a detailed discussion of NJR's risk factors. These risks and uncertainties have the potential to materially affect NJR's financial condition and results of operations. There have not been any material changes from the risk factors as previously disclosed by NJR in the 2008 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

In 1996, the NJR's Board of Directors ("Board") authorized the Company to implement a share repurchase program, which has been expanded several times since the inception of the program. On November 14, 2007, the Board authorized an increase to the plan to permit the repurchase, in the open market or in privately negotiated transactions, of 1.5 million shares, bringing the total permitted repurchases to 6.8 million shares as of that date. As of December 31, 2008, the Company has 1.4 million shares of its common stock still available for repurchase.

The following table sets forth NJR's repurchase activity for the quarter ended December 31, 2008:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet be Purchased Under the Plans or Programs
10/01/08 – 10/31/08	40,000	\$28.15	40,000	1,369,171
11/01/08 – 11/30/08	—	—	—	1,369,171
12/01/08 – 12/31/08	—	—	—	1,369,171
Total	40,000	\$28.15	40,000	1,369,171

NEW JERSEY RESOURCES CORPORATION
Part II

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

- (a) An annual meeting of shareholders was held on January 21, 2009.
- (b) The shareholders voted upon the following matters at the January 21, 2009 annual shareholders meeting:
- (i) The election of four directors to the Board of Directors for terms expiring in 2012. The results of the voting were as follows:

<u>DIRECTORS UNTIL 2012</u>	<u>FOR</u>	<u>WITHHELD</u>
Donald L. Correll	34,374,623	607,318
M. William Howard, Jr.	34,462,959	518,982
J. Terry Strange	32,542,250	2,439,691
George R. Zoffinger	34,152,002	829,939

In addition to the directors elected at the annual meeting, the terms of the following members of NJR's Board of Directors continued after the meeting:

Nina Aversano
Lawrence R. Codey
Laurence M. Downes
Jane M. Kenny
Alfred C. Koeppe
David A. Trice
William H. Turner

- (ii) Approval of the action of the Audit Committee in retaining Deloitte & Touche LLP as NJR's independent registered public accounting firm. The results of the voting were as follows:

<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>
34,305,957	566,008	109,976

There were no broker non-votes in either of the matters voted upon by our shareholders.

NEW JERSEY RESOURCES CORPORATION
Part II

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Exhibit Name</u>
10.4	Amended and Restated Supplemental Executive Retirement Plan Agreement between the Company and Laurence M. Downes dated December 31, 2008.
10.4(a)	Schedule of Supplemental Executive Retirement Plan Agreements
10.4(b)	Form of Amendment of Supplemental Executive Retirement Plan Agreement between the Company and Named Executive Officer (for future use)
10.12	Employment Continuation Agreement between the Company and Laurence M. Downes dated December 31, 2008
10.12(a)	Schedule of Employment Continuation Agreements
10.17	The Company's 2007 Stock Award and Incentive Plan (as amended and restated January 1, 2009)
10.18	2007 Stock Award and Incentive Plan Form of Stock Option Agreement
10.19	2007 Stock Award and Incentive Plan Form of Performance Units Agreement
10.20	2007 Stock Award and Incentive Plan Form of Restricted Stock Agreement
10.21	2007 Stock Award and Incentive Plan Form of Performance Share Agreement
10.25	New Jersey Resources Corporation Directors' Deferred Compensation Plan
10.26	New Jersey Resources Corporation Officers' Deferred Compensation Plan
10.27	New Jersey Resources Corporation Savings Equalization Plan
10.28	New Jersey Resources Corporation Pension Equalization Plan
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act*
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act*

*This certificate accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by NJR for purposes of Section 18 or any other provision of the Securities Exchange Act of 1934, as amended.

NEW JERSEY RESOURCES CORPORATION

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: February 5, 2009

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

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Laurence M. Downes, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of New Jersey Resources Corporation;
- (2) Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;
- (4) The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
 - a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
 - b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c.) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation;
 - d.) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to adversely affect, the Registrant's internal control over financial reporting; and
- (5) The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 5, 2009

By: /s/ Laurence M. Downes
Laurence M. Downes
Chairman, President and
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Glenn C. Lockwood, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of New Jersey Resources Corporation;
- (2) Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Quarterly Report;
- (4) The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
 - a.) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
 - b.) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c.) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation;
 - d.) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to adversely affect, the Registrant's internal control over financial reporting; and
- (5) The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
 - a.) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b.) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 5, 2009

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

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Laurence M. Downes, hereby certifies as follows:

- (a) I am the Chief Executive Officer of New Jersey Resources Corporation (the “Company”);
- (b) To the best of my knowledge, the Company’s Quarterly Report on Form 10-Q for the period ended December 31, 2008 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (c) To the best of my knowledge, based upon a review of the Report, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2009

By: /s/ Laurence M. Downes
Laurence M. Downes
Chairman, President
and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Glenn C. Lockwood, hereby certifies as follows:

- (a) I am the Chief Financial Officer of New Jersey Resources Corporation (the “Company”);
- (b) To the best of my knowledge, the Company’s Quarterly Report on Form 10-Q for the period ended December 31, 2008 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (c) To the best of my knowledge, based upon a review of the Report, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2009

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

Supplemental Executive Retirement Plan Agreement

Amended and Restated

THIS AGREEMENT is entered into as of the **28th day of November, 2008** and effective as of **January 1, 1987**, (hereinafter called the "Effective Date") by and between **NEW JERSEY RESOURCES CORPORATION**, a corporation of New Jersey (hereinafter called the "Company"), and **LAURENCE M. DOWNES** (hereinafter called the "Employee").

WITNESSETH

WHEREAS, the Employee is employed by the Company and is presently **CHAIRMAN & CHIEF EXECUTIVE OFFICER**;

WHEREAS, the Company desires to continue to employ the Employee as a key employee;

WHEREAS, the Company previously entered into an Agreement, dated **January 1, 1987** (referred to, with any amendments thereto, as the "Prior Agreement"), with the Employee as a part of his/her employment agreement or arrangement as an incentive for his/her continued loyal service to the Company;

WHEREAS, the Company and the Employee now desire to amend and restate the Prior Agreement to comply with Section 409A of the Internal Revenue Code and applicable guidance issued thereunder ("Code Section 409A");

WHEREAS, the Company and the Employee desire this Agreement (also referred to as the "SERP Agreement") to apply to the Employee's entire benefit under the Prior Agreement and no portion of the benefit hereunder is to be "grandfathered" as such term is used under Code Section 409A.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto do covenant and agree as follows:

1. It is agreed that the Company's normal retirement age is sixty-five (65) and that the Employee may retire from the Company upon the last day of the month in which his/her sixty-fifth (65th) birthday occurs; provided however, that the Employee may remain in active employment after his/her sixty-fifth (65th) birthday. In either event, no benefits shall be paid to the Employee under this Agreement until the later of the Employee's attainment of age sixty-five (65), or his Separation from Service (as defined herein in accordance with Code Section 409A). A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after a particular date or that the level of bona fide services the Employee will perform after a particular date (whether as an employee or independent contractor to the Company or an affiliate that is treated as the Company under Code Section 409A (an "Affiliate")) will decrease permanently to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. An Employee shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed six (6) consecutive months (twenty-nine (29) months for a disability leave of absence) or, if longer, so long as the Employee retains a right to reemployment with the Corporation or Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Employee to be unable to perform the duties of his job or a substantially similar job. Continued services solely as a member of the Board of Directors of the Company or an Affiliate (the "Board") shall not prevent a Separation from Service from occurring.

2. The Company agrees that upon the Employee's Separation from Service at or after attainment of age sixty-five (65) for reasons other than death, it will pay to the Employee the sum of **TWO-HUNDRED FIFTY THOUSAND DOLLARS (\$250,000)** (hereinafter referred to as the "SERP Benefit"), payable in sixty (60) equal monthly installments. The installments shall be paid upon the first day of each calendar month commencing with the month next following the date of such Separation from Service, and shall continue until the aggregate of such payments equal the SERP Benefit, at which time such monthly installments shall terminate. In the event that the SERP Benefit has not been fully paid to the Employee during his/her lifetime following his/her Separation from Service, the balance of such monthly installments shall be paid to his/her designated beneficiary as provided in Paragraph 13 hereof. In no event shall any distribution occur earlier than permitted under Code Section 409A. The SERP Benefit may increase based upon a change in the Employee's position. Such increase shall be set forth on an addendum to this Agreement. Such increase in the SERP Benefit shall not change the time and form of payment of the SERP Benefit as provided in this Agreement except as allowed under Code Section 409A.
3. In the event that the Employee dies while in active employment with the Company but prior to his or her Separation from Service, and such death is due to a cause other than suicide, the Company shall pay a Death Benefit in the amount of **TWO-HUNDRED FIFTY THOUSAND DOLLARS (\$250,000)** to his/her designated beneficiary, in sixty (60) equal monthly installments. The installments shall be paid on the first day of each calendar month commencing with the month following the date of death, and shall continue until such Death Benefit has been fully paid. If the Employee commits suicide, the Company shall not be obligated to pay any portion of the Death Benefit or any increases in such benefit granted herein or by any amendment or addendum to this Agreement made within two (2) years next preceding the date of death, but such portion of the Death Benefit as was granted or accrued under this or any similar prior SERP agreement with the Company more than two (2) years before the death by suicide shall be paid in the manner provided above.
4. No SERP or other benefits shall be payable hereunder to the Employee, or to any other person in the event the employment relationship between the Employee and the Company is terminated within six (6) years from the Effective Date for any reason other than by death, or by Separation from Service of the Employee at or after attainment of age sixty-five (65). In the event that the employment relationship between the Employee and the Company continues for a period of at least six (6) years from the Effective Date, and is thereafter terminated for any reason other than by death prior to the Employee's attainment of age sixty-five (65), upon the later of his/her Separation from Service or the Employee's attainment of age sixty-five (65), the Company will pay to the Employee the Cumulative Termination Benefit for the year in which such termination occurs, as shown in Schedule A which is attached hereto and made a part hereof (hereinafter referred to as the "Applicable Cumulative Termination Benefit"), in sixty (60) equal monthly installments payable on the first day of each calendar month, commencing with the month following the later of the Employee's Separation from Service or the Employee's attainment of age sixty-five (65). Such Schedule A may be changed from time to time to reflect changes in the SERP Benefit. Such substitution of a new Schedule A shall not change the time and form of payment of the Cumulative Termination Benefit except to the extent allowed by Code Section 409A.
5. If the Employee dies after termination of employment as provided in Paragraph 4 above, and before any or all of the applicable Cumulative Termination Benefit has been paid to him, then such Cumulative Termination Benefit, or the balance of installments thereof as the case may be, shall be paid to his/her designated beneficiary in sixty (60) equal monthly installments (less the number of installments previously paid, if any), payable on the first day of each calendar month commencing with the month following the date of death, until the applicable Cumulative Termination Benefit shall have been paid in full.
6. Notwithstanding anything to the contrary contained in the original Agreement or in any amendment or addendum thereto, it is hereby agreed that upon the occurrence of a Change In Control (as defined herein), the Employee shall immediately become fully vested in the SERP Benefit set forth in Paragraph 2 of this Agreement, or in the then most recent amendment or addendum thereto (whichever amount is greater), and that in the event the Employee's employment is thereafter terminated for any reason or if the Employee resigns for any reason within two years of the Change in Control, said SERP Benefit shall be paid to the Employee in sixty (60) equal monthly installments payable on the first day of each calendar month commencing with the month following the date of termination, until the applicable Cumulative Termination Benefit shall have been paid in full. In the event that the Employee dies after termination of employment pursuant to this Paragraph 6, and before any or all of the SERP Benefit has been paid to him, then such SERP Benefit, or the balance of installments thereof, as the case may be, shall be paid to his/her designated beneficiary in sixty (60) equal monthly installments (less the number of installments previously paid, if any), payable on the first day of each calendar month commencing with the month following the date of death, until the applicable Cumulative Termination Benefit shall have been paid in full.

7. For the purposes of this Agreement:

- (a) a "Change In Control" shall be deemed to have occurred if:
- (i) Any Person (as defined below) has acquired Voting Securities (as defined below), of the Company and, immediately thereafter, is the "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 Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities; or
 - (ii) Within any 12-month period, the persons who were members of the Board 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 Board member who was not a Board member at the beginning of such period shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the Board members who then qualified as Incumbent Directors either actually or by prior operation of this Section 7(a)(ii); or
 - (iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Event"), except that a Corporate Event shall not trigger a Change in Control under this clause (iii) if the shareholders of the Company immediately prior to such Corporate Event shall 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.
- (b) For purposes of this Section 7, "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.
- (c) 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).
- (d) The above definition of a Change in Control is intended to meet the requirements of a permissible change in control payment event under Code Section 409A and shall be interpreted and applied to the Employee in accordance with Code Section 409A.
8. Any dispute or controversy arising out of or in connection with the interpretation or application of the provisions of paragraphs 6 or 7 of this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect and the applicable law of the State of New Jersey pertaining to the arbitration of disputes, and judgment may be entered on the arbitrator's award in any court having jurisdiction. All costs and expenses of such arbitration, including the reasonable counsel fees, costs and expenses incurred by the Employee in either prosecuting or defending the arbitration proceeding, shall be borne and paid by the Company. Any reimbursement of costs or expenses to be paid by the Company under this paragraph 8 shall be paid no later than the end of calendar year following the calendar year during which the cost or expenses are incurred.

9. Notwithstanding anything else herein to the contrary, payments of benefits hereunder caused by the Separation from Service (including death) of the Employee may be delayed for a period of no more than six (6) months following such Separation from Service, if the Employee is determined by the Board of the Company or its delegate to meet the definition of a "specified employee" (as defined under Code Section 409A) but only if such delay in payment is required in order to comply with the requirements of Code Section 409A. No interest shall accrue or be paid in the event of a delay in payment.
10. Any payment otherwise due under the terms of this Agreement which would (a) not be deductible in whole or in part under Section 162(m) of the Code, or (b) violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer is nondeductible or violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). No interest shall accrue or be paid because of any delay of payment.
11. The Company may not permit the acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to this Agreement, unless such acceleration of the time or schedule is (a) to comply with conflicts of interest or ethics laws (as defined in Code Section 409A), (b) to be used for the payment of FICA, income taxes on the FICA withholding or other approved taxes on benefits under this Agreement, (c) is necessary to pay an amount equal to the amount included in the income of the Employee under Code Section 409A or (d) as otherwise allowed under Code Section 409A.
12. It is agreed that neither the Employee nor any other person shall have any right to commute, bequeath, pledge, sell, assign, transfer, levy upon or otherwise encumber the rights to receive any payments hereunder, which payments and the rights thereto are expressly declared to be non-transferable and non-assignable, and in the event of any attempted disposition of such payments or rights in violation hereof the Company shall have no further liability hereunder.
13. The Employee shall designate in writing, to be annexed hereto, one or more beneficiaries to whom the benefits in the event of his/her death shall be paid pursuant to paragraphs 2, 3, 5 or 6 hereof. In the absence of such designation, or in the event no designated beneficiary survives the Employee, then any such benefits shall be payable in like manner to the Employee's executor or administrator. In the event of the death of all designated beneficiaries after commencement but prior to completion of payment of the installments of benefits, the balance thereof shall be payable in like manner to the executor or administrator of the last surviving beneficiary.
14. 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 regulations.
15. This Agreement shall be binding upon the parties hereto, and upon the heirs, executors, administrators, or other personal representatives and designated beneficiaries of the Employee, and upon the successors and assigns of the Company.
16. This Agreement hereby amends and restates the Prior Agreement in its entirety. During the lifetime of the Employee, this Agreement may be amended or terminated at any time or times, in whole or in part, by the mutual written agreement of the Employee and the Company, and only in accordance with Code Section 409A.
17. The benefits under this Agreement are designed to comply with the requirements of Code Section 409A. The Company shall interpret and administer this Agreement in a manner as to comply with Code Section 409A. Notwithstanding the foregoing, however, the Company shall not be liable to the Employee or any other person if any benefit under this Agreement does not comply with Code Section 409A or the Employee or any other person is otherwise subject to any additional tax or penalty under Code Section 409A. Each Employee is solely responsible for the payment of any tax liability (including any taxes and penalties that may arise under Code Section 409A) that may arise from any benefit under this Agreement.
18. This Agreement shall be executed in duplicate, each copy of which when executed and delivered shall be an original, but both copies shall, together, constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed in their respective name and their respective seals to be hereunto affixed and attested, the day and year first above written.

NEW JERSEY RESOURCES CORPORATION

/s/ Glenn C. Lockwood

Date: 11/26/08

GLENN C. LOCKWOOD

Senior Vice President & Chief Financial Officer

/s/ Denise S. Gray.

Date: 11/26/08

Witness

/s/ Laurence M. Downes

Date: 11/26/08

LAURENCE M. DOWNES

Chairman & Chief Executive Officer

/s/ Denise S. Gray.

Date: 11/26/08

Witness

DESIGNATION OF BENEFICIARY

I hereby designate the following person (or persons) as my beneficiary (or beneficiaries) to whom the benefits provided hereunder in the event of my death shall be paid pursuant to this Agreement:

PRIMARY BENEFICIARY(IES):

Name:	Address:	Social Security #	Relationship to Employee:	Percentage

SECONDARY BENEFICIARY(IES)*:

Name:	Address:	Social Security #	Relationship to Employee:	Percentage

**In the event that primary beneficiary(ies) predecease employee.*

SIGNED: _____

DATED: _____

(employee's name)

EFFECTIVE _____

YEAR	AGE	SCHEDULE "A" CUMULATIVE TERMINATION BENEFIT
1998		\$
1999		\$
2000		\$
2001		\$
2002		\$
2003		
2004		
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		

Schedule of Supplemental Executive Retirement Plan Agreements of Named Executive Officers dated as of January 1, 2009.

Name	Maximum SERP Benefit Payable at Retirement
Laurence M. Downes, President and Chief Executive Officer	\$250,000
Mariellen Dugan, Senior Vice President and General Counsel	\$125,000
Kathleen T. Ellis, Senior Vice President, Corporate Affairs and Marketing	\$125,000
Glenn C. Lockwood, Senior Vice President and Chief Financial Officer	\$125,000
Joseph P. Shields, Executive Vice President and Chief Operating Officer, NJR Energy Services Company	\$125,000

[SERP Amendment Form]

AMENDMENT TO SUPPLEMENTAL EXECUTIVE
RETIREMENT PLAN AGREEMENT
DATED _____

THIS AGREEMENT entered into as of the ____ day of _____, ____, by and between NEW JERSEY RESOURCES CORPORATION, a corporation of New Jersey (hereinafter called the "Company"), and _____ (hereinafter called "Employee").

WITNESSETH

WHEREAS, the Company and Employee entered into a Supplemental Executive Retirement Plan Agreement dated _____, ____ (referred to, with any amendments thereto, as the "Original Agreement"), and desires to amend said Original Agreement in accordance with Paragraph 16 thereof; and

WHEREAS, Employee is employed by the Company and is presently the _____; and

WHEREAS, the Company desires Employee to remain in its service until retirement, and wishes to offer him additional incentive to do so in the form of deferred compensation and death benefits;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein contained, and as set forth in the Original Agreement, and for other good and valuable consideration, the parties hereto do covenant and agree as follows:

1. The first sentence of Paragraph 2 of the Original Agreement is hereby amended to increase amount payable thereunder and to read as follows:

“2. The Company agrees that following Employee’s Separation from Service at or after attainment of age sixty-five (65) for reasons other than death, it will pay to Employee the sum of _____ (\$_____) (hereinafter referred to as the “SERP Benefit”), payable in sixty (60) equal monthly installments.”
2. The first sentence of Paragraph 3 of the Original Agreement is hereby amended to increase the amount payable thereunder and to read as follows:

“3. In the event that Employee dies while in active employment with the Company but prior to his or her Separation from Service, and such death is due to a cause other than suicide, the Company shall pay a Death Benefit in the amount of _____ (\$_____) to his/her designated beneficiary, in sixty (60) equal monthly installments.”
3. Nothing in this Agreement shall change the time and form of payment of the benefit payable under the Original Agreement and shall only have the effect of increasing the benefit payable under the Original Agreement.

4. Schedule "A" annexed to and made a part of the Original Agreement is hereby amended to read as follows:

[Insert Chart]

5. This Amendment shall be effective as of _____.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals this ____ day of _____, ____.

ATTEST:

NEW JERSEY RESOURCES CORPORATION

By:

By: _____
LAURENCE M. DOWNES
Chairman and CEO

SIGNED, SEALED, AND DELIVERED
IN THE PRESENCE OF:

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 28th day of November, 2008.

WITNESSETH:

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 continuity of management will be essential to its ability to evaluate and respond to a situation that could result in a change in ownership or control of the Company in a manner that serves 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 in Control or Potential Change in Control (each 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 for purposes of this Agreement shall be the date on which a Change in 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. This Agreement may be terminated with at least one year's prior written notice on December 31, 2009 or any December 31 thereafter by either the Company or Executive, provided that no such termination of the Agreement shall occur within 24 months following a Potential Change in Control or within 24 months following a Change in Control or at any time following a termination of employment that triggers compensation hereunder.

(b) Termination of Employment Following a Potential Change in Control. Notwithstanding Section 1(a), if, after the occurrence of a Potential Change in Control and prior to the occurrence of a Change in Control, (i) the Executive's employment is terminated by the Company Without Cause (as defined in Section 6(c)) or Executive terminates employment for Good Reason (determined by treating a Potential Change in Control as a Change in Control in applying the definition of Good Reason, and treating the Effective Date as having been the date of the Potential Change in Control) and (ii) a Change in 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 in Control occurs and to have been terminated by the Company Without Cause or to have terminated with Good Reason (as the case may be) immediately after the Change in Control occurs.

(c) Obligation of Subsidiary of the Company Directly Employing Executive. If at the Effective Date Executive is an employee of a subsidiary of the Company rather than the Company, the Company will cause such subsidiary to become a party to this Agreement promptly at the Effective Date. In such case, the right to employ Executive and the obligations to pay compensation to Executive shall be primarily those of such subsidiary, with the Company guaranteeing all such obligations, provided that any compensation provided under plans and programs of the Company (including equity-based compensation) will continue to be a primary obligation of the Company, subject to the terms of this Agreement. Unless the context shall otherwise require, references to the Company herein shall be understood to refer to such subsidiary to the extent necessary to give effect to this provision, provided that references to the Company in Section 2 in all cases shall be understood to mean New Jersey Resources Corporation.

2. Definitions.

(a) Change in Control. For the purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if on or after November 28, 2008:

(i) any Person (as defined below) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) Voting Securities (as defined below) of the Company and, immediately thereafter, is the "beneficial owner" (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 Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities;

(ii) within any 12-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 a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 2(a)(ii); or

(iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company, or a complete liquidation of the Company (a "Corporate Event"), except that a Corporate Event shall not trigger a Change in Control under this clause (iii) if the shareholders of the Company immediately prior to such Corporate Event shall 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.

occurred if: (b) Potential Change in Control. For the purposes of this Agreement, a "Potential Change in Control" shall be deemed to have

securities; (i) a Person commences a bona fide tender offer for securities representing at least 20% of the Voting Power of the Company's

(ii) the Company enters into an agreement the consummation of which would constitute a Change in Control;

(iii) proxies for the election of directors of the Company are solicited by anyone other than the Company in a bona fide effort to change or influence the control of the Company through the election of one or more persons who would not be Incumbent Directors; or

(iv) any other event occurs which is deemed to be a Potential Change in 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).

(e) The above definition of a Change in Control shall be interpreted and applied in a manner that complies with the change in control or ownership trigger event rules under Code Section 409A.

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 second anniversary of the Effective Date. The foregoing notwithstanding, it shall not constitute a breach of this Section 3 for the employment of the Executive to terminate in accordance with Section 6 prior to the end of the Employment Period. In the event of a termination of employment under Section 6, the Employment Period shall end.

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 except that, if Executive has a position (including titles), authority, and responsibilities that relate to the Company's status as a publicly held company immediately before the Effective Date, the Executive's position, authority, and responsibilities shall be deemed commensurate only if they continue to relate to the ultimate parent corporation (whether or not that company is a publicly held company).

(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 the Executive's responsibilities hereunder, 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 not be deemed 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 hereinafter 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 2 ½ months after the close of the later of the calendar year during which the bonus is earned or the Company's taxable year during which the bonus is earned, 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 (each, an "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. Subject to the above referenced procedures, reimbursements shall be made no later than two months following the calendar year during which the reimbursements are incurred.

(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 at any time (including after the Employment Period) 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. During the Employment Period, 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, Executive's employment under 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 in 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) (any such termination will be referred to as a "Voluntary Termination" under this Agreement), 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 significant adverse effect on the business of the Company and its subsidiaries, unless the Executive reasonably believed in good faith that such act or non-act 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 have continued after written notice thereof from the Company, 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. 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 in 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;

(iii) the Company's requiring the Executive to be based at any office or location more than 50 miles from that location at which he performed his services specified under the provisions of Section 4 immediately prior to the Change in 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);

provided, however, that Good Reason shall not arise under clauses (i), (ii) or (iv) above until the Executive has given the Company written notice of the circumstances that would constitute Good Reason thereunder and the Company has not eliminated or corrected such circumstances within 30 business days after receipt of such notice.

In no event shall the mere occurrence of a Change in 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 30 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 60 days of the Executive's having actual knowledge of the events constituting Good Reason 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 and subject to Section 7(f), 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, the Employment Period 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 obligations under Section 5(g)), 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, subject to Section 7(f).

(b) Cause and Voluntary Termination. If the Executive's employment shall be terminated for Cause or by a Voluntarily Termination by the Executive in accordance with Section 6(b) of this Agreement, 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, subject to Section 7(f).

(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 (and not due to a

Disability) or 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 (3)** times the sum of (x) the Executive's annual Base Salary and (y) an amount equal to the average of the annual bonuses paid or payable to the Executive with respect to each of the last three calendar years ended prior to the Change in 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); for purposes of this Section 7(c)(i)(B), any bonus that was offered to the Executive but declined or reallocated by the Executive shall be deemed to be bonus payable to the Executive; and
- (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, subject to Section 7(f) (which may require a delay in the payment of such amounts until six months after termination). Accrued Obligations shall be paid in accordance with the terms of the applicable plan, program or arrangement, subject to Section 7(f).

(ii) Pro Rata Annual Incentive. In lieu of any annual incentive compensation under Section 4(b) for the year in which Executive's employment terminated, an amount equal to the Executive's target annual incentive compensation for the year of termination, multiplied by a fraction the numerator of which is the number of days Executive was employed in the year of termination and the denominator of which is the total number of days in the year of termination payable in a single lump sum as soon as practicable, but in no event more than 30 days following the Date of Termination, subject to Section 7(f). In addition, for any fiscal year that has been completed at the time of Executive's termination, the Company shall pay to Executive the annual incentive under Section 5(b) to the extent earned based on performance in the completed year, without any exercise of negative discretion except as such exercise of negative discretion may be consistent with the exercise of negative discretion for executive officers of the Company whose employment is not then contemplated to terminate payable in a single lump sum as soon as practicable, but in no event more than 30 days following the Date of Termination, subject to Section 7(f);

(iii) Continuation of Benefits. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause (and not due to a Disability) or 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 **THIRD** 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 that the Executive was participating in immediately prior to his Date of Termination (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, subject to Section 7(f). 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, subject to Section 7(f). The benefits provided in this subsection (iii) during any calendar year shall not affect the benefits to be provided to the Executive or his dependents in any other calendar year except for medical reimbursement arrangements as allowed under Code Section 409A. Any reimbursements shall be made no later than two months following the calendar year during which the reimbursements are incurred.

(iv) Outplacement. Subject to Section 7(f), the Company shall provide reimbursement for reasonable outplacement and job search expenses incurred by the Executive, from the date of termination through the End Date or until other employment is secured, whichever comes first, not to exceed **\$25,000**, prorated between calendar years on a time weighted basis and provided or reimbursable based on when the expense is incurred. The amount reimbursed during any calendar year shall not affect the amounts to be reimbursed to the Executive in any other calendar year. Any reimbursements shall be made no later than two months following the calendar year during which the reimbursements are incurred.

(v) Vesting and Exercisability of Stock Options. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause (and not due to a Disability) or the Executive terminates his employment for Good Reason, all outstanding options held by the Executive to purchase shares of Common Stock of the Company and granted prior to the effective date of this Agreement ("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 (provided that if this represents an extension of the applicable period for any outstanding Option, it shall be limited to the maximum period permitted under Code Section 409A (or, if less, until the end of the stated term of the Options determined without regard to the termination of employment) (or such longer period as may be provided under the plan or agreement governing the Option). Vesting of options granted on or after the effective date of this Agreement shall be governed by the terms of the relevant plan and any award agreement relating to such Options.

(vi) Vesting of Performance Share Awards and Other Equity Awards. Vesting and payout of Performance Units or any other equity award shall be governed by the terms of the relevant plan and any award agreement relating to such Performance Shares or other equity award.

(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. Executive shall be required to execute a release to such effect (in the Company's standard form of release) as a condition of receipt of payments and benefits hereunder. 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 as provided in Section 5(g) hereof, which provision shall survive any purported termination of this Agreement.

(e) Certain Further 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"), are or become subject to the tax (the "Excise Tax") imposed under Section 4999 of the Code or any similar tax that may hereafter be imposed, the Company shall pay to the Executive at the time specified in Section 7(e)(v) below an additional amount (the "Tax Reimbursement Payment") such that the net amount retained by Executive with respect to such Covered Payments, after deduction of any Excise Tax on the Covered Payments and any Federal, state and local income tax and Excise Tax on the Tax Reimbursement Payment provided for by this Section 7(e), but before deduction for any Federal, state or local income or employment tax withholding on such Covered Payments, shall be equal to the amount of the Covered Payments.

(ii) 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) such Covered Payments will be treated as "parachute payments" within the meaning of Section 280G of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of the Company's independent certified public accountants appointed prior to the Effective Date or tax counsel selected by such accountants (the "Accountants"), the Company has a reasonable basis to conclude that such Covered Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for personal services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the "base amount," or such "parachute payments" are otherwise not subject to such Excise Tax, 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.

(iii) Calculation of Tax Reimbursement Payment. For purposes of determining the amount of the Tax Reimbursement Payment, the Executive shall be deemed to pay:

- (A) Federal income taxes at the highest applicable marginal rate of Federal income taxation for the calendar year in which the Tax Reimbursement Payment is to be made, and
- (B) any applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Tax Reimbursement Payment is to be made, net of the maximum reduction in Federal income taxes which could be obtained from the deduction of such state or local taxes if paid in such year.

(iv) Adjustments in Respect of Tax Reimbursement Payment. In the event that the Excise Tax is subsequently determined by the Accountants or

pursuant to any proceeding or negotiations with the Internal Revenue Service to be less than the amount taken into account hereunder in calculating the Tax Reimbursement Payment made, the Executive shall repay to the Company, at the time that the amount of such reduction in the Excise Tax is finally determined, the portion of such prior Tax Reimbursement Payment that would not have been paid if such Excise Tax had been applied in initially calculating such Tax Reimbursement Payment, plus interest on the amount of such repayment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Tax Reimbursement Payment to be refunded to the Company has been paid to any Federal, state or local tax authority, repayment thereof shall not be required until actual refund or credit of such portion has been made to the Executive, and interest payable to the Company shall not exceed interest received or credited to the Executive by such tax authority for the period it held such portion. The Executive and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expenses thereof) if the Executive's good faith claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountants or pursuant to any proceeding or negotiations with the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Tax Reimbursement Payment is made (including, but not limited to, by reason of any payment the existence or amount of which cannot be determined at the time of the Tax Reimbursement Payment), the Company shall make an additional Tax Reimbursement Payment in respect of such excess (plus any interest or penalty payable with respect to such excess) at the time that the amount of such excess is finally determined.

(v) Payment. Subject to Section 7(f), the Tax Reimbursement Payment (or portion thereof) provided for in Section 7(e)(i) above shall be paid to the Executive not later than 10 business days following the payment of the Covered Payments; provided, however, that if the amount of such Tax Reimbursement Payment (or portion thereof) cannot be finally determined on or before the date on which payment is due, the Company shall pay to the Executive by such date an amount estimated in good faith by the Accountants to be the minimum amount of such Tax Reimbursement Payment and shall pay the remainder of such Tax Reimbursement Payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined, but in no event later than 45 calendar days after payment of the related Covered Payment. In the event that the amount of the estimated Tax Reimbursement Payment exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth business day after written demand by the Company for payment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

(f) Provisions for Compliance with Code Section 409A. If any right to payment or benefit under this Agreement would be deemed to be a non-exempt deferral subject to Code Section 409A, and such payment or benefit would be distributable based upon a termination of employment, such payment (i) shall be distributable only upon a termination of Executive that constitutes a Separation from Service (as defined below) and the Date of Termination shall be the date of the Separation from Service and (ii) if Executive is a "specified employee" (as determined in accordance with procedures adopted by the Board of Directors of the Company or its delegate) and the distribution is required to be delayed for six months to comply with Code Section 409A, such distribution shall occur on the first day of the seventh month after such Separation from Service (or upon the Executive's death, if earlier). In the case of any delay in payment, interest shall be credited on the unpaid amount at a rate equal to the short-term applicable federal rate (with semiannual compounding) established by the Internal Revenue Service under Code Section 1274(b)(2)(B) and in effect at the date the amount would have been paid but for the delay hereunder. Any delay in payment hereunder shall not cause a corresponding delay in the timing of any other payment that is not specifically subject to the six-month delay rule of Code Section 409A. A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Executive will perform after that date (whether as an employee or independent contractor of the Company or an affiliate) will permanently decrease to less than [50%] of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. An Executive shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed 6 consecutive months (29 months for a disability leave of absence) or, if longer, so long as the Executive retains a right to reemployment with the Company or an affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Executive to be unable to perform the duties of his job or a substantially similar job. Continued services solely as a director of the Company or an affiliate shall not prevent a Separation from Service from occurring. [Discuss 50% requirement with each Executive.] This Agreement shall be interpreted and applied in a manner as to comply with Code Section 409A. However, the Company shall not be responsible for any taxes due for payments under this Agreement for any reason including failure to comply with Code Section 409A.

8. Nonexclusivity 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)(iii), 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) and (b)(i) 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 if the Executive shall not prevail as to any material issue as to the validity, enforceability or interpretation of any provision of this Agreement, the Executive shall reimburse the Company for such amounts paid by the Company for the Executive's legal expenses, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually, attributable to the litigation of such material issue by the Executive.

11. Non-Competition; Confidential Information; Company Property.

(a) Non-Competition. As a condition to the right of the Executive to receive severance payments hereunder, the Executive must, upon termination of his or her employment, enter into a binding agreement with the Company agreeing that that, without the written consent of the Board, the Executive will not, at any time for a period of two years following termination of employment, acting alone or in conjunction with others, directly or indirectly (i) engage (either as owner, investor, partner, stockholder, employer, employee, consultant, advisor, or director) in any business in which he has been directly engaged on behalf of the Company or any affiliate, or has supervised as an executive thereof, during the last two years prior to such termination, or which was engaged in or planned by the Company or an affiliate at the time of such termination, in the geographic area of New York, New Jersey, Pennsylvania, or Delaware; (ii) induce any customers of the Company or any of its affiliates with whom Executive has had contacts or relationships, directly or indirectly, during and within the scope of his employment with the Company or any of its affiliates, to curtail or cancel their business with the Company or any such affiliate; (iii) induce, or attempt to influence, any employee of the Company or any of its affiliates to terminate employment; or (iv) solicit, hire or retain as an employee or independent contractor, or assist any third party in the solicitation, hire, or retention as an employee or independent contractor, any person who during the previous 12 months was an employee of the Company or any affiliate; provided, however, that activities engaged in by or on behalf of the Company are not restricted by this covenant. The provisions of subparagraphs (i), (ii), (iii), and (iv) above shall be separate and distinct commitments independent of each of the other subparagraphs. It is agreed that the ownership of not more than one percent of the equity securities of any company having securities listed on a securities exchange or regularly traded in the over-the-counter market shall not, of itself, be deemed inconsistent with clause (i) of this Section 11(a).

(b) 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:(i)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(b)(i). These remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.(ii) 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(b)(i), 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 and, with regard to payments and benefits subject to Code Section 409A, shall only be amended in a manner that complies with Code Section 409A.

(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. In particular, the Agreement supersedes the Employment Continuation Agreement between the Company and Executive dated June 5, 1996 (the "Prior Agreement"), and amended December 1, 1997 and February 20, 2007. The Prior Agreements are terminated in their entirety as of the date of this Agreement

(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 of 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) or (b)(i) 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

By: /s/ Glenn C. Lockwood
GLENN C. LOCKWOOD
Title: Senior Vice President & Chief Financial Officer

ATTEST:
/s/ Rhonda M. Figueroa
RHONDA M. FIGUEROA
Corporate Secretary

By: /s/ Laurence M. Downes
LAURENCE M. DOWNES
Chairman & Chief Executive Officer

WITNESSED:
/s/ Denise S. Gray

Schedule of Employment Continuation Agreements of Named Executive Officers dated January 1, 2009.

Name	Termination Benefit
Laurence M. Downes, President and Chief Executive Officer	Three times the sum, of (x) his then annual base salary and (y) the average of his annual bonuses paid or payable with respect to the last three calendar years ended prior to the Change of Control.
Mariellen Dugan, Senior Vice President and General Counsel	Two times the sum, of (x) her then annual base salary and (y) the average of her annual bonuses paid or payable with respect to the last three calendar years ended prior to the Change of Control (“ 2x ”).
Kathleen T. Ellis, Senior Vice President, Corporate Affairs and Marketing	2x
Glenn C. Lockwood, Senior Vice President and Chief Financial Officer	2x
Joseph P. Shields, Executive Vice President and Chief Operating Officer, NJR Energy Services Company	2x

NEW JERSEY RESOURCES CORPORATION
2007 STOCK AWARD AND INCENTIVE PLAN

As amended and restated,
January 1, 2009

NEW JERSEY RESOURCES CORPORATION

2007 STOCK AWARD AND INCENTIVE PLAN

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NEW JERSEY RESOURCES CORPORATION

2007 STOCK AWARD AND INCENTIVE PLAN

1. **Purpose.** The purpose of this 2007 Stock Award and Incentive Plan (the "Plan") is to aid New Jersey Resources Corporation, a New Jersey corporation (together with its successors and assigns, the "Company"), in attracting, retaining, motivating and rewarding employees, non-employee directors, and other service providers of the Company or its subsidiaries or affiliates, strengthening the Company's capability to develop, maintain and direct a competent management team, to provide for equitable and competitive compensation opportunities, to recognize individual contributions and reward achievement of Company goals, and promote the creation of long-term value for shareholders by closely aligning the interests of Participants with those of shareholders. The Plan authorizes stock-based and cash-based incentives for Participants. The Plan is amended and restated effective January 1, 2009 solely to comply with the requirements of Code Section 409A.

2. **Definitions.** In addition to the terms defined in Section 1 above and elsewhere in the Plan, the following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) "Annual Limit" shall have the meaning specified in Section 5(b).

(b) "Award" means any Option, SAR, Restricted Stock, Deferred Stock, Stock granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award, or Performance Award, together with any related right or interest, granted to a Participant under the Plan.

(c) "Beneficiary" means the legal representatives of the Participant's estate entitled by will or the laws of descent and distribution to receive the benefits under a Participant's Award upon a Participant's death, provided that, if and to the extent authorized by the Committee, a Participant may be permitted to designate a Beneficiary, in which case the "Beneficiary" instead will be the person, persons, trust or trusts (if any are then surviving) which have been designated by the Participant in his or her most recent written and duly filed beneficiary designation to receive the benefits specified under the Participant's Award upon such Participant's death.

(d) "Board" means the Company's Board of Directors.

(e) "Change in Control" and related terms have the meanings as defined in Section 9.

(f) "Code" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation thereunder shall include any successor provisions and regulations, and reference to regulations includes any applicable guidance or pronouncement of the Department of the Treasury and Internal Revenue Service.

(g) "Code Section 409A" shall mean Section 409A of the Code and all regulations issued thereunder.

(h) "Committee" means the Leadership Development and Compensation Committee of the Board (or a designated successor to such committee), the composition and governance of which is established in the Committee's Charter as approved from time to time by the Board and subject to other corporate governance documents of the Company. No action of the Committee shall be void or deemed to be without authority due to the failure of any member, at the time the action was taken, to meet any qualification standard set forth in the Committee Charter or this Plan. The full Board may perform any function of the Committee hereunder (except to the extent limited under applicable New York Stock Exchange rules), in which case the term "Committee" shall refer to the Board.

(i) "Covered Employee" means an Eligible Person who is a Covered Employee as specified in Section 11(j).

(j) "Deferred Stock" means a right, granted under this Plan, to receive Stock or other Awards or a combination thereof at the end of a specified deferral period.

(k) "Dividend Equivalent" means a right, granted under this Plan, to receive cash, Stock, other Awards or other property equal in value to all or a specified portion of the dividends paid with respect to a specified number of shares of Stock.

(l) "Effective Date" means the effective date specified in Section 11(p).

(m) "Eligible Person" has the meaning specified in Section 5.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule (including a proposed rule) thereunder shall include any successor provisions and rules.

(o) "Fair Market Value" means the fair market value of Stock, Awards or other property as determined in good faith by the Committee or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock on a given day shall be, as specified by the Committee, either (1) the average of the high and low sales prices of the Stock, or (2) the closing price of the Stock, on the date on which it is to be valued hereunder as reported for New York Stock Exchange -- Composite Transactions. Fair Market Value relating to the exercise price or base price of any Non-409A Option or SAR and relating to the market value of Stock measured at the time of exercise shall conform to requirements under Code Section 409A in order to be exempt from Code Section 409A.

(p) "409A Awards" means Awards that constitute a deferral of compensation under Code Section 409A and regulations thereunder. "Non-409A Awards" means Awards other than 409A Awards. Although the Committee retains authority under the Plan to grant Options, SARs and Restricted Stock on terms that will qualify those Awards as 409A Awards, Options, SARs, and Restricted Stock are intended to be Non-409A Awards unless otherwise expressly specified by the Committee.

(q) "Incentive Stock Option" or "ISO" means any Option designated as an incentive stock option within the meaning of Code Section 422 and qualifying thereunder.

- (r) "Option" means a right to purchase Stock granted under Section 6(b).
- (s) "Other Stock-Based Awards" means Awards granted to a Participant under Section 6(h).
- (t) "Participant" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.
- (u) "Performance Award" means a conditional right, granted to a Participant under Sections 6(i) or 7, to receive cash, Stock or other Awards or payments.
- (v) "Preexisting Plan" means the Employee and Outside Director Long-Term Incentive Compensation Plan (effective January 23, 2002).
- (w) "Restricted Stock" means Stock granted under this Plan which is subject to certain restrictions and to a risk of forfeiture.
- (x) "Stock" means the Company's Common Stock, par value \$2.50 per share, and any other equity securities of the Company that may be substituted or resubstituted for Stock pursuant to Section 11(c).
- (y) "Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Section 6(c).

3. **Administration.**

- (a) **Authority of the Committee.** The Plan shall be administered by the Committee, which shall have full and final authority, in each case subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants; to grant Awards; to determine the type and number of Awards, the dates on which Awards may be exercised and on which the risk of forfeiture or deferral period relating to Awards shall lapse or terminate, the acceleration of any such dates, the expiration date of any Award, whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Stock, other Awards, or other property, and other terms and conditions of, and all other matters relating to, Awards; to prescribe documents evidencing or setting terms of Awards (such Award documents need not be identical for each Participant or each Award), amendments thereto, and rules and regulations for the administration of the Plan and amendments thereto; to construe and interpret the Plan and Award documents and correct defects, supply omissions or reconcile inconsistencies therein; and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. Decisions of the Committee with respect to the administration and interpretation of the Plan shall be final, conclusive, and binding upon all persons interested in the Plan, including Participants, Beneficiaries, transferees under Section 11(b) and other persons claiming rights from or through a Participant, and shareholders. The foregoing notwithstanding, (i) the Board shall perform the functions of the Committee for purposes of granting Awards under the Plan to non-employee directors (the functions of the Committee with respect to other aspects of non-employee director awards is not exclusive to the Board, however); and (ii) Committee decisions with regard to the grant of awards [to executive officers] will be subject to the ratification of the Board of Directors, unless otherwise determined by the Board.

(b) **Manner of Exercise of Committee Authority.** The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may act through subcommittees, including for purposes of perfecting exemptions under Rule 16b-3 or qualifying Awards under Code Section 162(m) as performance-based compensation, in which case the subcommittee shall be subject to and have authority under the charter applicable to the Committee, and the acts of the subcommittee shall be deemed to be acts of the Committee hereunder. The Committee may delegate to officers or managers of the Company or any subsidiary or affiliate, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine, to the extent (i) that such delegation will not result in the loss of an exemption under Rule 16b-3(d) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as "performance-based compensation" under Code Section 162(m) to fail to so qualify, and (ii) permitted under applicable provisions of the New Jersey Business Corporation Act.

(c) **Limitation of Liability.** The Committee and each member thereof, and any person acting pursuant to authority delegated by the Committee, shall be entitled, in good faith, to rely or act upon any report or other information furnished by any executive officer, other officer or employee of the Company or a subsidiary or affiliate, the Company's independent auditors, consultants or any other agents assisting in the administration of the Plan. Members of the Committee, any person acting pursuant to authority delegated by the Committee, and any officer or employee of the Company or a subsidiary or affiliate acting at the direction or on behalf of the Committee or a delegatee shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. **Stock Subject To Plan.**

(a) **Overall Number of Shares Available for Delivery.** The total number of shares of Stock reserved and available for delivery in connection with Awards under the Plan shall be (i) 750,000 shares, plus (ii) the number of shares that, immediately prior to the Effective Date, remain available for new awards under the Preexisting Plan plus (iii) the number of shares subject to awards under the Preexisting Plan which become available in accordance with Section 4(b) after the Effective Date; provided, however, that the total number of shares with respect to which ISOs may be granted shall not exceed the number specified under clause (i) above. Any shares of Stock delivered under the Plan shall consist of authorized and unissued shares or treasury shares.

(b) **Share Counting Rules.** The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments in accordance with this Section 4(b). Shares shall be counted against those reserved to the extent such shares have been delivered and are no longer subject to a risk of forfeiture. Accordingly, (i) to the extent that an Award under the Plan or an award under the Pre-existing Plan is canceled, expired, forfeited, settled in cash, settled by delivery of fewer shares than the number underlying the Award or award, or otherwise terminated without delivery of shares to the participant, the shares retained by or returned to the Company will not be deemed to have been delivered under the Plan; and (ii) shares that are withheld from such an Award or award or separately surrendered by the participant in payment of the exercise price or taxes relating to such an Award or award shall be deemed to constitute shares not delivered and will be available under the Plan. The Committee may determine that Awards may be outstanding that relate to more shares than the aggregate remaining available under the Plan so long as Awards will not in fact result in delivery and vesting of shares in excess of the number then available under the Plan. In addition, in the case of any Award granted in assumption of or in substitution for an award of a company or business acquired by the Company or a subsidiary or affiliate or with which the Company or a subsidiary or affiliate combines, shares delivered or deliverable in connection with such assumed or substitute Award shall not be counted against the number of shares reserved under the Plan.

5. **Eligibility; Per-Person Award Limitations.**

(a) **Eligibility.** Awards may be granted under the Plan only to Eligible Persons. For purposes of the Plan, an "Eligible Person" means (i) an employee of the Company or any subsidiary or affiliate, including any executive officer or employee director of the Company or a subsidiary or affiliate, (ii) any person who has been offered employment by the Company or a subsidiary or affiliate, provided that such prospective employee may not receive any payment or exercise any right relating to an Award until such person has commenced employment with the Company or a subsidiary or affiliate, (iii) any non-employee director of the Company, and (iv) any person who provides substantial services to the Company or a subsidiary or affiliate. An employee on leave of absence may be considered as still in the employ of the Company or a subsidiary or affiliate for purposes of eligibility for participation in the Plan. For purposes of the Plan, a joint venture in which the Company or a subsidiary has a substantial direct or indirect equity investment shall be deemed an affiliate, if so determined by the Committee. Holders of awards granted by a company or business acquired by the Company or a subsidiary or affiliate, or with which the Company or a subsidiary or affiliate combines, are eligible for grants of substitute awards granted in assumption of or in substitution for such outstanding awards previously granted under the Plan in connection with such acquisition or combination transaction.

(b) **Per-Person Award Limitations.** In each calendar year during any part of which the Plan is in effect, an Eligible Person may be granted Awards intended to qualify as "performance-based compensation" under Code Section 162(m) under the Plan relating to up to his or her Annual Limit. A Participant's Annual Limit, in any year during any part of which the Participant is then eligible under the Plan, shall equal 300,000 shares plus the amount of the Participant's unused Annual Limit relating to the same type of Award as of the close of the previous year, subject to adjustment as provided in Section 11(c). In the case of an Award which is not valued in a way in which the limitation set forth in the preceding sentence would operate as an effective limitation satisfying applicable law (including Treasury Regulation 1.162-27(e)(4)), an Eligible Person may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Eligible Person's Annual Limit, which for this purpose shall equal \$2.5 million plus the amount of the Eligible Person's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation in the preceding sentence). For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable, without regard to whether it is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, (ii) a Participant's Annual Limit is used to the extent an amount or number of shares may be potentially earned or paid under an Award, regardless of whether such amount or shares are in fact earned or paid, and (iii) the Annual Limit applies to Dividend Equivalents under Section 6(g) only if such Dividend Equivalents are granted separately from and not as a feature of another Award.

6. **Specific Terms Of Awards.**

(a) **General.** Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Sections 11(e) and 11(k)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment or service by the Participant and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion with respect to any term or condition of an Award that is not mandatory under the Plan, subject to Section 11(k) and the terms of the Award agreement. The Committee may require payment of consideration for an Award except as limited by the Plan.

(b) **Options.** The Committee is authorized to grant Options to Participants on the following terms and conditions:

- (i) **Exercise Price.** The exercise price per share of Stock purchasable under an Option (including both ISOs and non-qualified Options) shall be determined by the Committee, provided that such exercise price shall be not less than the Fair Market Value of a share of Stock on the date of grant of such Option, subject to Section 8(a). Notwithstanding the foregoing, any substitute award granted in assumption of or in substitution for an outstanding award granted by a company or business acquired by the Company or a subsidiary or affiliate, or with which the Company or a subsidiary or affiliate combines may be granted with an exercise price per share of Stock other than as required above. No adjustment will be made for a dividend or other right for which the record date is prior to the date on which the stock is issued, except as provided in Section 11(c) of the Plan.
- (ii) **Option Term; Time and Method of Exercise.** The Committee shall determine the term of each Option, provided that in no event shall the term of any Option exceed a period of ten years from the date of grant. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid and the form of such payment (subject to Sections 11(k) and 11(l)), including, without limitation, cash, Stock (including by withholding Stock deliverable upon exercise), other Awards or awards granted under other plans of the Company or any subsidiary or affiliate, or other property (including through broker-assisted "cashless exercise" arrangements, to the extent permitted by applicable law), and the methods by or forms in which Stock will be delivered or deemed to be delivered in satisfaction of Options to Participants (including, in the case of 409A Awards, deferred delivery of shares subject to the Option, as mandated by the Committee, with such deferred shares subject to any vesting, forfeiture or other terms as the Committee may specify).
- (iii) **ISOs.** The terms of any ISO granted under the Plan shall comply in all respects with the provisions of Code Section 422.
- (c) **Stock Appreciation Rights.** The Committee is authorized to grant SARs to Participants on the following terms and conditions:
 - (i) **Right to Payment.** An SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee.

- (ii) **Other Terms.** The Committee shall determine the term of each SAR, provided that in no event shall the term of an SAR exceed a period of ten years from the date of grant. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be free-standing or in tandem or combination with any other Award, and whether or not the SAR will be a 409A Award or Non-409A Award. Limited SARs that may only be exercised in connection with a Change in Control or termination of service following a Change in Control as specified by the Committee may be granted on such terms, not inconsistent with this Section 6(c), as the Committee may determine. The Committee may require that an outstanding Option be exchanged for an SAR exercisable for Stock having vesting, expiration, and other terms substantially the same as the Option, so long as such exchange will not result in additional accounting expense to the Company.
- (d) **Restricted Stock.** The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:
 - (i) **Grant and Restrictions.** Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise and under such other circumstances as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee).
 - (ii) **Forfeiture.** Except as otherwise determined by the Committee, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes.
 - (iii) **Certificates for Stock.** Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

- (iv) Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require that any dividends paid on a share of Restricted Stock shall be either (A) paid with respect to such Restricted Stock at the dividend payment date in cash, in kind, or in a number of shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) automatically reinvested in additional Restricted Stock or held in kind, which shall be subject to the same terms as applied to the original Restricted Stock to which it relates, or (C) deferred as to payment, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in shares of Deferred Stock, other Awards or other investment vehicles, subject to such terms as the Committee shall determine or permit a Participant to elect. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.
- (e) **Deferred Stock.** The Committee is authorized to grant Deferred Stock to Participants, subject to the following terms and conditions:
- (i) Award and Restrictions. Issuance of Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Stock, other Awards, or a combination thereof (subject to Section 11(l)), as determined by the Committee at the date of grant or thereafter.
- (ii) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment or service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award document evidencing the Deferred Stock), all Deferred Stock that is at that time subject to such forfeiture conditions shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Deferred Stock will lapse in whole or in part, including in the event of terminations resulting from specified causes. Deferred Stock subject to a risk of forfeiture may be called "restricted stock units" or otherwise designated by the Committee.
- (iii) Dividend Equivalents. Unless otherwise determined by the Committee, Dividend Equivalents on the specified number of shares of Stock covered by an Award of Deferred Stock shall be either (A) paid with respect to such Deferred Stock at the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock, either as a cash deferral or with the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles having a Fair Market Value equal to the amount of such dividends, as the Committee shall determine or permit a Participant to elect.

(f) **Bonus Stock and Awards in Lieu of Obligations.** The Committee is authorized to grant to Participants Stock as a bonus, or to grant Stock or other Awards in lieu of obligations of the Company or a subsidiary or affiliate to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Committee.

(g) **Dividend Equivalents.** The Committee is authorized to grant Dividend Equivalents to a Participant, which may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to restrictions on transferability, risks of forfeiture and such other terms as the Committee may specify.

(h) **Other Stock-Based Awards.** The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock or factors that may influence the value of Stock, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of or the performance of specified subsidiaries or affiliates or other business units. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, notes, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under the Plan, may also be granted pursuant to this Section 6(h).

(i) **Performance Awards.** Performance Awards, denominated in cash or in Stock or other Awards, may be granted by the Committee in accordance with Section 7.

7. Performance Awards.

(a) **Performance Awards Generally.** Performance Awards may be denominated as a cash amount, number of shares of Stock, or specified number of other Awards (or a combination) which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 7(b) in the case of a Performance Award intended to qualify as "performance-based compensation" under Code Section 162(m).

(b) **Performance Awards Granted to Covered Employees.** If the Committee determines that a Performance Award to be granted to an Eligible Person who is designated by the Committee as likely to be a Covered Employee should qualify as "performance-based compensation" for purposes of Code Section 162(m), the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal and other terms set forth in this Section 7(b).

- (i) Performance Goal Generally. The performance goal for such Performance Awards shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 7(b). The performance goal shall be objective and shall otherwise meet the requirements of Code Section 162(m) and regulations thereunder, including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being "substantially uncertain." The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or that two or more of the performance goals must be achieved as a condition to grant, exercise and/or settlement of such Performance Awards. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.
- (ii) Business Criteria. One or more of the following business criteria for the Company, on a consolidated basis, and/or for specified subsidiaries or affiliates or other business units of the Company shall be used by the Committee in establishing performance goals for such Performance Awards:
- (1) Revenues;
 - (2) Expenses;
 - (3) Gross margin or gross profit;
 - (4) Any earnings or net income measure, including earnings from operations, earnings before taxes, earnings before interest and/or taxes and/or depreciation, statutory earnings before realized gains (losses), or net income available to common shareholders;
 - (5) Operating margin or operating profit;
 - (6) Earnings or earnings per share (EPS), including or excluding extraordinary items;
 - (7) Operating cash flow, free cash flow, cash flow return on investment, or net cash provided by operations;
 - (8) Return on equity, assets, capital employed or investment;
 - (9) Economic profit or value created;
 - (10) Stock price or total shareholder return; and
 - (11) Strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, total market capitalization, business retention, new product generation, rate increase actions, geographic business expansion goals, cost targets (including cost of capital), investment portfolio yield, customer satisfaction, employee satisfaction, agency ratings, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates, joint ventures or lines of business.

The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies. Performance Goals may be particular to a Participant, the Company or a division, subsidiary or other business segment of the Company, or may be based on the performance of the Company as a whole.

- (iii) Performance Period; Timing for Establishing Performance Goals. Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period of up to one year or more than one year, as specified by the Committee. A performance goal shall be established not later than the earlier of (A) 90 days after the beginning of any performance period applicable to such Performance Award or (B) the time 25% of such performance period has elapsed.
- (iv) Performance Award Pool. The Committee may establish a Performance Award pool, which shall be an unfunded pool, for purposes of measuring performance of the Company in connection with Performance Awards. The amount of such Performance Award pool shall be based upon the achievement of a performance goal or goals based on one or more of the business criteria set forth in Section 7(b)(ii) during the given performance period, as specified by the Committee in accordance with Section 7(b)(iv). The Committee may specify the amount of the Performance Award pool as a percentage of any of such business criteria, a percentage thereof in excess of a threshold amount, or as another amount which need not bear a strictly mathematical relationship to such business criteria.
- (v) Settlement of Performance Awards; Other Terms. Settlement of Performance Awards shall be in cash, Stock, other Awards or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of a Performance Award subject to this Section 7(b) beyond the level of payment authorized for achievement of the performance goal specified under this Section 7(b) based on the actual level of achievement of such goal. Any settlement which changes the form of payment from that originally specified shall be implemented in a manner such that the Performance Award and other related Awards do not, solely for that reason, fail to qualify as "performance-based compensation" for purposes of Code Section 162(m). The Committee shall specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a Change in Control) prior to the end of a performance period or settlement of such Performance Awards.

(c) **Written Determinations.** Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals relating to Performance Awards, and the amount of any final Performance Award shall be recorded in writing in the case of Performance Awards intended to qualify under Section 162(m). Specifically, the Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to settlement of each such Award granted to a Covered Employee, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

8. **Certain Provisions Applicable To Awards.**

(a) **Stand-Alone, Additional, Tandem, and Substitute Awards.** Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any subsidiary or affiliate, or any business entity to be acquired by the Company or a subsidiary or affiliate, or any other right of a Participant to receive payment from the Company or any subsidiary or affiliate; provided, however, that a 409A Award may not be granted in tandem with a Non-409A Award. Awards granted in addition to or in tandem with other Awards or awards may be granted either as of the same time as or a different time from the grant of such other Awards or awards. Subject to Sections 11(k) and (l) and subject to the restriction on repricing under Section 11(e), the Committee may determine that, in granting a new Award, the in-the-money value or fair value of any surrendered Award or award or the value of any other right to payment surrendered by the Participant may be applied to the purchase of any other Award.

(b) **Term of Awards.** The term of each Award shall be for such period as may be determined by the Committee, subject to the express limitations set forth in Sections 6(b)(ii), 6(c)(ii) and 8 or elsewhere in the Plan.

(c) **Form and Timing of Payment under Awards; Deferrals.** Subject to the terms of the Plan (including Sections 11(k) and (l)) and any applicable Award document, payments to be made by the Company or a subsidiary or affiliate upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. The settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events, subject to Sections 11(k) and (l). Subject to Section 11(k), installment or deferred payments may be required by the Committee (subject to Section 11(e)) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. In the case of any 409A Award that is vested and no longer subject to a risk of forfeiture (within the meaning of Code Section 83), such Award will be distributed to the Participant, upon application of the Participant, if the Participant has had an unforeseeable emergency within the meaning of Code Sections 409A.

9. **Change in Control.**

(a) **Effect of "Change in Control."** In the event of a "Change in Control," the Committee may provide that any of the following provisions shall apply in the Award document or otherwise:

- (i) The lapse of forfeiture conditions and other restrictions applicable to Awards granted under the Plan, and/or the payment of such Awards as of the time of the Change in Control or other specified time without regard to vesting or other conditions, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 11(a); and

- (ii) The vesting and exercisability of any Award carrying a right to exercise that was not previously exercisable and vested as of the time of the Change in Control and, upon any termination of employment or service by the Participant other than a termination for cause within two years after the Change in Control, provision for such Awards to remain outstanding and exercisable until the earlier of three years after such termination or the stated expiration date of such Award, subject only to applicable restrictions set forth in Section 11(a);
- (iii) The lapse of any deferral of settlement terms, forfeiture conditions and other restrictions applicable to an unvested Award granted under the Plan and provision for such Awards to be fully payable as of the time of the Change in Control or other specified time without regard to deferral and vesting conditions, except to the extent of any waiver by the Participant (if permitted under Section 409A) and subject to applicable restrictions set forth in Section 11(a); and
- (iv) With respect to an outstanding Award subject to achievement of performance goals and conditions, such performance goals and conditions may be deemed to be met or exceeded.

provided, however, that no distribution shall occur with respect to a 409A Award unless the Change in Control also constitutes a 409A Ownership/Control Change.

(b) **Definition of "Change in Control."** "Change in Control" means the occurrence of any one of the following events after the date of grant of any affected Award:

- (i) Any Person (as defined below) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) Voting Securities (as defined below) of the Company and, immediately thereafter, is the "beneficial owner" (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 Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities;
- (ii) Within any 12-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 was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 9(b)(ii); or
- (iii) The stockholders of the Company have approved a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company, or a complete liquidation of the Company (a "Corporate Event"), and such Corporate Event has been consummated, except that a Corporate Event shall not trigger a Change in Control under this clause (iii) if the shareholders of the Company immediately prior to such Corporate Event shall 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.

For purposes of this Section 9(b), "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. For purposes of this Section 9(b), 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).

(c) **Definition of "409A Ownership/Control Change."** A "409A Ownership/Control Change" shall be deemed to have occurred with respect to a Participant if a Change in Control occurs which involves transactions which constitute a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of Code Section 409A with respect to such Participant.

10. **Additional Award Forfeiture Provisions.**

The Committee may condition a Participant's right to receive a grant of an Award, to exercise the Award, to retain cash, Stock, other Awards, or other property acquired in connection with an Award, or to retain the profit or gain realized by a Participant in connection with an Award, including cash or other proceeds received upon sale of Stock acquired in connection with an Award, upon compliance by the Participant with specified conditions relating to non-competition, confidentiality of information relating to or possessed by the Company, non-solicitation of customers, suppliers, and employees of the Company, cooperation in litigation, non-disparagement of the Company and its subsidiaries and affiliates and the officers, directors and affiliates of the Company and its subsidiaries and affiliates, and other restrictions upon or covenants of the Participant, including during specified periods following termination of employment or service to the Company.

11. **General Provisions.**

(a) **Compliance with Legal and Other Requirements.** The Company may, to the extent deemed necessary or advisable by the Committee and subject to Section 11(k), postpone the issuance or delivery of Stock or payment of other benefits under any Award until completion of such registration or qualification of such Stock or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Stock or other securities of the Company are listed or quoted, or compliance with any other obligation of the Company, as the Committee may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Stock or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations. The foregoing notwithstanding, in connection with a Change in Control, the Company shall take or cause to be taken no action, and shall undertake or permit to arise no legal or contractual obligation, that results or would result in any postponement of the issuance or delivery of Stock or payment of benefits under any Award or the imposition of any other conditions on such issuance, delivery or payment, to the extent that such postponement or other condition would represent a greater burden on a Participant than existed on the 90th day preceding the Change in Control.

(b) **Limits on Transferability; Beneficiaries.** No Award or other right or interest of a Participant under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party (other than the Company or a subsidiary or affiliate thereof), or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than ISOs and SARs in tandem therewith) may be transferred to one or more transferees during the lifetime of the Participant for purposes of estate-planning, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee and the Committee has determined that there will be no transfer of the Award to a third party for value, and subject to any terms and conditions which the Committee may impose thereon (which may include limitations the Committee may deem appropriate in order that offers and sales under the Plan will meet applicable requirements of registration forms under the Securities Act of 1933 specified by the Securities and Exchange Commission). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award document applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) **Adjustments.** In the event that any large, non-recurring dividend or other distribution (whether in the form of cash or property other than Stock), recapitalization, forward or reverse split, Stock dividend, reorganization, merger, consolidation, spinoff, combination, repurchase, share exchange, liquidation, dissolution, equity restructuring as defined under FAS 123R, or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Committee to be appropriate or, in the case of any outstanding Award, which is necessary in order to prevent dilution or enlargement of the rights of the Participant, then the Committee shall, in an equitable manner as determined by the Committee, adjust any or all of (i) the number and kind of shares of Stock which may be delivered in connection with Awards granted thereafter, including the number of shares available under Section 4, (ii) the number and kind of shares of Stock by which annual per-person Award limitations are measured under Section 5, (iii) the number and kind of shares of Stock subject to or deliverable in respect of outstanding Awards, (iv) the exercise price, grant price or purchase price relating to any Award or, if deemed appropriate, the Committee may make provision for a payment of cash or property to the holder of an outstanding Option (subject to Section 11(l)), and (v) the performance goals or conditions of outstanding Awards that are based on share prices. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards and performance goals and any hypothetical funding pool relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence, as well as acquisitions and dispositions of businesses and assets) affecting the Company, any subsidiary or affiliate or other business unit, or the financial statements of the Company or any subsidiary or affiliate, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any subsidiary or affiliate or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no adjustment under this Section 11(c) shall be authorized or made if and to the extent that the existence of such authority (i) would cause Options, SARs, or Performance Awards granted under the Plan to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, (ii) would cause the Committee to be deemed to have authority to change the targets, within the meaning of Treasury Regulation 1.162-27(e)(4)(vi), under the performance goals relating to Options or SARs granted to Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder, (iii) would cause a Non-409A Award to be subject to Code Section 409A, or (iv) would violate Code Section 409A for a 409A Award.

(d) **Tax Provisions.**

- (i) **Withholding.** The Company and any subsidiary or affiliate is authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Stock, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's withholding obligations, either on a mandatory or elective basis in the discretion of the Committee, or in satisfaction of other tax obligations. Other provisions of the Plan notwithstanding, only the minimum amount of Stock deliverable in connection with an Award necessary to satisfy statutory withholding requirements will be withheld, unless withholding of any additional amount of Stock will not result in additional accounting expense to the Company.
- (ii) **Required Consent to and Notification of Code Section 83(b) Election.** No election under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) or under a similar provision of the laws of a jurisdiction outside the United States may be made unless expressly permitted by the terms of the Award document or by action of the Committee in writing prior to the making of such election. In any case in which a Participant is permitted to make such an election in connection with an Award, the Participant shall notify the Company of such election within ten days of filing notice of the election with the Internal Revenue Service or other governmental authority, in addition to any filing and notification required pursuant to regulations issued under Code Section 83(b) or other applicable provision.
- (iii) **Requirement of Notification Upon Disqualifying Disposition Under Code Section 421(b).** If any Participant shall make any disposition of shares of Stock delivered pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (i.e., a disqualifying disposition), such Participant shall notify the Company of such disposition within ten days thereof.

(e) **Changes to the Plan.** The Board may amend, suspend or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of shareholders or Participants; provided, however, that any amendment to the Plan shall be submitted to the Company's shareholders for approval not later than the earliest annual meeting for which the record date is at or after the date of such Board action if such shareholder approval is required by any federal or state law or regulation or the rules of the New York Stock Exchange, or if such amendment would materially increase the number of shares reserved for issuance and delivery under the Plan, and the Board may otherwise, in its discretion, determine to submit other amendments to the Plan to shareholders for approval. The Committee is authorized to amend outstanding awards, except as limited by the Plan. The Board and Committee may not amend outstanding Awards (including by means of an amendment to the Plan) without the consent of an affected Participant if such an amendment would materially and adversely affect the rights of such Participant with respect to the outstanding Award (for this purpose, actions that alter the timing of federal income taxation of a Participant will not be deemed material unless such action results in an income tax penalty on the Participant, and any discretion that is reserved by the Board or Committee with respect to an Award is unaffected by this provision). Without the approval of shareholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a "repricing," which for this purpose means any of the following or any other action that has the same effect:

- Lowering the exercise price of an option or SAR after it is granted;
- Any other action that is treated as a repricing under generally accepted accounting principles;
- Canceling an option or SAR at a time when its exercise price exceeds the fair market value of the underlying Stock, in exchange for another option or SAR, restricted stock, other equity, cash or other property; this shareholder approval requirement will apply to any repurchase or buyout of such an option or SAR authorized under any other provision of the Plan;

provided, however, that the foregoing transactions shall not be deemed a repricing if pursuant to an adjustment authorized under Section 11(c). With regard to other terms of Awards, the Committee shall have no authority to waive or modify any such Award term after the Award has been granted to the extent the waived or modified term would be mandatory under the Plan for any Award newly granted at the date of the waiver or modification. A cancellation and exchange described in clause (iii) of the preceding sentence will be considered a repricing regardless of whether the Option, Restricted Stock or other equity is delivered simultaneously with the cancellation, regardless of whether it is treated as a repricing under generally accepted accounting principles, and regardless of whether it is voluntary on the part of the Participant. Notwithstanding the above, the Board and Committee shall have no authority to amend or modify 409A Awards in any manner that would violate Code Section 409A.

(f) **Right of Setoff.** The Company or any subsidiary or affiliate may, to the extent permitted by applicable law, deduct from and set off against any amounts the Company or a subsidiary or affiliate may owe to the Participant from time to time, including amounts payable in connection with any Award, owed as wages, fringe benefits, or other compensation owed to the Participant, such amounts as may be owed by the Participant to the Company, including but not limited to amounts owed under Section 10(a), although the Participant shall remain liable for any part of the Participant's payment obligation not satisfied through such deduction and setoff. By accepting any Award granted hereunder, the Participant agrees to any deduction or setoff under this Section 11(f).

(g) **Unfunded Status of Awards; Creation of Trusts.** The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Stock pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Stock, other Awards or other property, or make other arrangements to meet the Company's obligations under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant.

(h) **Nonexclusivity of the Plan.** Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements, apart from the Plan, as it may deem desirable, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

(i) **Payments in the Event of Forfeitures; Fractional Shares.** Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration, the Participant shall be repaid the amount of such cash consideration. No fractional shares of Stock shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

(j) **Compliance with Code Section 162(m).** It is the intent of the Company that Options and SARs granted to Covered Employees and other Awards designated as Awards to Covered Employees subject to Section 7 shall constitute qualified "performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder, unless otherwise determined by the Committee at the time of allocation of an Award. Accordingly, the terms of Sections 7(b) and (c), including the definitions of Covered Employee and other terms used therein, shall be interpreted in a manner consistent with Code Section 162(m) and regulations thereunder. The foregoing notwithstanding, because the Committee cannot determine with certainty whether a given Participant will be a Covered Employee with respect to a fiscal year that has not yet been completed, the term Covered Employee as used herein shall mean only a person designated by the Committee as likely to be a Covered Employee with respect to a specified fiscal year. If any provision of the Plan or any Award document relating to a Performance Award that is designated as intended to comply with Code Section 162(m) does not comply or is inconsistent with the requirements of Code Section 162(m) or regulations thereunder, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee or any other person discretion to increase the amount of compensation otherwise payable in connection with any such Award upon attainment of the applicable performance objectives.

(k) **Certain Limitations on Awards to Ensure Compliance with Section 409A.**

(i) **409A Awards and Deferrals.** Other provisions of the Plan notwithstanding, the terms of any 409A Award (which for this purpose means only such an Award held by an employee subject to United States federal income tax), including any authority of the Company and rights of the Participant with respect to the 409A Award, shall be subject to the following rules and limitations and shall be interpreted in a manner as to comply with Code Section 409A:

(A) If a Participant is permitted to elect to defer an Award or any payment under an Award, such election shall be made in accordance with the requirements of Code Section 409A. Each initial deferral election (an "Initial Deferral Election") must be received by the Committee prior to the following dates or will have no effect whatsoever:

(i) Except as otherwise provided below, the December 31 immediately preceding the year in which the compensation is earned;

- (ii) With respect to any annual or long-term incentive pay which qualifies as “performance-based compensation” within the meaning of Code Section 409A, by the earlier of (A) the December 31 immediately preceding the end of the performance measurement period applicable to such incentive pay or (B) the date six months prior to the end of the performance measurement period applicable to such incentive pay provided such additional requirements set forth in Code Section 409A are met;
 - (iii) With respect to “fiscal year compensation” as defined under Code Section 409A, by the last day of the Company’s fiscal year preceding the year in which the fiscal year compensation is earned; or
 - (iv) With respect to Awards of restricted stock units or other legally binding rights to a payment of compensation in a subsequent year that is subject to a forfeiture condition requiring the Participant’s continued services for a period of at least 12 months, on or before the 30th day following the grant of such Award, provided that the election is made at least 12 months in advance of the earliest date at which the forfeiture condition could lapse.
- (B) The Committee may, in its sole discretion, permit Participants to submit additional deferral elections with respect to amounts previously subject to an Initial Deferral Election in order to delay, but not to accelerate, a payment, or to change the form of payment of an amount of deferred compensation (a “Subsequent Deferral Election”), but if, and only if, the following conditions are satisfied: (i) the Subsequent Deferral Election must not take effect until 12 months after the date on which it is made, (ii) in the case of a payment other than a payment attributable to the Participant’s death, the Subsequent Deferral Election further defers the payment for a period of not less than 5 years from the date such payment would otherwise have been made, or in the case of installment payments, 5 years from the date the first installment was scheduled to be paid, and (iii) the Subsequent Deferral Election is received by the Committee at least 12 months prior to the date the payment would otherwise have been made, or in the case of installment payments, 12 months prior to the date the first installment was scheduled to be paid. In addition, Participants may be further permitted to revise the form of payment they have elected, or the number of installments elected, provided that such revisions comply with the requirements of clauses (i), (ii), and (iii) above.
- (C) The time and form of payment of a 409A Award shall be set forth in an Applicable Award agreement. If such time and form of payment is not set forth in the Award Agreement, the 409A Award shall be paid in a lump sum within 75 days of a Participant’s Separation from Service (as defined below). For purposes of 409A, the entitlement to a series of installment payments will be treated as the entitlement to a single payment.
- (D) The Company shall have no authority to accelerate or delay or change the form of any distributions relating to 409A Awards except as allowed under Code Section 409A.
- (E) Any distribution of a 409A Award triggered by a Participant’s termination of employment shall be made only at the time that the Participant has had a Separation from Service within the meaning of Code Section 409A. A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent contractor of the Company or an Affiliate) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. A Participant shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed 6 consecutive months (29 months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Company or Affiliate under an applicable statute or by contract. For this purpose, a “disability leave of absence” is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially similar job. Continued services solely as a director of the Company or an Affiliate shall not prevent a Separation from Service from occurring;

- (F) Notwithstanding the provisions of Section 11(k)(i)(C) above, any distribution of a 409A Award that would be made within six months following a Separation from Service of a “Specified Employee” as defined under Code Section 409A and as determined under procedures adopted by the Board of Directors of the Company or its delegate shall instead occur on the first day of the seventh month following the Separation from Service (or upon the Participant’s death, if earlier). In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period.
- (G) Any payment otherwise due under the terms of the 409A Award which would (i) not be deductible in whole or in part under Code Section 162(m) , or (ii) violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer is nondeductible or violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient’s control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). No interest shall be accrued or be paid because of any delay of payment.
- (H) If any portion of an Award that is scheduled to vest at a single specified date (a vesting “tranche”) is partly deemed a 409A Award and partly deemed exempt from Code Section 409A (as a short-term deferral or otherwise), the time of settlement of only the portion of the Award subject to Code Section 409A shall be subject to the provisions of this Section 11(k).
- (I) The rules applicable to 409A Awards under this Section 11(k)(i) constitute further restrictions on terms of Awards set forth elsewhere in this Plan. Thus, for example, a 409A Option/SAR shall be subject to restrictions, including restrictions on rights otherwise specified in Section 6(b) or 6(c), in order that such Award shall not result in constructive receipt of income before exercise or tax penalties under Section 409A.
- (ii) *Rules Applicable to Non-409A Options/SARs.* With respect to Non-409A Options/ SARs, in applying Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language “at least 20 percent” shall be used instead of “at least 80 percent” at each place it appears in Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation § 1.414(c)-2 (or any successor provision) for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c), the language “at least 20 percent” shall be used instead of “at least 80 percent” at each place it appears in Treasury Regulation §1.414(c)-2.
- (iii) *Distributions Upon Vesting.* In the case of any Award providing for a distribution upon the lapse of a risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than March 15 of the calendar year following the calendar year in which the risk of forfeiture lapsed.
- (iv) *Scope and Application of this Provision.* For purposes of this Section 11(k), references to a term or event (including any authority or right of the Company or a Participant) being “permitted” under Code Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of cash, shares or other property or to be liable for payment of interest or a tax penalty under Code Section 409A.

(l) **Governing Law.** The validity, construction, and effect of the Plan, any rules and regulations relating to the Plan and any Award document shall be determined in accordance with the laws of the State of New Jersey, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(m) **Awards to Participants Outside the United States.** The Committee may modify the terms of any Award under the Plan made to or held by a Participant who is then resident or primarily employed outside of the United States, or establish one or more sub-plans for such participants, in any manner deemed by the Committee to be necessary or appropriate in order that such Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. An Award may be modified under this Section 11(m) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) for the Participant whose Award is modified.

(n) **Limitation on Rights Conferred under Plan.** Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a subsidiary or affiliate, (ii) interfering in any way with the right of the Company or a subsidiary or affiliate to terminate any Eligible Person's or Participant's employment or service at any time (subject to the terms and provisions of any separate written agreements), (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award or an Option is duly exercised. Except as expressly provided in the Plan and an Award document, neither the Plan nor any Award document shall confer on any person other than the Company and the Participant any rights or remedies thereunder. Any Award shall not be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any subsidiary or affiliate and shall not affect any benefits under any other benefit plan at any time in effect und which the availability or amount of benefits is related to the level of compensation (unless required by any such other plan or arrangement with specific reference to Awards under this Plan).

(o) **Severability.** If any of the provisions of this Plan or any Award document is finally held to be invalid, illegal or unenforceable (whether in whole or in part), such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions shall not be affected thereby; provided, that, if any of such provisions is finally held to be invalid, illegal, or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder. The Plan and any Award documents contain the entire agreement of the parties with respect to the subject matter thereof and supersede all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter thereof. No rule of strict construction shall be applied against the Company, the Committee, or any other person in the interpretation of any terms of the Plan, Award, or agreement or other document relating thereto.

(p) **Plan Effective Date and Termination.** The Plan shall become effective if, and at such time as, the shareholders of the Company have approved it by a majority of the votes cast at a meeting of shareholders by the holders of shares entitled to vote thereon, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. The date of such shareholder approval shall be the Effective Date. Upon such approval of the Plan by the shareholders of the Company, no further awards shall be granted under the Employee and Outside Director Long-Term Incentive Compensation Plan, but any outstanding awards under that plan shall continue in accordance with their terms. Unless earlier terminated by action of the Board of Directors, the authority to make new grants under the Plan shall terminate on the date that is ten years after the latest date upon which shareholders of the Company have approved the Plan, and the Plan will remain in effect until such time as no Stock remains available for delivery under the Plan and the Company has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan. Any termination of the Plan shall comply with the requirements of Code Section 409A with regard to any 409A Awards.

NEW JERSEY RESOURCES CORPORATION

2007 Stock Award and Incentive Plan

Stock Option Agreement

This Stock Option Agreement (the "Agreement"), which includes the attached "Terms and Conditions of Option Grant" (the "Terms and Conditions"), confirms the grant on _____, 200__ (the "Grant Date") by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the "Company"), to _____ ("Employee") under Section 6(b) of the 2007 Stock Award and Incentive Plan (the "Plan"), of a non-qualified stock option (the "Option") to purchase shares of Stock (the "Option Shares"), as follows:

Option Shares purchasable: _____ shares of Stock

Exercise Price: \$ _____ per share of Stock

Option vests and becomes exercisable: The Option shall vest and become exercisable as to 25% of the Option Shares, cumulatively, on each of the first, second, third, and fourth anniversaries of the Grant Date (rounded to the nearest whole Share); provided, however, that [the Option will become immediately vested and exercisable upon the occurrence of certain events relating to Termination of Employment, in accordance with Section 4 of the attached Terms and Conditions, and] any unvested portion of the Option will automatically become fully vested and exercisable upon a Change in Control.

Expiration Date: _____, 20__ (the "Stated Expiration Date") or, in the event of Termination of Employment (as defined in Section 4 of the attached Terms and Conditions), the date the Option ceases to be exercisable under Section 4 of the attached Terms and Conditions (the earlier of which time is the "Expiration Date"). [If, at the date on which the Option or any portion thereof is to expire or terminate, the Fair Market Value of an Option Share exceeds the Exercise Price and if the Option or portion thereof that will expire or terminate is otherwise exercisable, the Option shall be automatically exercised by the withholding of Option Shares acquired on such exercise to pay the exercise price and applicable withholding taxes.]

The Option is subject to the terms and conditions of the Plan and this Agreement, including the attached Terms and Conditions. The number and kind of shares of Stock purchasable, the Exercise Price, and other terms and conditions are subject to adjustment in accordance with Section 11(c) of the Plan. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

Employee acknowledges and agrees that (i) the Option is nontransferable, except as provided in Section 6 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Option is subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances, as specified in Section 4 of the attached Terms and Conditions, and (iii) sales of shares of Stock acquired on exercise of the Option will be subject to the Company's policy regulating trading by employees.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

By: _____

[Name]

[Title]

EMPLOYEE

[Name], an individual

TERMS AND CONDITIONS OF OPTION GRANT

The following Terms and Conditions apply to the Option granted to Employee by NEW JERSEY RESOURCES CORPORATION (the "Company"), as specified in the Stock Option Agreement (of which these Terms and Conditions form a part). Certain specific terms of the Option, including the number of shares of Stock purchasable, vesting, the Stated Expiration Date and Expiration Date, and Exercise Price, are set forth on the cover page hereto, which is an integral part of this Agreement.

1. **General.** The Option is granted to Employee under the Company's 2007 Stock Award and Incentive Plan (the "Plan"), which has previously been delivered to Employee and/or is available upon request to the Corporate Benefits Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Leadership Development and Compensation Committee of the Company's Board of Directors (the "Committee") made from time to time. The Option is a non-qualified stock option (not an incentive stock option as defined under Section 422 of the Internal Revenue Code of 1986, as amended).

2. **Right to Exercise Option.** Subject to all applicable laws, rules, regulations and the terms of the Plan and this Agreement, Employee may exercise the Option only after the time and to the extent the Option has become vested and exercisable and prior to or on the Expiration Date of the Option.

3. **Method of Exercise.** To exercise the Option, Employee must (a) give written notice to the Vice President, Corporate Services or Secretary of the Company or any other officer or agent (including any third-party administrator) as the Company may designate, which notice shall specifically refer to this Agreement, state the number of Option Shares as to which the Option is being exercised, and the name in which he or she wishes the shares of Stock thereby acquired to be issued, which notice shall be signed by Employee, and (b) pay in full to the Company the Exercise Price of the Option for the number of shares of Stock being purchased either (i) in cash (including by check), payable in United States dollars, (ii) by delivery of shares of Stock by Employee or, if then permitted by the Company, by directing the Company to withhold shares of Stock acquired on such exercise having a Fair Market Value, determined as of the date the Option is exercised, equal to all or the part of the aggregate Exercise Price being paid in this way, or (iii) in any other manner then permitted by the Committee. Once Employee gives notice of exercise, such notice may not be revoked. When Employee exercises the Option, or part thereof, the Company will transfer shares of Stock to Employee in certification form or make such a transfer (or make a non-certificated credit) to Employee's brokerage account at a designated securities brokerage firm or otherwise deliver shares of Stock to Employee. No Employee or Beneficiary shall have at any time any rights with respect to shares of Stock covered by this Agreement prior to the valid exercise as specified herein, and no adjustment shall be made for dividends or other rights for which the record date is prior to such valid exercise.

4. **Termination Provisions.** The following provisions will govern the vesting, exercisability and expiration of the Option in the event of Employee's Termination of Employment (as defined below) at a time that the Option remains outstanding, unless the Committee determines to provide more favorable terms (in this regard, Employee shall be entitled to any more favorable terms provided in any valid employment agreement or other agreement with the Company):

(a) **Death or Disability.** In the event of Employee's Termination of Employment due to death or Disability (as defined below), any unvested portion of the Option, to the extent then outstanding, will vest and become immediately exercisable in full, and the Option will remain exercisable, in accordance with Section 11(b) of the Plan, until the earlier of one year after such Termination of Employment or the Stated Expiration Date, at which time the Option will terminate.

(b) *Retirement.* In the event of Employee's Termination of Employment due to Retirement (as defined below), the Option, to the extent then outstanding, will not be forfeited, but will remain outstanding until the date that is the earlier of one year after such Termination or the Stated Expiration Date, at which time the Option will terminate; provided, however, that any portion of the Option not exercisable as of the date of Termination will become exercisable at the date upon which it would have vested had Employee continued to be employed by the Company through that date if that date occurs on or before the date the Option will terminate; and provided further, that any portion of the Option that is not vested at the date of Termination will not become vested thereafter by operation of this provision and will terminate upon Termination.

(c) *Termination by the Company Without Cause.* In the event of Employee's Termination of Employment by the Company without Cause (as defined below), the portion of the then-outstanding Option not vested and exercisable at the date of Termination will terminate, and any portion of the then-outstanding Option that is vested and exercisable at the date of Termination will terminate at the earlier of three months after Termination of Employment or the Stated Expiration Date.

(d) *Termination by the Company for Cause.* In the event of Employee's Termination of Employment by the Company for Cause (as defined below), the Option, whether or not then vested and exercisable, immediately will terminate.

(e) *Termination by the Employee Voluntarily.* In the event of Employee's voluntary Termination of Employment, the portion of the then-outstanding Option not vested and exercisable at the date of Termination will terminate, and any portion of the then-outstanding Option that is vested and exercisable at the date of Termination will terminate at the earlier of three months after Termination of Employment or the Stated Expiration Date.

(f) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Cause" means (A) Employee's conviction of a felony or the entering by Employee of a plea of nolo contendere to a felony charge, (B) Employee's gross neglect, willful malfeasance or willful gross misconduct in connection with his employment hereunder which has had a significant adverse effect on the business of the Company and its subsidiaries, unless Employee reasonably believed in good faith that such act or non-act was in or not opposed to the best interests of the Company, or (C) repeated material violations by Employee of his or her obligations under any applicable employment agreement or Company policy which have continued after written notice thereof from the Company, which violations are demonstrably willful and deliberate on Employee's part and which result in material damage to the Company's business or reputation.

(ii) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment 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 Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee 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.

(iii) "Retirement" means retirement on a normal, early or postponed retirement date within the meaning of the Corporation's pension plan applicable to the Employee at the date of grant.

(iv) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(v) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company and is not serving as a non-employee director of the Company or a Subsidiary of the Company.

5. **Employee Representations and Warranties Upon Exercise and Related Terms.** As a condition to the exercise of the Option, the Company may require Employee to make any representation or warranty to the Company as may be required under any applicable law or regulation.

6. **Nontransferability.** Employee may not transfer the Option or any rights hereunder to any third party other than by will or the laws of descent and distribution, and, during Employee's lifetime, only Employee or his or her duly appointed guardian or legal representative may exercise the Option, except for transfers to a Beneficiary in the event of death or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan.

7. **Miscellaneous.**

(a) **Binding Agreement; Written Amendments.** This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Option, and supersedes any prior agreements or documents with respect to the Option. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Option shall be valid unless expressed in a written instrument executed by Employee.

(b) **No Promise of Employment.** The Option and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) **Governing Law.** The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) **Tax Withholding.** Unless otherwise determined by the Committee, Employee must make arrangements satisfactory to the Company to pay or provide for payment of withholding taxes due upon exercise of the Option. The Committee may require or permit Employee to elect to have the Company withhold from the shares of Stock deliverable upon exercise of the Option the number of whole shares of Stock having a Fair Market Value not exceeding the amount of income and employment taxes required to be withheld under applicable laws and regulations, and pay the Fair Market Value of such withheld shares of Stock in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such withholding and for all taxes in excess of such withholding taxes that may be due upon exercise of the Option.

(e) **Notices.** Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Vice President, Corporate Services, or the officer designated by the Company as responsible for administration of this Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(f) **Shareholder Rights.** Employee and any Beneficiary shall not have any rights with respect to shares of Stock (including voting rights) purchasable upon exercise of the Option prior to the valid exercise of the Option.

NEW JERSEY RESOURCES CORPORATION

2007 Stock Award and Incentive Plan

Performance Units Agreement

This Performance Units Agreement (the "Agreement"), which includes the attached "Terms and Conditions of Performance Units" (the "Terms and Conditions") and the attached Exhibit A captioned "**Performance Goal and Earning of Performance Units**", confirms the grant on _____, ____ (the "Grant Date") by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the "Company"), to _ ("Employee"), under Sections 6(e), 6(i) and 7 of the 2007 Stock Award and Incentive Plan (the "Plan"), of Performance Units (the "Units"), including rights to Dividend Equivalents as specified herein, as follows:

Target Number Granted: _____ Units ("Target Number")

How Units are Earned and Vest: The Units, if not previously forfeited, (i) will be earned, if and to the extent that the Performance Goal defined on Exhibit A to this Agreement are achieved, with the corresponding number of Units earned (ranging from 0% to 150% of the Target Number) as specified on Exhibit A, and (ii) will vest as to the number of Units earned if Employee continues to be employed by the Company or a Subsidiary through _____, 200__ (the "Stated Vesting Date"). In addition, if not previously forfeited, upon a Change in Control the Units will be deemed earned in an amount equal to the greater of the Target Number or the number of Units to be granted based upon the actual level of achievement if the performance period had ended at the date of the Change in Control and will become immediately vested, and, if the stock of the Company remains publicly traded after the Change in Control, any Units not earned will remain potentially earnable in accordance with the terms of this Agreement. In addition, if not previously forfeited, the Units will be deemed earned and become vested upon the occurrence of certain events relating to Termination of Employment to the extent provided in Section 4 of the attached Terms and Conditions. The terms "vest" and "vesting" mean that the Units have become non-forfeitable whether or not there occurs a voluntary Termination of Employment by Employee. If the Performance Goal is not met (or not fully met) and the Units are not otherwise deemed earned by the Earning Date (as defined below), the Units (or the unearned portion of the Units) will be immediately forfeited. If Employee has a Termination of Employment prior to a Stated Vesting Date and the Units are not otherwise deemed earned and vested by that date, the Units will be immediately forfeited except as otherwise provided in Section 4 of the attached Terms and Conditions. Forfeited Units cease to be outstanding and in no event will thereafter result in any delivery of shares of Stock to Employee.

Performance Goal and Earning Date: The Performance Goal and Earning Date, and the number of Units earned for specified levels of performance at the Earning Date, shall be as specified in Exhibit A hereto.

Settlement: Units that are to be settled hereunder, including Units credited as a result of Dividend Equivalents, will be settled by delivery of one share of Stock, for each Unit being settled. Settlement shall occur at the time specified in Section 6 of the attached Terms and Conditions.

The Units are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Performance Units attached hereto and deemed a part hereof. The number of Units and the kind of shares deliverable in settlement and other terms and conditions of the Units are subject to adjustment in accordance with Section 5 of the attached Terms and Conditions and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the Units are nontransferable, except as provided in Section 3 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Units are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 4 of the attached Terms and Conditions, and (iii) sales of shares of Stock will be subject to any Company policy regulating trading by employees.

Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized.

NEW JERSEY RESOURCES
CORPORATION

By: _____
[Name]

[Title]

EMPLOYEE

By: _____
[Name], an individual

TERMS AND CONDITIONS OF PERFORMANCE UNITS

The following Terms and Conditions apply to the Performance Units granted to Employee by NEW JERSEY RESOURCES CORPORATION (the "Company") and Units resulting from Dividend Equivalents (as defined below), if any, as specified in the Performance Units Agreement (of which these Terms and Conditions form a part). Certain terms of the Units, including the number of Units granted, vesting date(s) and settlement date, are set forth on the cover page hereto and Exhibit A, which are an integral part of this Agreement.

1. **General.** The Units are granted to Employee under the Company's 2007 Stock Award and Incentive Plan (the "Plan"), which has been previously delivered to Employee and/or is available upon request to the Corporate Benefits Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the Units, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Leadership Development and Compensation Committee of the Company's Board of Directors (the "Committee") made from time to time.

2. **Account for Employee.** The Company shall maintain a bookkeeping account for Employee (the "Account") reflecting the number of Units then credited to Employee hereunder as a result of such grant of Units and any crediting of additional Units to Employee pursuant to payments equivalent to dividends paid on shares of Stock under Section 5 hereof ("Dividend Equivalents").

3. **Nontransferability.** Until Units become settleable in accordance with the terms of this Agreement, Employee may not transfer Units or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan.

4. **Termination Provisions.** The following provisions will govern the vesting and forfeiture of the Units that are outstanding at the time of Employee's Termination of Employment (as defined below), unless otherwise determined by the Committee (subject to Section 8(a) hereof):

(a) **Death or Disability.** In the event of Employee's Termination of Employment due to death or Disability (as defined below) the Units will be deemed earned in an amount equal to the greater of the Target Number or the number of Units to be granted based upon the actual level of achievement if the performance period had ended at the date of the Termination of Employment. A Pro-Rata Portion (as defined below) of the Units earned, to the extent not previously vested, will vest immediately, and such Units, together with any then-outstanding Units that previously became vested, will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Units not earned or not vested at or before the date of Termination will be forfeited.

(b) **Termination by the Company or Voluntarily by the Employee.** In the event of Employee's Termination of Employment by the Company for any reason or by Employee voluntarily, the portion of the then-outstanding Units not vested at the date of Termination will be forfeited, and the portion of the then-outstanding Units that is vested at or before the date of Termination will be settled in accordance with Section 6(a) hereof.

(c) **Retirement.** In the event of Employee's Termination of Employment due to Retirement (as defined below) the Units will be deemed earned in an amount equal to fifty percent of the Target Number. A Pro-Rata Portion (as defined below) of the Units earned, to the extent not previously vested, will vest immediately, and such Units, together with any then-outstanding Units that previously became vested, will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Units not earned or not vested at or before the date of Termination will be forfeited.

(d) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment 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 Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee 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.

(ii) "Pro Rata Portion" means a fraction the numerator of which is the number of days that have from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is the number of days from the Grant Date to the Stated Vesting Date.

(iii) "Retirement" means the Employee terminates employment at or after age 65, or at or after age 55 with 20 or more years of service.

(iv) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(v) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company and is not serving as a non-employee director of the Company or a Subsidiary of the Company.

5. ***Dividend Equivalents and Adjustments.***

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on Units (other than Units that, at the relevant record date, previously have been settled or forfeited) and deemed reinvested in additional Units. Dividend Equivalents will be credited with respect to unearned Units, earned but not vested Units, and vested but not settled Units. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash dividend equivalents rather than additional Units) for administrative convenience:

(i) *Cash Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional Units shall be credited to Employee's Account in lieu of payment or crediting of cash dividend equivalents equal to the number of Units credited to the Account as of the relevant record date multiplied by the amount of cash paid per share of Stock in such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution.

(ii) *Non-Share Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional Units shall be credited to Employee's Account as of the payment date for such dividend or distribution equal to the number of Units credited to the Account as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date.

(iii) *Share Dividends and Splits.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional Units shall be credited to Employee's Account as of the payment date for such dividend or distribution or forward split equal to the number of Units credited to the Account as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock.

(b) *Adjustments.* The number of Units credited to Employee's Account shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to Units or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Units credited to Employee in connection with such event under Section 5(a) hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in FAS 123R, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Units which shall preserve without enlarging the value of the Units, with the manner of such adjustment to be determined by the Committee in its discretion.

(c) *Risk of Forfeiture and Settlement of Units Resulting from Dividend Equivalents and Adjustments.* Units which directly or indirectly result from Dividend Equivalents on or adjustments to a Unit granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Unit and will be settled at the same time as the granted Unit.

6. ***Settlement and Deferral.***

(a) *Settlement Date.* Units granted hereunder that have been earned and vested, together with Units credited as a result of Dividend Equivalents with respect thereto, shall be settled by delivery of one share of Stock for each Unit being settled. Settlement of a Unit granted hereunder shall occur at the Stated Vesting Date; provided, however, that settlement shall occur earlier (i) within 90 days after the date of death of Employee, (ii) within 60 days after termination due to Disability (subject to Section 6(c)(iii) hereof if Employee is not "disabled" within the meaning of Code Section 409A), (iii) upon a Change in Control except that, if the Units are subject to Section 6(c) hereof, no distribution shall be triggered if the Change in Control does not involve an event that comes within the definition under Code Section 409A), or (iv) within 60 days after a Termination of Employment if and to the extent specified in Section 4(b) hereof; and provided further, that settlement shall be deferred if so elected by Employee in accordance with Section 6(b) hereof. Settlement of Units which directly or indirectly result from Dividend Equivalents on Units granted hereunder shall occur at the time of settlement of the granted Unit.

(b) *Elective Deferral.* The Committee may determine to permit Employee to elect to defer settlement (or redefer) if such election would be permissible under Code Section 409A. In addition to any applicable requirements under Code Section 409A, any such deferral election shall be made only while Employee remains employed and at a time permitted under Code Section 409A. Any elective deferral will be subject to such additional terms and conditions as the Vice President – Corporate Services, or the officer designated by the Company as responsible for administration of the Agreement, may reasonably impose.

(c) *Compliance with Code Section 409A.* Other provisions of this Agreement notwithstanding, if Units are subject to taxation under Code Section 409A ("§ 409A") (i.e., the Units are not excluded or exempted under Code Section 409A; Note: an elective deferral under Section 6(b) would cause the Units to be subject to Code Section 409A), settlement shall be subject to the following rules:

(i) The Company shall have no authority to accelerate distributions relating to such Units in excess of the authority permitted under Code Section 409A;

(ii) Any distribution relating to such Units triggered by Employee's termination of employment and intended to qualify under Code Section 409A shall be made only at the time that Employee has had a "separation from service" within the meaning of Code Section 409A. A "separation from service" will occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Employee will perform after that date (whether as an employee or independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period.;

(iii) Any distribution relating to such Units subject to Code Section 409A that would be made within six months following a separation from service of a "Specified Employee" as defined under Code Section 409A and as determined under procedures adopted by the Board of Directors of the Company shall instead occur on the first day of the seventh month following the Separation from Service (or upon the Employee's death, if earlier) . In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period;

(iv) If any portion of such Units scheduled to vest at a single specified date (a vesting "tranche") is partly deemed a 409A Award and partly deemed exempt from § 409A (as a short-term deferral or otherwise), the time of settlement of only the portion of the Award subject to Code Section 409A shall be subject to the provisions of this Section 6; and

(v) Any rights of Employee or retained authority of the Company with respect to Units hereunder shall be automatically modified and limited to the extent necessary so that Employee will not be deemed to be in constructive receipt of income relating to the Units prior to the distribution of shares to Employee and so that Employee shall not be subject to any penalty under Code Section 409A.

7. ***Employee Representations and Warranties Upon Settlement.*** As a condition to the settlement of the Units, the Company may require Employee to make any representation or warranty to the Company as may be required under any applicable law or regulation.

8. ***Miscellaneous.***

(a) ***Binding Agreement; Written Amendments.*** This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Units, and supersedes any prior agreements or documents with respect to the Units. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Units shall be valid unless expressed in a written instrument executed by Employee.

(b) ***No Promise of Employment.*** The Units and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) ***Governing Law.*** The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Fractional Units and Shares.* The number of Units credited to Employee's Account shall include fractional Units calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares (without requiring issuance of a fractional Share by the Company), upon settlement of the Units Employee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Units.

(e) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, at the time of vesting and/or settlement the Company will withhold from any shares of Stock deliverable in settlement of the Units, in accordance with Section 11(d)(i) of the Plan, the number of shares of Stock having a value nearest to, but not exceeding, the amount of income and employment taxes required to be withheld under applicable laws and regulations, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon vesting or settlement of Units.

(f) *Statements.* An individual statement of each Employee's Account will be issued to Employee at such times as may be determined by the Company. Such a statement shall reflect the number of Units credited to Employee's Account, transactions therein during the period covered by the statement, and other information deemed relevant by the Company. Such a statement may be combined with or include information regarding other plans and compensatory arrangements. Employee's statements shall be deemed a part of this Agreement, and shall evidence the Company's obligations in respect of Units, including the number of Units credited as a result of Dividend Equivalents (if any). Any statement containing an error shall not, however, represent a binding obligation to the extent of such error, notwithstanding the inclusion of such statement as part of this Agreement.

(g) *Unfunded Obligations.* The grant of the Units and any provision for distribution in settlement of Employee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Employee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Employee. With respect to Employee's entitlement to any distribution hereunder, Employee shall be a general creditor of the Company.

(h) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Vice President – Corporate Services, or the officer designated by the Company as responsible for administration of the Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(i) *Shareholder Rights.* Employee and any Beneficiary shall not have any rights with respect to shares of Stock (including voting rights) covered by this Agreement prior to the settlement and distribution of the shares of Stock as specified herein.

NEW JERSEY RESOURCES CORPORATION
2007 Stock Award and Incentive Plan

Performance Goal and Earning of Performance Units

The number of Performance Units earned by Participant shall be determined as of _____, 200_ [last day of performance period] (the "Earning Date"), based on the Company's "Total Shareholder Return Performance" in the ___-fiscal-year period ending at that date as compared against an established group of comparable companies (the "Comparison Group") selected by the Committee and attached hereto as Schedule A. The number of Units earned will then be determined based on the following grid:

Company Total Shareholder Return Performance -- Percentile Achieved	Units Earned as Percentage of Target Units
Less than 30 th	0%
30 th	__%
40 th	__%
50 th	__%
60 th	__%
70 th	__%
80 th	__%
90 th and above	150%

Upon achievement of Total Shareholder Return at a percentile between 30th and 40th, 40th and 50th, 50th and 60th, or between 60th and 70th, 70th and 80th, or between 80th and 90th, the Units earned will be mathematically interpolated on a straight-line basis.

Determinations of the Committee regarding Total Shareholder Return performance, such performance as a percentile within the Comparison Group, the resulting Units earned and related matters will be final and binding on Participant. The Committee shall specify a reasonable methodology for dealing with companies in the Comparison Group that cease to be publicly traded companies engaged in a business comparable to that of the Company, subject to compliance with Treasury Regulation § 1.162-27(e)(2). Total Shareholder Return shall be calculated in a manner that reflects the economic return to shareholders, such that any equity restructuring of the Company or any company in the Comparison Group shall not have the effect of enlarging or reducing the rights of Employee except to the extent of its effects on the real economic return of a shareholder.

Schedule A

[List of Companies in Comparison Group]

NEW JERSEY RESOURCES CORPORATION

2007 Stock Award and Incentive Plan

Restricted Stock Agreement

This Restricted Stock Agreement (the "Agreement"), which includes the attached "Terms and Conditions of Restricted Stock" (the "Terms and Conditions"), confirms the grant on _____, 200_ (the "Grant Date") by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the "Company"), to ("Employee"), under Section 6(d) of the 2007 Stock Award and Incentive Plan (the "Plan"), of Restricted Stock as follows:

Number granted: _____ shares of Restricted Stock

Fair Market Value at Grant Date: \$ _____ per share

How Restricted Stock Vests: The Restricted Stock, if not previously forfeited, will vest on the dates and as to the number of shares in the following table:

<u>Stated Vesting Date</u>	<u>Number of Shares That Vest at that Date</u>
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(INSERT VESTING SCHEDULE)

In addition, if not previously forfeited, the Restricted Stock will become immediately vested in full upon a Change in Control, and will become vested upon the occurrence of certain events relating to Termination of Employment to the extent provided in Section 3 of the attached Terms and Conditions. The terms "vest" and "vesting" mean that the Restricted Stock has become transferable and non-forfeitable. If Employee has a Termination of Employment prior to a Stated Vesting Date and shares of Restricted Stock are not otherwise deemed vested by that date, such Restricted Stock will be immediately forfeited. Forfeited Restricted Stock ceases to be outstanding and in no event will thereafter result in any delivery of shares of Stock to Employee.

The Restricted Stock is subject to the terms and conditions of the Plan and this Agreement, including the attached Terms and Conditions. The number and kind of shares of Restricted Stock and other terms of the Restricted Stock are subject to adjustment in accordance with Section 4(b) of the attached Terms and Conditions and Section 11(c) of the Plan. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

Employee acknowledges and agrees that (i) Restricted Stock is nontransferable, except as provided in Section 2 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Restricted Stock is subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 3 of the attached Terms and Conditions, and (iii) sales of the shares of Stock following vesting of the Restricted Stock will be subject to the Company's policy regulating trading by employees,

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized, and Employee has duly executed this Agreement, by which each has agreed to the terms of this Agreement.

EMPLOYEE

NEW JERSEY RESOURCES CORPORATION

[Employee Name]

By:_____

[Name]

[Title]

TERMS AND CONDITIONS OF RESTRICTED STOCK

The following Terms and Conditions apply to the Restricted Stock granted to Employee by NEW JERSEY RESOURCES CORPORATION (the "Company"), and Restricted Stock resulting from Dividend Equivalents (as defined below), if any, as specified in the Restricted Stock Agreement (of which these Terms and Conditions form a part). Certain terms of the Restricted Stock, including the number of shares granted and vesting date(s), are set forth on the preceding pages, which is an integral part of this Agreement.

1. **General.** The Restricted Stock is granted to Employee under the Company's 2007 Stock Award and Incentive Plan (the "Plan"), a copy of which has been previously delivered to Employee and/or is available upon request to the Corporate Benefits Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Leadership Development and Compensation Committee of the Company's Board of Directors (the "Committee") made from time to time.

2. **Nontransferability.** Until such time as the Restricted Stock has become vested in accordance with the terms of this Agreement, Employee may not transfer Restricted Stock or any rights hereunder to any third party other than by will or the laws of descent and distribution. This restriction on transfer precludes any sale, assignment, pledge, or other encumbrance or disposition of the shares of Restricted Stock (except for forfeitures to the Company).

3. **Termination Provisions.** The following provisions will govern the vesting and forfeiture of the Restricted Stock that is outstanding at the time of Employee's Termination of Employment (as defined below), unless otherwise determined by the Committee (subject to Section 7(a) hereof):

(a) **Death, Disability or Retirement.** In the event of Employee's Termination of Employment due to death, Disability or Retirement (as defined below), a Pro-Rata Portion of the outstanding Restricted Stock will vest immediately. Any portion of the outstanding Restricted Stock not vested at the date of Termination will be forfeited.

(b) **Termination by the Company or Voluntarily by Employee.** In the event of Employee's Termination of Employment by the Company for any reason or by Employee voluntarily (other than a Retirement), any portion of the outstanding Restricted Stock not vested at the date of Termination will be forfeited.

(c) **Certain Definitions.** The following definitions apply for purposes of this Agreement:

(i) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment 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 Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee 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.

(ii) "Pro Rata Portion" means, for each tranche of Restricted Stock, a fraction the numerator of which is the number of days that have elapsed from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is the number of days from the Grant Date to the Stated Vesting Date for that tranche. A "tranche" is that portion of the Restricted Stock that has a unique Stated Vesting Date.

(iii) "Retirement" means the Employee terminates employment at or after age 65, or at or after age 55 with 20 or more years of service.

(iv) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(v) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company and is not serving as a non-employee director of the Company or a Subsidiary of the Company.

4. **Dividends and Adjustments.**

(a) *Dividends.* In the event of dividends or distributions on Stock, the following terms and conditions shall apply except as provided in Section 4(b) below:

(i) In the event of a cash dividend or distribution on Stock or a non-cash dividend or distribution in the form of property other than Stock payable on Stock (including shares of a Subsidiary of the Company distributed in a spin-off), the Company shall immediately convert such dividend or distribution into Restricted Stock and such additional Restricted Stock will become vested if and to the same extent as the original Restricted Stock with respect to which the dividend or distribution was payable becomes vested, and shall be subject to all other terms and conditions as applied to the original Restricted Stock.

(ii) In the event of a dividend or distribution in the form of Stock or split-up of shares, the Stock issued or delivered as such dividend or distribution or resulting from such split-up will be deemed to be additional Restricted Stock and will become vested if and to the same extent as the original Restricted Stock with respect to which the dividend or distribution was payable becomes vested, and shall be subject to all other terms and conditions as applied to the original Restricted Stock.

(b) *Adjustments.* The number and kind of shares of Restricted Stock, the number of such shares to be vested and other terms and conditions of Restricted Stock or otherwise contained in this Agreement shall be appropriately adjusted, in order to prevent dilution or enlargement of Employee's rights hereunder, to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Restricted Stock or other amounts paid or credited to Employee in connection with such event under Section 4(a) hereof, in the sole discretion of the Committee. The Committee may determine how to treat or settle any fractional share resulting under this Agreement.

5. **Other Terms of Restricted Stock.**

(a) *Voting and Other Shareholder Rights.* Employee shall be entitled to vote Restricted Stock on any matter submitted to a vote of holders of Stock, and shall have all other rights of a shareholder of the Company except as expressly limited by this Agreement and the Plan.

(b) *Consideration for Grant of Restricted Stock.* Employee shall be required to pay no cash consideration for the grant of the Restricted Stock, but Employee's performance of services to the Company prior to the vesting of the Restricted Stock shall be deemed to be consideration for this grant of Restricted Stock.

(c) *Insider Trading Policy Applicable.* Employee acknowledges that sales of shares resulting from Restricted Stock that has become vested will be subject to the Company's policies regulating trading by executive officers and employees.

(d) *Certificates Evidencing Restricted Stock.* Restricted Stock shall be evidenced by issuance of one or more certificates in the name of Employee, bearing an appropriate legend referring to the terms, conditions, and restrictions applicable hereunder, and shall remain in the physical custody of the General Counsel of the Company or his designee until such time as such shares of Restricted Stock have become vested and the restrictions hereunder have therefore lapsed. In addition, Restricted Stock shall be subject to such stop-transfer orders and other restrictive measures as the General Counsel of the Company shall deem advisable under federal or state securities laws, rules and regulations thereunder, and rules of the New York Stock Exchange, or to implement the terms, conditions and restrictions hereunder, and the General Counsel may cause a legend or legends to be placed on any such certificates to make appropriate reference to the terms, conditions and restrictions hereunder.

(e) *Stock Powers.* Employee agrees to execute and deliver to the Company one or more stock powers, in such form as may be specified by the General Counsel, authorizing the transfer of the Restricted Stock to the Company, at the Grant Date or upon request at any time thereafter.

6. *Employee Representations and Warranties and Release.* As a condition to any non-forfeiture of the Restricted Stock that vests upon Termination of Employment, the Company may require Employee (i) to make any representation or warranty to the Company as may be required under any applicable law or regulation, and (ii) to execute a release from claims against the Company arising at or before the date of such release, in such form as may be specified by the Company.

7. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Restricted Stock, and supersedes any prior agreements or documents with respect to the Restricted Stock. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Restricted Stock shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Restricted Stock and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, at the time of vesting the Company will withhold from any shares of Stock deliverable, in accordance with Section 11(d)(i) of the Plan, the number of shares of Stock having a value nearest to, but not exceeding, the amount of income and employment taxes required to be withheld under applicable laws and regulations, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon vesting of the Restricted Stock.

(e) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Vice President, Corporate Services or the officer designated by the Company as responsible for the administration of this Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(i) *Shareholder Rights.* Employee and any Beneficiary shall not have any rights with respect to shares of Stock (including voting rights) covered by this Agreement prior to the settlement and distribution of the shares of Stock as specified herein.

Sample Section 83(b) Election Form

Election Statement Under Internal Revenue Code Section 83(b)

Taxpayer Name: _____

Address: _____

Social Security or Taxpayer ID Number: _____

Description of Property: _____ [number] shares of common stock of New Jersey Resources Corporation
granted as a an award of Restricted Stock on _____, 200__

Taxable Year for which the election is being made: 200__ (year of grant of Restricted Stock)

Nature of the restriction: Restricted Stock is non-transferable and subject to a risk of forfeiture until vesting,
The Restricted Stock vests __% per year on the first __ anniversaries of the grant
date.

Fair market value of stock on date of transfer: \$_____

Amount paid to purchase the stock: \$- 0 -

I have furnished copies of this statement to persons required by U.S. Treasury Regulation 1.83-2(d)

_____ Signature of Taxpayer

Date _____

_____ Print or type signature

This is a sample Election Form which may be used to make a Section 83(b) election to be taxed on a grant of Restricted Stock at the time of grant rather than at the time of vesting. You are free to use whatever election form you and your financial advisor deem appropriate. New Jersey Resources Corporation (the "Company") makes no recommendation as to whether a person granted Restricted Stock should make a Section 83(b) election, but issues the following cautionary statements:

Cautionary Statements:

- (1) If you make a Section 83(b) election and later forfeit the Restricted Stock, you will not be able to rescind the election, claim a capital loss relating to the shares, receive a refund of the taxes paid, apply the taxes paid to any other liability you may have, or otherwise get any benefit whatsoever from your payment of taxes on the Restricted Stock. This is a risk that you will avoid if you do not file a Section 83(b) election, because absent the election you will be taxed at the time the Restricted Stock vests (if it is not previously forfeited) based on the fair market value of the shares at the time of vesting.
- (2) You must have cash available to pay the taxes due as a result of your making a Section 83(b) election, including withholding taxes. You may not sell any of the shares of Restricted Stock and you may not direct us to withhold any of the shares of Restricted Stock to satisfy this obligation.
- (3) In considering whether you might benefit from a Section 83(b) election, you should consider alternatives that might be of greater benefit. A Section 83(b) election could be advantageous if the market value of the shares of Restricted Stock has gone up significantly at the time of vesting. However, if you do not make a Section 83(b) election but, instead, you use the cash that you would have paid in taxes to invest in additional shares of Company common stock in the market, in some cases your total return, net of taxes, would be greater. This strategy would also avoid the risk described in (1) above.
- (4) Filing a Section 83(b) election represents an increased financial investment in Company common stock. As an employee and based on your other equity awards and ownership of Company common stock, your financial well-being may already be significantly tied to the financial success of the Company. You should consider whether your savings and financial assets are adequately diversified before making a Section 83(b) election.

How to File a Section 83(b) Election

- (1) To be valid, the Section 83(b) Election Form must be filed with the Internal Revenue Service within 30 days after grant of the Restricted Stock.
- (2) To file the Section 83(b) Election, send it to the IRS Office where you file your income tax return. It is recommended that you send it certified mail, return receipt requested, so that you have proof of filing.
- (3) You must also send a copy to the Company. Please address the copy to the attention of Vice President, Human Resources.
- (4) Attach a copy of the 83(b) when you file your income taxes.



NEW JERSEY RESOURCES CORPORATION
2007 Stock Award and Incentive Plan
Performance Shares Agreement

This Performance Shares Agreement (the "Agreement"), which includes the attached "Terms and Conditions of Performance Shares" (the "Terms and Conditions") and the attached Exhibit A captioned "**Performance Goal and Earning of Performance Shares**", confirms the grant on _____ (the "Grant Date") by NEW JERSEY RESOURCES CORPORATION, a New Jersey corporation (the "Company"), to _____ ("Employee"), under Sections 6(e), 6(i) and 7 of the 2007 Stock Award and Incentive Plan (the "Plan"), of Performance Shares (the "Performance Shares"), including rights to Dividend Equivalents as specified herein, as follows:

Target Number Granted: _____ Performance Shares ("Target Number")

How Performance Shares are Earned and Vest: The Performance Shares, if not previously forfeited, (i) will be earned, if and to the extent that the Performance Goal

defined on Exhibit A to this Agreement is achieved, with the corresponding number of Performance Shares earned (ranging from 0% to 150% of the Target Number) as specified on Exhibit A, and (ii) will vest as to the number of Performance Shares earned if Employee continues to be employed by the Company or a Subsidiary through September 30, 2010 (the "Stated Vesting Date"). In addition, if not previously forfeited, upon a Change in Control the Performance Shares will be deemed earned in an amount equal to the greater of the Target Number or the number of Performance Shares that would have been earned based upon the actual level of achievement if the performance period had ended at the date of the Change in Control and will become immediately vested, and, if (and only if) the stock of the Company remains publicly traded after the Change in Control, any Performance Shares not earned will remain potentially earnable in accordance with the terms of this Agreement. In addition, if not previously forfeited, the Performance Shares will be deemed earned and become vested upon the occurrence of certain events relating to Termination of Employment to the extent provided in Section 4 of the attached Terms and Conditions. The terms "vest" and "vesting" mean that the Performance Shares have become non-forfeitable upon the occurrence of a voluntary Termination of Employment by Employee (excluding a Retirement). If the Performance Goal is not met (or not fully met) and the Performance Shares are not otherwise deemed earned by the Earning Date (as defined below), the Performance Shares (or the unearned portion of the Performance Shares) will be immediately forfeited. If Employee has a Termination of Employment prior to a Stated Vesting Date and the Performance Shares are not otherwise deemed earned and vested by that date, the Performance Shares will be immediately forfeited except as otherwise provided in Section 4 of the attached Terms and Conditions. Forfeited Performance Shares cease to be outstanding and in no event will thereafter result in any delivery of shares of Stock to Employee.

Performance Goal and Earning Date: The Performance Goal and Earning Date, and the number of Performance Shares earned for specified levels of performance at the Earning Date, shall be as specified in Exhibit A hereto.

Settlement: Performance Shares that are to be settled hereunder, including Performance Shares credited as a result of Dividend Equivalents, will be settled by delivery of one share of Stock, for each Performance Share being settled. Settlement shall occur at the time specified in Section 6 of the attached Terms and Conditions.

The Performance Shares are subject to the terms and conditions of the Plan and this Agreement, including the Terms and Conditions of Performance Shares attached hereto and deemed a part hereof. The number of Performance Shares and the kind of shares deliverable in settlement and other terms and conditions of the Performance Shares are subject to adjustment in accordance with Section 5 of the attached Terms and Conditions and Section 11(c) of the Plan.

Employee acknowledges and agrees that (i) the Performance Shares are nontransferable, except as provided in Section 3 of the attached Terms and Conditions and Section 11(b) of the Plan, (ii) the Performance Shares are subject to forfeiture in the event of Employee's Termination of Employment in certain circumstances prior to vesting, as specified in Section 4 of the attached Terms and Conditions, and (iii) sales of shares of Stock will be subject to any Company policy regulating trading by employees.

Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan.

IN WITNESS WHEREOF, NEW JERSEY RESOURCES CORPORATION has caused this Agreement to be executed by its officer thereunto duly authorized.

NEW JERSEY RESOURCES CORPORATION

By:_____
LAURENCE M. DOWNES
Chairman & CEO

EMPLOYEE

NAME
Title

TERMS AND CONDITIONS OF PERFORMANCE SHARES

The following Terms and Conditions apply to the Performance Shares granted to Employee by NEW JERSEY RESOURCES CORPORATION (the “Company”) and Performance Shares resulting from Dividend Equivalents (as defined below), if any, as specified in the Performance Shares Agreement (of which these Terms and Conditions form a part). Certain terms of the Performance Shares, including the number of Performance Shares granted, vesting date(s) and settlement date, are set forth on the cover page hereto and Exhibit A, which are an integral part of this Agreement.

1. **General.** The Performance Shares are granted to Employee under the Company’s 2007 Stock Award and Incentive Plan (the “Plan”), which has been previously delivered to Employee and/or is available upon request to the Corporate Benefits Department. All of the applicable terms, conditions and other provisions of the Plan are incorporated by reference herein. Capitalized terms used in this Agreement but not defined herein shall have the same meanings as in the Plan. If there is any conflict between the provisions of this document and mandatory provisions of the Plan, the provisions of the Plan govern. By accepting the grant of the Performance Shares, Employee agrees to be bound by all of the terms and provisions of the Plan (as presently in effect or later amended), the rules and regulations under the Plan adopted from time to time, and the decisions and determinations of the Leadership Development and Compensation Committee of the Company’s Board of Directors (the “Committee”) made from time to time.

2. **Account for Employee.** The Company shall maintain a bookkeeping account for Employee (the “Account”) reflecting the number of Performance Shares then credited to Employee hereunder as a result of such grant of Performance Shares and any crediting of additional Performance Shares to Employee pursuant to payments equivalent to dividends paid on shares of Stock under Section 5 hereof (“Dividend Equivalents”).

3. **Nontransferability.** Until Performance Shares become settleable in accordance with the terms of this Agreement, Employee may not transfer Performance Shares or any rights hereunder to any third party other than by will or the laws of descent and distribution, except for transfers to a Beneficiary or as otherwise permitted and subject to the conditions under Section 11(b) of the Plan. The foregoing notwithstanding, if any Performance Share constitutes a deferral of compensation under Code Section 409A, the Performance Share shall not be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of Employee or any Beneficiary, and shall not be subject to offset by the Company at any time before the settlement date.

4. **Termination Provisions.** The following provisions will govern the vesting and forfeiture of the Performance Shares that are outstanding at the time of Employee’s Termination of Employment (as defined below), unless otherwise determined by the Committee (subject to Section 8(a) hereof):

(a) **Death or Disability.** In the event of Employee’s Termination of Employment due to death or Disability (as defined below) the Performance Shares will be deemed earned in an amount equal to the greater of the Target Number or the number of Performance Shares that would have been earned based upon the actual level of achievement if the performance period had ended at the date of the Termination of Employment. A Pro-Rata Portion (as defined below) of the Performance Shares earned, to the extent not previously vested, will vest immediately, and such Performance Shares, together with any then-outstanding Performance Shares that previously became vested, will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Performance Shares not earned or not vested at or before the date of Termination will be forfeited.

(b) **Termination by the Company or Voluntarily by the Employee.** In the event of Employee’s Termination of Employment by the Company for any reason other than Disability or by Employee voluntarily (other than a Retirement), the portion of the then-outstanding Performance Shares not vested at the date of Termination will be forfeited.

(c) *Retirement.* In the event of Employee's Termination of Employment due to Retirement (as defined below), the Performance Shares will be deemed earned in an amount equal to fifty percent of the Target Number. A Pro-Rata Portion (as defined below) of the Performance Shares earned, to the extent not previously vested, will vest immediately, and such Performance Shares, together with any then-outstanding Performance Shares that previously became vested, will be settled in accordance with Section 6(a) hereof. Any portion of the then-outstanding Performance Shares not earned or not vested at or before the date of Termination will be forfeited.

(d) *Certain Definitions.* The following definitions apply for purposes of this Agreement:

(i) "Disability" means Employee has been incapable of substantially fulfilling the positions, duties, responsibilities and obligations of his employment 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 Employee shall agree on the identity of a physician to resolve any question as to Employee's disability. If the Company and Employee cannot agree on the physician to make such determination, then the Company and Employee 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. In the case of Performance Shares that do not constitute a deferral of compensation under Section 409A of the Code, only the Company can initiate a Termination of Employment due to Disability.

(ii) "Pro Rata Portion" means a fraction the numerator of which is the number of days that have from the Grant Date to the date of Employee's Termination of Employment and the denominator of which is the number of days from the Grant Date to the Stated Vesting Date.

(iii) "Retirement" means the Employee terminates employment at or after age 65, or at or after age 55 with 20 or more years of service.

(iv) "Subsidiary" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code ("Section 424(f) Corporation") and any partnership, limited liability company or joint venture in which either the Company or Section 424(f) Corporation is at least a fifty percent (50%) equity participant.

(v) "Termination of Employment" and "Termination" means the earliest time at which Employee is not employed by the Company or a Subsidiary of the Company and is not serving as a non-employee director of the Company or a Subsidiary of the Company.

5. *Dividend Equivalents and Adjustments.*

(a) *Dividend Equivalents.* Dividend Equivalents will be credited on Performance Shares (other than Performance Shares that, at the relevant record date, previously have been settled or forfeited) and deemed reinvested in additional Performance Shares. Dividend Equivalents will be credited with respect to unearned Performance Shares, earned but not vested Performance Shares, and vested but not settled Performance Shares. Dividend Equivalents will be credited as follows, except that the Company may vary the manner of crediting (for example, by crediting cash dividend equivalents rather than additional Performance Shares) for administrative convenience:

(i) *Cash Dividends.* If the Company declares and pays a dividend or distribution on shares of Stock in the form of cash, then additional Performance Shares shall be credited to Employee's Account in lieu of payment or crediting of cash dividend equivalents equal to the number of Performance Shares credited to the Account as of the relevant record date multiplied by the amount of cash paid per share of Stock in such dividend or distribution divided by the Fair Market Value of a share of Stock at the payment date for such dividend or distribution.

(ii) *Non-Share Dividends*. If the Company declares and pays a dividend or distribution on shares of Stock in the form of property other than shares of Stock, then a number of additional Performance Shares shall be credited to Employee's Account as of the payment date for such dividend or distribution equal to the number of Performance Shares credited to the Account as of the record date for such dividend or distribution multiplied by the fair market value of such property actually paid as a dividend or distribution on each outstanding share of Stock at such payment date, divided by the Fair Market Value of a share of Stock at such payment date.

(iii) *Share Dividends and Splits*. If the Company declares and pays a dividend or distribution on shares of Stock in the form of additional shares of Stock, or there occurs a forward split of shares of Stock, then a number of additional Performance Shares shall be credited to Employee's Account as of the payment date for such dividend or distribution or forward split equal to the number of Performance Shares credited to the Account as of the record date for such dividend or distribution or split multiplied by the number of additional shares of Stock actually paid as a dividend or distribution or issued in such split in respect of each outstanding share of Stock.

(b) *Adjustments*. The number of Performance Shares credited to Employee's Account shall be appropriately adjusted in order to prevent dilution or enlargement of Employee's rights with respect to Performance Shares or to reflect any changes in the number of outstanding shares of Stock resulting from any event referred to in Section 11(c) of the Plan, taking into account any Performance Shares credited to Employee in connection with such event under Section 5(a) hereof. In furtherance of the foregoing, in the event of an equity restructuring, as defined in FAS 123R, which affects the shares of Stock, Employee shall have a legal right to an adjustment to Employee's Performance Shares which shall preserve without enlarging the value of the Performance Shares, with the manner of such adjustment to be determined by the Committee in its discretion.

(c) *Risk of Forfeiture and Settlement of Performance Shares Resulting from Dividend Equivalents and Adjustments*. Performance Shares which directly or indirectly result from Dividend Equivalents on or adjustments to a Performance Share granted hereunder shall be subject to the same risk of forfeiture and other conditions as apply to the granted Performance Share and will be settled at the same time as the granted Performance Share.

6. *Settlement and Deferral.*

(a) *Settlement Date*. Performance Shares granted hereunder that have been earned and vested, together with Performance Shares credited as a result of Dividend Equivalents with respect thereto, shall be settled by delivery of one share of Stock for each Performance Share being settled. Settlement of a Performance Share granted hereunder shall occur at the Stated Vesting Date (with shares to be delivered within five business days after the Stated Vesting Date); provided, however, that settlement shall occur earlier (i) within 90 days after the date of death of Employee, (ii) within 60 days after termination due to Disability (subject to Section 6(c)(iii), if applicable), or (iii) upon a Change in Control except that, if the Performance Shares are subject to Section 6(c) hereof, no distribution shall be triggered if the Change in Control does not involve an event that comes within the definition under Section 409A(a)(2)(A)(v)); and provided further, that settlement shall be deferred if so elected by Employee in accordance with Section 6(b) hereof. Settlement of Performance Shares which directly or indirectly result from Dividend Equivalents on Performance Shares granted hereunder shall occur at the time of settlement of the granted Performance Share.

(b) *Elective Deferral.* The Committee may determine to permit Employee to elect to defer settlement (or redefer) if such election would be permissible under Section 409A of the Code. In addition to any applicable requirements under Section 409A of the Code, any such deferral election shall be made only while Employee remains employed and at a time permitted under Section 409A. Any elective deferral will be subject to such additional terms and conditions as the Vice President — Corporate Services, or the officer designated by the Company as responsible for administration of the Agreement, may reasonably impose.

(c) *Compliance with Code Section 409A.* Other provisions of this Agreement notwithstanding, if Performance Shares constitute a "deferral of compensation" under Section 409A of the Code ("§ 409A") as presently in effect or hereafter amended (i.e., the Performance Shares are not excluded or exempted under § 409A or a regulation or other official governmental guidance thereunder; Note: an elective deferral under Section 6(b) would cause the Performance Shares to be a deferral of compensation subject to § 409A, and reaching Retirement eligibility under Section 4 could cause a portion of the Performance Shares to be a deferral of compensation subject to § 409A), settlement shall be subject to the following rules:

(i) The Company shall have no authority to accelerate distributions relating to such Performance Shares in excess of the authority permitted under § 409A;

(ii) Any distribution relating to such Performance Shares triggered by Employee's Termination of Employment and intended to qualify under § 409A(a)(2)(A)(i) shall be made only at the time that Employee has had a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h) (or earlier at such time, after a Termination of Employment, that there occurs another event triggering a distribution under the Plan or this Agreement in compliance with § 409A);

(iii) Any distribution relating to such Performance Shares subject to § 409A(a)(2)(A)(i) that would be made within six months following a separation from service of a "Specified Employee" (or "key employee") as defined under § 409A(a)(2)(B)(i) shall instead occur at the expiration of the six-month period under § 409A(a)(2)(B)(i). In the case of installments, this delay shall not affect the timing of any installment otherwise payable after the six-month delay period. During such six-month delay period, settlement will not be accelerated upon occurrence of a Change in Control, and otherwise accelerated settlement will only be permitted to the extent permissible under § 409A; and

(iv) Any rights of Employee or retained authority of the Company with respect to Performance Shares hereunder shall be automatically modified and limited to the extent necessary so that Employee will not be deemed to be in constructive receipt of income relating to the Performance Shares prior to the distribution of shares to Employee and so that Employee shall not be subject to any penalty under § 409A.

7. *Employee Representations and Warranties Upon Settlement.* As a condition to the settlement of the Performance Shares, the Company may require Employee to make any representation or warranty to the Company as may be required under any applicable law or regulation.

8. *Miscellaneous.*

(a) *Binding Agreement; Written Amendments.* This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties. This Agreement constitutes the entire agreement between the parties with respect to the Performance Shares, and supersedes any prior agreements or documents with respect to the Performance Shares. No amendment or alteration of this Agreement which may impose any additional obligation upon the Company shall be valid unless expressed in a written instrument duly executed in the name of the Company, and no amendment, alteration, suspension or termination of this Agreement which may materially impair the rights of Employee with respect to the Performance Shares shall be valid unless expressed in a written instrument executed by Employee.

(b) *No Promise of Employment.* The Performance Shares and the granting thereof shall not constitute or be evidence of any agreement or understanding, express or implied, that Employee has a right to continue as an officer or employee of the Company for any period of time, or at any particular rate of compensation.

(c) *Governing Law.* The validity, construction, and effect of this Agreement shall be determined in accordance with the laws (including those governing contracts) of the state of New Jersey, without giving effect to principles of conflicts of laws, and applicable federal law.

(d) *Fractional Performance Shares and Shares.* The number of Performance Shares credited to Employee's Account shall include fractional Performance Shares calculated to at least three decimal places, unless otherwise determined by the Committee. Unless settlement is effected through a third-party broker or agent that can accommodate fractional shares (without requiring issuance of a fractional Share by the Company), upon settlement of the Performance Shares Employee shall be paid, in cash, an amount equal to the value of any fractional Share that would have otherwise been deliverable in settlement of such Performance Shares.

(e) *Mandatory Tax Withholding.* Unless otherwise determined by the Committee, at the time of vesting and/or settlement the Company will withhold from any shares of Stock deliverable in settlement of the Performance Shares, in accordance with Section 11(d)(i) of the Plan, the number of shares of Stock having a value nearest to, but not exceeding, the amount of income and employment taxes required to be withheld under applicable laws and regulations, and pay the amount of such withholding taxes in cash to the appropriate taxing authorities. Employee will be responsible for any withholding taxes not satisfied by means of such mandatory withholding and for all taxes in excess of such withholding taxes that may be due upon vesting or settlement of Performance Shares.

(f) *Statements.* An individual statement of each Employee's Account will be issued to Employee at such times as may be determined by the Company. Such a statement shall reflect the number of Performance Shares credited to Employee's Account, transactions therein during the period covered by the statement, and other information deemed relevant by the Company. Such a statement may be combined with or include information regarding other plans and compensatory arrangements. Employee's statements shall be deemed a part of this Agreement, and shall evidence the Company's obligations in respect of Performance Shares, including the number of Performance Shares credited as a result of Dividend Equivalents (if any). Any statement containing an error shall not, however, represent a binding obligation to the extent of such error, notwithstanding the inclusion of such statement as part of this Agreement.

(g) *Unfunded Obligations.* The grant of the Performance Shares and any provision for distribution in settlement of Employee's Account hereunder shall be by means of bookkeeping entries on the books of the Company and shall not create in Employee any right to, or claim against any, specific assets of the Company, nor result in the creation of any trust or escrow account for Employee. With respect to Employee's entitlement to any distribution hereunder, Employee shall be a general creditor of the Company.

(h) *Notices.* Any notice to be given the Company under this Agreement shall be addressed to the Company at its principal executive offices, in care of the Vice President – Corporate Services, or the officer designated by the Company as responsible for administration of the Agreement, and any notice to Employee shall be addressed to Employee at Employee's address as then appearing in the records of the Company.

(i) *Shareholder Rights.* Employee and any Beneficiary shall not have any rights with respect to shares of Stock (including voting rights) covered by this Agreement prior to the settlement and distribution of the shares of Stock as specified herein. Specifically, Performance Shares represent a contractual right to receive shares of Stock in the future, subject to the terms and conditions of this Agreement and the Plan, and do not represent ownership of shares of Stock at any time before the settlement of this Award.

NEW JERSEY RESOURCES CORPORATION
2007 Stock Award and Incentive Plan
Performance Goal and Earning of Performance Shares

The number of Performance Shares earned by Participant shall be determined as of September 30, 2010 (the “Earning Date”), based on the Company’s “Total Shareholder Return Performance” in the 33-month period ending at that date as compared against an established group of comparable companies (the “Comparison Group”) selected by the Committee and attached hereto as Schedule A. The number of Performance Shares earned will then be determined based on the following grid:

Company Total Shareholder Return Performance— Percentile Achieved	Performance Shares Earned as Percentage of Target Performance Shares
Less than 27 th	0 %
27 th (threshold)	50 %
36 th	60 %
45 th	70 %
55 th	85 %
64 th	100 %
73 rd	120 %
82 nd	135 %
91 st and above	150 %

Upon achievement of Total Shareholder Return at a percentile between any two specified percentiles, the Performance Shares earned will be mathematically interpolated on a straight-line basis.

Determinations of the Committee regarding Total Shareholder Return performance, such performance as a percentile within the Comparison Group, the resulting Performance Shares earned and related matters will be final and binding on Participant. The Committee shall specify a reasonable methodology for dealing with companies in the Comparison Group that cease to be publicly traded companies engaged in a business comparable to that of the Company, subject to compliance with Treasury Regulation § 1.162-27(e)(2). Total Shareholder Return shall be calculated in a manner that reflects the economic return to shareholders, such that any equity restructuring of the Company or any company in the Comparison Group shall not have the effect of enlarging or reducing the rights of Employee except to the extent of its effects on the real economic return of a shareholder.

Schedule A

INSERT PEER GROUP

**NEW JERSEY RESOURCES CORPORATION
DIRECTORS' DEFERRED COMPENSATION PLAN**

Amended and Restated Effective January 1, 2009

New Jersey Resources Corporation ("NJR" or the "Corporation") hereby establishes a deferral plan (the "Plan") for the purpose of permitting a member of the Board of Directors of the Corporation (each an "NJR Director") and members of the Boards of Directors of any and all subsidiaries of the Corporation (each a "Subsidiary") who are not employees of NJR or any Subsidiaries (each a "Subsidiary Director" and, together with NJR Directors, "Directors") to elect from time to time to defer the receipt of all or a portion of the Director's retainer and other fees. The provisions of this Plan shall apply only to those deferred amounts that were otherwise to be earned by and paid to the Directors subsequent to December 31, 2004. This amendment and restatement of the Plan is to comply with the requirements of Internal Revenue Code Section 409A and applicable guidance issued thereunder (collectively "Code Section 409A") and is to be effective January 1, 2009.

Section 1. Initial Deferral Elections.

a. Election to Defer. A Director may irrevocably elect to defer (an "Initial Deferral Election") the receipt of all or a portion of the fees, including, without limitation, any retainer, meeting fee or committee meeting fee ("Fees"), that the Director will become entitled to receive for services as a member of the NJR Board of Directors for a given Plan Year (as defined below) or for services as a Subsidiary Director for a given Plan Year. An Initial Deferral Election shall remain valid with respect to Fees earned in succeeding Plan Years until revoked or revised by the Director in compliance with the deadlines and other provisions of the Plan.

b. Election of Deferral Period. A Director who elects to defer receipt of all or a portion of the Director's Fees for a given Plan Year shall also elect whether the deferred Fees are to be paid, or commence to be paid,

(i) during January of the sixth year following the calendar year in which the deferred Fees would otherwise have been paid to the Director;

(ii) on the first day of the second month of the calendar quarter following the calendar quarter in which the Director's Separation from Service occurs; or

(iii) the earlier of clause (i) or clause (ii) above.

Initial Deferral Elections applicable to Fees otherwise payable in different Plan Years may specify different times and forms of payment. If the Director does not make an election under this Section 1(b) with respect to the time of payment of his deferred Fees for a given Plan Year, the Director's deferred Fees for that Plan Year shall be paid on the first day of the calendar quarter following the calendar quarter in which the Director's Separation from Service occurs.

A Separation from Service occurs when the Director ceases to be a member of the Board of the Corporation and any Board of an Affiliate (which includes any entity required to be treated as the Corporation under Code Section 409A). A Separation from Service shall also occur when it is reasonably anticipated that the level of bona fide Board services the Director will perform after that date will permanently decrease to less than 50% of the average level of bona fide Board services performed over the immediately preceding thirty-six (36) month period.

The Deferral Period is the period beginning on the date the deferred Fees would otherwise have been paid to the Director and ending on the date the deferred Fees are to be paid, or commence to be paid, pursuant to the Director's election under this Section 1(b).

c. Election of Method of Payment of Deferred Fees. A Director who elects to defer the receipt of all or a portion of the Director's Fees for a given Plan Year shall also elect whether the deferred Fees are to be paid, subject to Section 3,

(i) in a single sum payment at the end of the Deferral Period, or

(ii) in the number of annual installments elected by the Director (but not more than 5) with such installments commencing at the end of the Deferral Period. The amount of each such installment shall be equal to the amount credited to the Director's Deferred Fee Account (as defined in Section 2 below) on the day next preceding the date of payment of the installment, divided by the number of installments remaining to be paid. The unpaid portion of the Director's deferred Fees shall continue to be adjusted, as provided in Section 2, during the period that the Director is receiving such installment payments. For the purposes of Code Section 409A, the entitlement to a series of installment payments will be treated as the entitlement to a single payment.

A Director shall also elect the form and number of installments of payments to be paid in the case of Disability. "Disability" shall mean that the Director is considered disabled as defined by the Social Security Administration. If a Director does not make an election under this Section 1(c) with respect to the method of payment of his deferred Fees for a given calendar year, the Director's deferred Fees for that calendar year shall be paid in the same manner as the Director's deferred Fees for the next preceding calendar year with respect to which the Director made an election as to the method of payment. If the Director has not previously elected to defer Fees, or has not previously elected the method of payment of his deferred Fees, the Director's deferred Fees shall be paid in a single sum payment at the end of the Deferral Period for such deferred Fees.

d. Time and Manner of Elections. A Director's elections shall be made by filing a written notice with the Secretary of the Corporation (the "Secretary") on the form prescribed by the Secretary for this purpose. The elections with respect to the deferral of the Director's Fees for a given calendar year shall be made no later than December 31st of the preceding year; provided, however, that for the calendar year in which an individual first becomes a Director or, in the case of Subsidiary Directors, such Directors first become eligible to participate in the Plan, the Director may make the elections with respect to Fees for such year to be earned after such elections are made within 30 days after first becoming a Director or first becoming eligible to participate. However, if, as of the date the Director first becomes eligible to participate in the Plan, the Director has been eligible to participate in the Plan or any other nonqualified deferred compensation account balance plans sponsored by the Corporation or an affiliate (as required under Code Section 409A) within the 24 months preceding his eligibility date, then such election shall apply to Fees earned beginning on January 1st of the following calendar year. An Initial Deferral Election, if submitted to the Committee earlier than the dates specified above, may be changed by the Director at any time prior to the date specified above.

Section 2. Subsequent Deferral Elections. The Committee may, in its sole discretion, permit participating Directors to submit additional deferral elections with respect to amounts previously subject to an Initial Deferral Election in order to delay, but not to accelerate, a payment, or to change the form of or number of installments elected with respect to, the payment of an amount of deferred Fees (a "Subsequent Deferral Election"), but if, and only if, the following conditions are satisfied: (i) the Subsequent Deferral Election must not take effect until 12 months after the date on which it is made, (ii) in the case of a payment other than a payment attributable to the Director's death, the Subsequent Election further defers the payment for a period of not less than 5 years from the date such payment would otherwise have been made, or in the case of installment payments, 5 years from the date the first installment was scheduled to be paid, and (iii) the Subsequent Election is received by the Administrator at least 12 months prior to the date the payment would otherwise have been made, or in the case of installment payments, 12 months prior to the date the first installment was scheduled to be paid.

Section 3. Administration of the Plan.

a. Authority. The Nominating and Corporate Governance Committee of the Board of Directors of the Corporation (hereinafter referred to as "the Committee") shall administer the Plan in accordance with its terms, and shall have all powers necessary to accomplish such purpose, including the power and authority to construe and interpret the Plan, to define the terms used herein, to prescribe, amend and rescind rules and regulations, agreements, forms, and notices relating to the administration of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Any actions of the Committee with respect to the Plan shall be conclusive and binding upon all persons interested in the Plan. The Committee may appoint agents and delegate thereto powers and duties under the Plan, except as otherwise limited by the Plan. The Committee shall not be entitled to act on or decide any matter relating solely to members or any of their rights or benefits under the Plan. The Committee shall not receive any special compensation for serving in this capacity but shall be reimbursed for any reasonable expenses incurred in connection therewith. No bond or other security need be required of the Committee in any jurisdiction.

b. Limitation of Liability. Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Corporation, the Corporation's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Corporation to assist in the administration of the Plan. To the maximum extent permitted by law, no member of the Committee, nor any person to whom ministerial duties have been delegated, shall be liable to any person for any action taken or omitted in good faith in connection with the interpretation and administration of the Plan.

c. Indemnification. To the maximum extent permitted by law, members of the Committee shall be fully indemnified and protected by the Corporation with respect to any action taken or omitted in good faith in connection with the interpretation or administration of the Plan.

d. Plan Year. The Plan's books and records and administrative functions shall be maintained and operated on the basis of a 12-month calendar year commencing each January 1.

Section 4. Earnings on Deferred Fees.

a. Establishment of Deferral Accounts. A Director's deferred Fees for a given calendar year shall be credited to an account established and maintained to record such deferred Fees (a "Deferred Fee Account"). Such credit shall be as of the date such deferred Fees would otherwise have been payable to the Director. A separate Deferred Fee Account shall be established and maintained for each calendar year.

b. Hypothetical Investment Elections for Deferred Fees. At the time a Director elects to defer receipt of Fees, the Director shall designate in writing the portion of such Deferred Fees, stated as a whole percentage, to be credited to the Interest Account and the portion to be credited to the Stock Account. Any Deferred Fees to be credited to either such Account shall be rounded to the nearest whole cent, with amounts equal to or greater than \$.005 rounded up and amounts below \$.005 rounded down. If a Director fails to elect how to allocate any Deferred Fees between the two investment accounts, 100% of such Deferred Fees shall be credited to the Interest Account. By written notice to the Secretary of the Company, a Director may change the allocation of Deferred Fees previously credited to the Interest Account to the Stock Account. Any such election shall be effective as of the first calendar quarter commencing after receipt of such election. No Director may make any election to change the way in which amounts previously allocated to the Director's Deferral Account are deemed invested within six months of the date of the last such election by such Director to change the way in which such amounts are deemed invested. A Director may elect to change the way Fees not yet credited to the Director's Deferred Fee Account are deemed invested as of the end of any calendar month by written notice to the Company received prior to the end of such month, and may make up to three such elections each year.

As of the end of each calendar month, any Deferred Fees credited to the Interest Account will be credited with interest, at an annual rate equal to (1) the Prime Rate in effect on the last business day of such month plus two (2) percentage points, on the average daily balance credited to the account during such month. The Prime Rate with respect to a calendar month shall be determined by reference to the Prime Rate listed in the Wall Street Journal as the "base rate on corporate loans" posted by at least 75% of the nation's 30 largest banks or, if at any time such rate is not reported in the Wall Street Journal, such comparable publicly available measurement of the cost of corporate borrowing as the NJR Board of Directors shall determine. If more than one Prime Rate is listed in the Wall Street Journal for a given day, the Prime Rate for that day shall be the average of such Prime Rates.

c. Stock Account. Any Deferred Fees allocated to the Stock Account shall be deemed invested in a number of notional shares of the Company's common stock (the "Units") equal to the quotient of (i) such Deferred Fees divided by (ii) the Fair Market Value (defined below) on either the date the Deferred Fees then being allocated to the Stock Account would otherwise have been paid or such other date, not later than 90 days thereafter, as may be specified for deemed investment by the Company (this provision permitting the Company to establish a quarterly investment date, for convenient and economical administration of the Plan). Fractional Units shall be credited, but shall be rounded to the nearest hundredth percentile, with amounts equal to or greater than .005 rounded up and amounts less than .005 rounded down. Whenever a dividend other than a dividend payable in the form of shares is declared with respect to the shares, the number of Units in the Director's Stock Account shall be increased by the number of Units determined by dividing (i) the product of (A) the number of Units in the Director's Stock Account on the related dividend record date and (B) the amount of any cash dividend declared by the Company on a Share (or, in the case of any dividend distributable in property other than common stock, the per share value of such dividend, as determined by the Company for purposes of income tax reporting) by (ii) the Fair Market Value on the related dividend payment date. In the case of any dividend declared on common stock which is payable in shares of common stock, the Director's Stock Account shall be increased by the number of Units equal to the product of (i) the number of Units credited to the Directors Stock Account on the related dividend record date and (ii) the number of shares (including any fraction thereof) distributable as a dividend on a share. In the event of any change in the number or kind of outstanding shares of common stock by reason of any recapitalization, reorganization, merger, consolidation, stock split or any similar change affecting such shares, other than a dividend of cash, stock or property as provided above, the NJR Board of Directors shall make an appropriate adjustment in the number of Units credited to the Director's Stock Account. For purposes of this section, "Fair Market Value" on any date shall mean the closing price of a share of Common Stock on such date as reported in the principal consolidated transaction reporting system on which the common stock is principally traded.

d. Distribution from Accounts Upon Separation from Service as a Director. The time and form of payments of hypothetical investment earnings shall be the same as those applicable to the deferred Fees to which such earnings are attributable. Notwithstanding any other provision of the Plan to the contrary, amounts credited to a Director's Stock Account may not be reallocated or deemed reinvested in any other investment vehicle, but shall remain as Deferred Stock until such time as the Deferred Fee Account is settled in accordance with Section 1.c.

e. Statements. The Committee will furnish written statements to each Participant reflecting the amount credited to a Participant's Deferral Accounts and transactions therein not less frequently than once each calendar quarter. Such written statements shall be in addition to any information or communication available to a Participant with respect to his Deferral Account through other means, such as the internet or telephony.

Section 5. Payments Not Specified in a Deferral Election.

a. Method of Payment in the Event of Death. If a Director dies while a member of the NJR or NJNG Board of Directors or prior to the full payment to the Director of all of the Director's deferred Fees, as adjusted as provided in Section 2, an amount equal to the unpaid portion of such deferred Fees, as adjusted as provided in Section 2, shall be paid in a single sum payment to the Director's designated beneficiary or beneficiaries. Such single sum payment shall be made within 30 days after the death of the Director.

b. Delay of Payments. Any payment otherwise due under the terms of the Plan which would (i) not be deductible in whole or in part under section 162(m) of the Code, or (ii) violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer is nondeductible or violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). No interest shall accrue or be paid because of any delay of payment.

c. Acceleration of Payments. The Committee may not permit the acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to the Plan, unless such acceleration of the time or schedule is (i) necessary to fulfill a domestic relations order (as defined in section 414(p)(1)(B) of the Code) or to comply with conflict of interest or ethics laws (as defined in Code Section 409A), (ii) to be used for the payment of FICA or other approved taxes on amounts defined under the Plan, (iii) equal to amounts included in the federal personal taxable income of the Participant under Code Section 409A or (iv) otherwise allowed under Code Section 409A. Other provisions of the Plan notwithstanding, should the Director experience a Separation from Service within 60 days following the occurrence of an event or transaction constituting a Change In Control, the participating Director shall be paid the balance of his or her Deferred Fee Account as a lump sum within 60 days following such Separation from Service.

d. For the purposes of this Agreement, a "Change In Control" shall be deemed to have occurred if:

(i) Any Person (as defined below) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) Voting Securities (as defined below), of the Company and, immediately thereafter, is the "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 Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities; or

(ii) Within any 12-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 was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 5(d); or

(iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Event"), except that a Corporate Event shall not trigger a Change in Control under this clause (iii) if the shareholders of the Company immediately prior to such Corporate Event shall 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.

(iv) Person Defined. For purposes of this Section 7, "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 (x) the Company or any subsidiary of the Company or (y) any employee benefit plan sponsored by the Company or any subsidiary of the Company.

(v) 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).

(vi) The above definitions shall be interpreted and applied in a manner that complies with change in control or ownership trigger event rules under Code Section 409A.

Section 6. Assets Placed in Trust.

The Corporation may, in its discretion, establish one or more Trusts (including sub-accounts under such Trust(s)), and deposit therein amounts of cash, Stock, or other property not exceeding the amount of the Corporation's obligations with respect to a Director's Deferred Fee Account established under Section 2. In such case, the amounts of hypothetical income and appreciation and depreciation in value of such Deferred Fee Account shall be equal to the actual income on, and appreciation and depreciation of, the assets in such Trust(s). Other provisions of this Section 4 notwithstanding, the timing of allocations and reallocations of assets in such a Deferred Fee Account, and the investment vehicles available with respect to such Deferred Fee Account, may be varied to reflect the timing of actual investments of the assets of such Trust(s) and the actual investments available to such Trust(s).

"Trust" shall mean any trust or trusts established or designated by the Company to hold Stock or other assets in connection with the Plan; provided, however, that (i) such trust shall be sited in the United States, (ii) the funding of such trust shall in no way be contingent upon the financial condition of the Company, and (iii) the assets of such trust shall remain subject to the claims of the general creditors of the Company in the event of an insolvency of the Company. The Company shall be considered "insolvent" for purposes of this Plan and any Trust if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

Section 7. Plan Termination.

a. In General. The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan at any time without the consent of participating Directors, stockholders, or any other person; provided, however, that, without the consent of a participating Director, no such action shall materially and adversely affect the rights of such Director with respect to any rights to payment of amounts credited to such Director's Deferred Fee Account and any such action shall comply with the restriction under and requirements of Code Section 409A.

b. Termination and Payment. Notwithstanding the provisions of section 11(a), the Committee may, in its sole discretion, terminate the Plan (in whole or in part) with respect to one or more participating Directors and distribute to such affected Directors the amounts credited to their Deferred Fee Accounts in a lump sum as soon as reasonably practicable following such termination, but if, and only if such termination and accelerated payment complies with the requirements of Code Section 409A.

a. Designation of Beneficiary. A Director may designate a beneficiary or beneficiaries (which may be an entity other than a natural person) to receive any payments of the Director's deferred Fees to be made upon the Director's death. At any time, and from time to time, any such designation may be changed or canceled by the Director without the consent of any beneficiary. Any such designation, change or cancellation must be by written notice filed with the Secretary and shall not be effective until received by the Secretary. Any such written notice may apply to (i) only the Director's deferred Fees for a particular calendar year or years, or (ii) all of the Director's deferred Fees, including Fees to be deferred in future years.

If a Director designates more than one beneficiary with respect to any portion of the Director's deferred Fees, any payments to such beneficiaries shall be made in equal shares unless the Director has designated otherwise, in which case the payments shall be made in the shares designated by the Director. If no beneficiary has been named by a Director with respect to all or a portion of the Director's deferred Fees, or the designated beneficiaries with respect to all or a portion of the Director's deferred Fees have predeceased the Director, the Director's beneficiary with respect to such deferred Fees shall be the executor or administrator of the Director's estate.

b. Payments Generally In Cash. All payments of deferred Fees shall be made in cash, provided that a Director who has elected to have all or a portion of any of the Director's Deferred Fee Account treated as though invested in shares of common stock and who elects to receive a distribution of any such Account in a single lump sum may elect to receive the portion of such Account so invested in shares of common stock.

c. No Right to Continue as a Director. Nothing contained in this Plan shall be construed as conferring upon a Director any right to continue as a member of the NJR Board of Directors or any Subsidiary Board of Directors.

d. No Right to Corporate Assets. Nothing contained in this Plan shall be construed as giving a Director, a Director's designated beneficiaries or any other person any equity or interest of any kind in the assets of the Corporation or creating a trust of any kind or a fiduciary relationship of any kind between the Corporation and any such person. As to any claim for payments due with respect to a Director's deferred Fees, the Director, the Director's designated beneficiaries and any other persons having a claim for payments shall be unsecured creditors of the Corporation.

e. No Limit on Further Corporate Action. Nothing contained in this Plan shall be construed so as to prevent the Corporation from taking any corporate action which is deemed by the Corporation to be appropriate or in its best interest.

f. Assignment; Successor in Interest. The rights and benefits of a Director with respect to the Director's deferred Fees are personal to the Director, and neither the Director nor the Director's designated beneficiaries shall have the power or right to transfer, assign, anticipate, mortgage, or otherwise encumber any payments to be made with respect to the Director's deferred Fees.

The obligations of the Corporation with respect to deferred Fees are not assignable or transferable except to a corporation which acquires all or substantially all of the assets of the Corporation, or any corporation into which the Corporation may be merged, converted or consolidated.

These terms and provisions shall inure to the benefit of a Director's designated beneficiaries, heirs, executors, administrators and successors in interest.

g. Amendment and Termination. The NJR Board of Directors may from time to time and at any time alter or amend this Plan or suspend, discontinue or terminate the deferral by Directors of their retainer and other fees; provided, however, that no such action, which would adversely affect the amount, form or time of payment of the retainer and other fees which, as of the effective date of such action, had been deferred pursuant to a Director's election, shall be effective without the Director's written consent.

h. Compliance with Code Section 409A. Any benefit, payment or other right provided by the Plan shall be provided or made in a manner, and at such time, in such form and subject to such election procedures (if any), as complies with the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). Notwithstanding any other provision hereof or document pertaining hereto, the Plan shall be so construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if non-compliant with Code Section 409A. The Committee, the Corporation and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.

i. Governing Law. This Plan shall be construed in accordance with and be governed by the laws of the State of New Jersey.

IN WITNESS WHEREOF, New Jersey Resources Corporation has caused this Plan to be executed this 31st day of December, 2008, to be effective January 1, 2009.

NEW JERSEY RESOURCES CORPORATION

Attest:

/s/ Rhonda M. Figueroa
Rhonda M. Figueroa
Corporate Secretary

By: /s/ Laurence M. Downes
Laurence M. Downes
Chairman and Chief Executive Officer

NEW JERSEY RESOURCES CORPORATION

Officers' Deferred Compensation Plan

Amended and Restated Effective January 1, 2009

NEW JERSEY RESOURCES CORPORATION

Officers' Deferred Compensation Plan

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NEW JERSEY RESOURCES CORPORATION

Officers' Deferred Compensation Plan Amended and Restated Effective January 1, 2009

1. Purposes. The purpose of this Officers' Deferred Compensation Plan (the "Plan") is to provide certain members of a select group of management or highly compensated employees of New Jersey Resources Corporation (the "Company") and its Affiliates a means to defer receipt of specified portions of compensation and to have such deferred amounts treated as if invested in specified investment vehicles in order to enhance the competitiveness of the Company's executive compensation program and, therefore, its ability to attract and retain qualified key personnel necessary for the continued success and progress of the Company. The provisions of this Plan shall apply only to those deferred amounts that became vested, within the meaning of Code Section 409A (as defined below), subsequent to December 31, 2004.

2. Definitions. In addition to the terms defined in Section 1 above, the following terms used in the Plan shall have the meanings set forth below:

(a) "Administrator" shall mean the person or persons to whom the Committee has delegated the authority to take action under the Plan

(b) "Affiliate" shall mean any entity (whether or not incorporated) which, by reason of its relationship with the Company, would be considered a single employer with the Company under Section 414(b) or 414(c) of the Code, subject to the requirements and definitions contained in Code Section 409A.

(c) "Beneficiary" shall mean any person (which may include trusts and is not limited to one person) who has been designated by the Participant in his or her most recent written beneficiary designation filed with the Company to receive the benefits specified under the Plan in the event of the Participant's death. If no Beneficiary has been designated who survives the Participant's death, then Beneficiary means any person(s) entitled by will or, in the absence thereof, the laws of descent and distribution to receive such benefits.

(d) For the purposes of this Agreement, a "Change In Control" shall be deemed to have occurred if:

(i) Any Person (as defined below) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) Voting Securities (as defined below), of the Company and, immediately thereafter, is the "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 Voting Securities of the Company representing fifty percent (50%) or more of the combined Voting Power (as defined below) of the Company's securities; or

(ii) Within any 12-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 was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of this Section 7(b); or

(iii) the consummation of a merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company (a "Corporate Event"), except that a Corporate Event shall not trigger a Change in Control under this clause (c) if the shareholders of the Company immediately prior to such Corporate Event shall 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.

(iv) Person Defined. "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 (y) the Company or any subsidiary of the Company or (z) any employee benefit plan sponsored by the Company or any subsidiary of the Company.

(v) 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).

(vi) The above definitions shall be interpreted and applied in a manner that complies with the change in control or ownership trigger event rules under Code Section 409A.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended. References to any provision of the Code or regulation (including a proposed regulation) thereunder shall include any successor provisions or regulations.

(f) "Code Section 409A" shall mean Section 409A of the Code and any regulations issued thereunder.

(g) "Committee" shall mean the Leadership Development and Compensation Committee of the Board of Directors of the Company or any other directors of the Company designated as the Committee by the Board of Directors of the Company. Except as may be otherwise required under the terms of the Plan or by applicable law, any function of the Committee may be delegated to the Administrator.

(h) "Deferral Account" shall mean the account or subaccount established and maintained by the Company for specified deferrals by a Participant, as described in Section 6. A Deferral Account will be maintained solely as a bookkeeping entry by the Company to evidence unfunded obligations of the Company.

(i) "Deferral Election" shall mean the form submitted by a Participant to the Administrator instructing the Administrator as to both the type and amount of compensation that is to be deferred and the time and form of payment of such deferred amounts, but only if such form is filed within the time limits prescribed by the Plan and fully complies in all other respects with the requirements of the Plan.

(j) "Deferred Stock" shall mean a right to receive Stock at the end of a specified deferral period.

(k) "Disability" or "Disabled" shall mean that the Participant (as defined below) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under the long term disability provisions of the benefit plans of the Company or its Affiliates, as applicable.

(l) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act or rule thereunder shall include any successor provisions or rules.

(m) "Participant" shall mean any employee of the Company or any Affiliate who is designated by the Committee as eligible to participate in the Plan and who makes an election to participate in the Plan.

(n) "Retirement" shall mean a Participant's Separation from Service (as defined below) at or after attaining age 55 (including a Separation from Service at or after age 55 due to a Disability).

(o) "Specified Employee" shall mean any Participant who is a key employee of the Company, as defined in Section 416(i) of the Code without regard to Section 416(i)(5) of the Code, and who is determined to be a Specified Employee pursuant to procedures adopted by the Board of Directors of the Company or its delegate in accordance with Code Section 409A .

(p) "Separation from Service" shall mean the Participant resigns, dies, retires or otherwise has a termination of employment with the Company and its Affiliates subject to the following additional rules and the requirements of Code Section 409A. A Separation from Service shall occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. A Participant shall be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed 6 consecutive months (29 months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Company or an Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially similar job. Continued services solely as a director of the Company or an Affiliate shall not prevent a Separation from Service from occurring.

(q) "Stock" shall mean New Jersey Resources Corporation Common Stock, or any other equity securities of the Company designated by the Committee.

(r) "Trust" shall mean any trust or trusts established or designated by the Company to hold Stock or other assets in connection with the Plan; provided, however, that (i) such trust shall be sited in the United States, (ii) the funding of such trust shall in no way be contingent upon the financial condition of the Company, and (iii) the assets of such trust shall remain subject to the claims of the general creditors of the Company in the event of an insolvency of the Company. The Company shall be considered "insolvent" for purposes of this Plan and any Trust if (i) the Company is unable to pay its debts as they become due, or (ii) the Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(s) "Trustee" shall mean the trustee of a Trust.

(t) "Trust Agreement" shall mean the agreement entered into between the Company and the Trustee to carry out the purposes of the Plan, as amended or restated from time to time.

3. Administration.

(a) Authority. Except where the terms of the Plan specifically provide otherwise, the Administrator (subject to the ability of the Committee to restrict the Administrator) shall administer the Plan in accordance with its terms, and shall have all powers necessary to accomplish such purpose, including the power and authority to construe and interpret the Plan, to define the terms used herein, to prescribe, amend and rescind rules and regulations, agreements, forms, and notices relating to the administration of the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Any actions of the Committee or the Administrator with respect to the Plan shall be conclusive and binding upon all persons interested in the Plan, except that any action of the Administrator shall not be binding on the Committee. The Committee and Administrator may each appoint agents and delegate thereto powers and duties under the Plan, except as otherwise limited by the Plan.

(b) Administrator. The Administrator shall be appointed by, shall remain in office at the will of, and may be removed, with or without cause, by the Committee, and may be one person or a committee of several persons. The Administrator may resign at any time. The Administrator shall not be entitled to act on or decide any matter relating solely to himself or herself or any of his or her rights or benefits under the Plan. The Administrator shall not receive any special compensation for serving in his or her capacity as Administrator but shall be reimbursed for any reasonable expenses incurred in connection therewith. No bond or other security need be required of the Administrator in any jurisdiction.

(c) Limitation of Liability. Each member of the Committee and the Administrator shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company or any Affiliate, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. To the maximum extent permitted by law, no member of the Committee or the Administrator, nor any person to whom ministerial duties have been delegated, shall be liable to any person for any action taken or omitted in good faith in connection with the interpretation and administration of the Plan.

(d) Indemnification. To the maximum extent permitted by law, members of the Committee and the Administrator shall be fully indemnified and protected by the Company with respect to any action taken or omitted in good faith in connection with the interpretation or administration of the Plan.

(e) Plan Year. The Plan's books and records and administrative functions shall be maintained and operated on the basis of a 12-month calendar year commencing each January 1.

4. Participation. The Administrator will notify each person of his or her eligibility to participate in the Plan not later than 30 days (or such lesser period as may be practicable in the circumstances) prior to any deadline for filing an election form.

5. Initial Deferral Elections.

(a) In General. To the extent authorized by the Committee, a Participant may submit to the Administrator a Deferral Election to defer the receipt of compensation or awards which may be in the form of cash, Stock, Stock-denominated awards or other property to be received from the Company or an Affiliate, including salary, annual bonus awards, long-term awards, and compensation payable under other plans and programs, employment agreements or other arrangements, or otherwise, as may be provided under the terms of such plans, programs and arrangements or as designated by the Administrator (an “Initial Deferral Election.”) An Initial Deferral Election with respect to compensation otherwise payable to the Participant in a given Plan Year shall specify (i) the timing and form of deferred payment, lump sum or installments, of such compensation subject to such Deferral Election to be made at a future date specified by the Participant through which the Participant has continuously remained an employee of the Company, or upon the Participant’s Retirement, or upon the earlier of such specified date or such Retirement, and (ii) the dollar amount or percentage of such compensation to be deferred. Initial Deferral Elections applicable to compensation otherwise payable in different Plan Years may specify different times and forms of payment. In addition to any terms and conditions of deferral set forth under plans, programs or arrangements from which receipt of the Stock-denominated award or other compensation is deferred, the Committee may impose limitations on the amounts permitted to be deferred and other terms and conditions of deferrals under the Plan, including minimum and/or maximum periods of deferral. Any such limitations, and other terms and conditions of deferral, other than those required by Code Section 409A to be included within this plan document, shall be set forth in the rules relating to the Plan or election forms, other forms, or instructions published by the Committee and/or the Administrator.

(b) Date of Election. Each Initial Deferral Election must be received by the Administrator prior to the following dates or will have no effect whatsoever:

(i) With respect to salary, the December 31 immediately preceding the year in which the salary is earned;

(ii) With respect to any annual or long-term incentive pay which qualifies as “performance-based compensation” within the meaning of Code Section 409A, by the earlier of (A) the December 31 immediately preceding the end of the performance measurement period applicable to such incentive pay or (B) the date six months prior to the end of the performance measurement period applicable to such incentive pay provided such additional requirements set forth in Code Section 409A are met;

(iii) With respect to “fiscal year compensation” as defined under Code Section 409A, by the last day of the Company’s fiscal year preceding the year in which the fiscal year compensation is earned;

(iv) With respect to awards of restricted stock units or other legally binding rights to a payment of compensation in a subsequent year that is subject to a forfeiture condition requiring the Participant’s continued services for a period of at least 12 months, on or before the 30th day following the grant of such award, provided that the election is made at least 12 months in advance of the earliest date at which the forfeiture condition could lapse.

Each Initial Deferral Election shall become irrevocable at the dates specified above, unless (i) the Participant incurs an Unforeseeable Financial Hardship (as defined below), or (ii) as otherwise permitted both under Code Section 409A and by the Administrator. In the case of an Initial Deferral Election with respect to salary earned during a Plan Year, such election shall remain valid with respect to salary earned in succeeding Plan Years until revoked or revised by the Participant in compliance with the deadlines and other provisions of the Plan. An Initial Deferral Election, if submitted to the Administrator earlier than the dates specified above, may be changed by the Participant at any time prior to the applicable date specified above.

(c) First Year of Eligibility. Notwithstanding the above, in the case of the Plan Year in which a Participant first becomes eligible to participate in the Plan, the Participant may make an Initial Deferral Election with respect to salary within 30 days after becoming so eligible, but only with respect to salary to be paid for services to be performed subsequent to the election. However, as of the date the Participant first becomes eligible to participate in the Plan, if the Participant has been eligible to participate in the Plan or any other nonqualified deferred compensation account balance plans sponsored by the Company or an Affiliate within the 24 months preceding his eligibility date, then such election shall apply to salary earned beginning on January 1st of the following calendar year.

(d) Permitted Elections Regarding Timing and Form of Payment. The Administrator shall prescribe the form on which Initial Deferral Elections are to be specified. With respect to the timing of payments of deferred amounts, the Administrator may permit, in its sole discretion, Participants to select as commencement dates for such payments (i) a specified date, (ii) the Participant's Retirement, or (iii) the earlier of, or later of, a specified date or the Participant's Retirement (collectively hereinafter referred to as "Commencement Events"). With respect to the form of payment, the Administrator may permit either lump sum or installments, but may not permit any form of annuity. Further, the Administrator may permit, in its sole discretion, Participants to select different times and forms of payment for different Commencement Events, or different times and forms for a given Commencement Event that may occur at different dates in the future, subject to the requirements of Code Section 409A.

6. Deferral Accounts.

(a) Establishment; Crediting of Amounts Deferred. One or more Deferral Accounts will be established for each Participant, as determined by the Administrator. The amount of compensation or awards deferred with respect to each Deferral Account will be credited to such Account as of the date on which such amounts would have been paid to the Participant but for the Participant's election to defer receipt hereunder, unless otherwise determined by the Administrator. Stock-denominated awards deferred with respect to each Deferral Account will be credited to the Participant's Deferral Account as units of Deferred Stock, with one share of Stock equal to one unit of Deferred Stock as opposed to cash amounts valued by reference to the market price of Stock. With respect to any fractional shares of Stock or Stock-denominated awards, the Administrator, in its sole discretion, shall pay such fractional shares to the Participant in cash, credit the Deferral Account with cash in lieu of depositing fractional shares into the Deferral Account, or credit the Deferral Account with a fraction of a share calculated to at least three decimal places. The amounts of hypothetical income and appreciation and depreciation in value of such Account will be credited and debited to, or otherwise reflected in, such Account from time to time. Unless otherwise determined by the Administrator, amounts credited to a Deferral Account shall be deemed invested in a hypothetical investment as of the date of deferral.

(b) Hypothetical Investments. Subject to the provisions of Sections 6(c), amounts credited to a Deferral Account shall be deemed to be invested, at the Participant's direction, in one or more investment vehicles as may be specified from time to time by the Administrator. The Administrator may change or discontinue any hypothetical investment vehicle available under the Plan in its discretion; provided, however, that each affected Participant shall be given the opportunity, without limiting or otherwise impairing any other right of such Participant regarding changes in investment directions, to redirect the allocation of his or her Deferral Account deemed invested in the discontinued investment vehicle among the other hypothetical investment vehicles, including any replacement vehicle. The time and form of payments of hypothetical investment earnings shall be the same as those applicable to the deferred amounts to which such earnings are attributable.

(c) Allocation and Reallocation of Hypothetical Investments. A Participant may allocate amounts credited to his or her Deferral Account to one or more of the hypothetical investment vehicles authorized under the Plan. Subject to the rules established by the Administrator, if more than one hypothetical investment vehicle is provided, a Participant may reallocate amounts credited to his or her Deferral Account as allowed and provided for by the Administrator. The Administrator may, in its discretion, restrict allocation into or reallocation by specified Participants into or out of specified investment vehicles or specify minimum or maximum amounts that may be allocated or reallocated by Participants.

(d) Trusts. The Administrator may, in its discretion, establish one or more Trusts (including sub-accounts under such Trust(s)), and deposit therein amounts of cash, Stock, or other property not exceeding the amount of the Company's obligations with respect to a Participant's Deferral Account established under this Section 6. In such case, the amounts of hypothetical income and appreciation and depreciation in value of such Deferral Account shall be equal to the actual income on, and appreciation and depreciation of, the assets in such Trust(s). Other provisions of this Section 6 notwithstanding, the timing of allocations and reallocations of assets in such a Deferral Account, and the investment vehicles available with respect to such Deferral Account, may be varied to reflect the timing of actual investments of the assets of such Trust(s) and the actual investments available to such Trust(s).

(e) Restrictions on Participant Direction. The provisions of Section 6(b) and 6(c) notwithstanding, the Administrator may restrict or prohibit reallocations of amounts deemed invested in specified investment vehicles, and subject such amounts to a risk of forfeiture and other restrictions, in order to conform to restrictions applicable to Stock, a Stock-denominated award, or any other award or amount deferred under the Plan and resulting in such deemed investment, to comply with any applicable law or regulation, or for such other purpose as the Administrator may determine is not inconsistent with the Plan. Notwithstanding any other provision of the Plan to the contrary, amounts credited as Deferred Stock to a Participant's Deferral Account may not be reallocated or deemed reinvested in any other investment vehicle, but shall remain as Deferred Stock until such time as the Deferral Account is settled in accordance with Section 8.

(f) Dividend Equivalents. Except as provided in Section 6(d), dividend equivalents will be credited on Deferred Stock credited to a Participant's Deferral Account as follows:

(i) *Cash and Non-Stock Dividends.* If the Company declares and pays a dividend on Stock in the form of cash or property other than shares of Stock, then a number of additional shares of Deferred Stock shall be credited to a Participant's Deferral Account as of the payment date for such dividend equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend, multiplied by (B) the amount of cash plus the fair market value of any property other than shares actually paid as a dividend on each share at such payment date, divided by (C) the fair market value of a share of Stock at such payment date.

(ii) *Stock Dividends and Splits.* If the Company declares and pays a dividend on Stock in the form of additional shares of Stock, or there occurs a forward split of Stock, then a number of additional shares of Deferred Stock shall be credited to the Participant's Deferral Account as of the payment date for such dividend or forward Stock split equal to (A) the number of shares of Deferred Stock credited to the Deferral Account as of the record date for such dividend or split, multiplied by (B) the number of additional shares actually paid as a dividend or issued in such split in respect of each share of Stock.

7. Subsequent Deferral Elections. The Plan Administrator may, in its sole discretion, permit Participants to submit additional deferral elections with respect to amounts previously subject to an Initial Deferral Election in order to delay, but not to accelerate, a payment, or to change the form of payment of an amount of deferred compensation (a "Subsequent Deferral Election"), but if, and only if, the following conditions are satisfied: (i) the Subsequent Deferral Election must not take effect until 12 months after the date on which it is made, (ii) in the case of a payment other than a payment attributable to the Participant's death or on account of the occurrence of an Unforeseeable Emergency (as defined below), the Subsequent Election further defers the payment for a period of not less than 5 years from the date such payment would otherwise have been made, or in the case of installment payments, 5 years from the date the first installment was scheduled to be paid, and (iii) the Subsequent Election is received by the Administrator at least 12 months prior to the date the payment would otherwise have been made, or in the case of installment payments, 12 months prior to the date the first installment was scheduled to be paid. In addition, Participants may be further permitted to revise the form of payment they have elected, or the number of installments elected, provided that such revisions comply with the requirements of clauses (i), (ii), and (iii) above.

8. Settlement of Deferral Accounts.

(a) Medium of Payment. The Company shall settle a Participant's Deferral Account, and discharge all of its obligations to pay deferred compensation under the Plan with respect to such Deferral Account, by payment of cash or, in the discretion of the Administrator, by delivery of other assets (including Stock) having a fair market value equal to the amount credited to the Deferral Account. Notwithstanding any other provision of the Plan to the contrary, amounts credited as Deferred Stock to a Participant's Deferral Account shall be settled by delivery of shares of Stock.

(b) Forfeitures Under Other Plans and Arrangements. To the extent that Stock or any other award or amount (i) is deposited in a Trust pursuant to Section 6 in connection with a deferral of Stock, a Stock-denominated award, or any other award or amount under another plan, program, employment agreement or other arrangement and (ii) is forfeited pursuant to the terms of such plan, program, agreement or arrangement, the Participant shall not be entitled to the value of such Stock and other property related thereto (including without limitation, dividends and distributions thereon) or other award or amount, or proceeds thereof.

(c) Payments Under the Plan. No payment may be made under the Plan earlier than the Participant's Separation from Service, the date specified in a Deferral Election, or the occurrence of a Change-in-Control or Unforeseeable Emergency. Payments in settlement of a Deferral Account shall be made on the date or dates (including upon the occurrence of specified events), as may be directed by the Participant in his or her election relating to such deferred amount. For the purposes of Code Section 409A, the entitlement to a series of installment payments will be treated as the entitlement to a single payment. Irrespective of any elections made by a Participant, all amounts credited to a Participant's Deferral Account will be paid out in a single lump sum within thirty (30) days in the event of the Participant's Separation from Service with the Company (i) within 60 days following a Change-In-Control or (ii) other than upon Retirement.

(d) In-Service Payments Under the Plan. (i) Date Specified In A Deferral Election. Payments will commence on any date specified by a Participant in an Initial Deferral Election or Subsequent Deferral Election, pursuant to the form specified in such election, to the extent payment of the applicable deferred amounts has not already commenced as at such date pursuant to other applicable provisions of the Plan. (ii) Unforeseeable Emergency. Other provisions of the Plan notwithstanding, if, upon the written application of a Participant, the Committee determines that the Participant has an Unforeseeable Emergency, the Committee may, in its sole discretion, direct the payment to the Participant of all or a portion of the balance of a Deferral Account in a lump sum payment, provided that any such withdrawal shall be limited by the Committee to the amount reasonably necessary to meet the emergency, including amounts needed to pay any income taxes or penalties reasonably anticipated to result from the payment. No payment may be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of deferrals under the Plan. For purposes of this Plan, an "Unforeseeable Emergency" shall mean a severe financial hardship of the Participant or the Participant's beneficiary resulting from an illness or accident of the Participant or beneficiary, the Participant's or beneficiary's spouse or dependent (as defined in section 152(a) of the Code); loss of the Participant's or beneficiary's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or beneficiary. (iii) Change In Control. Other provisions of the Plan notwithstanding, upon the occurrence of an event or transaction constituting a Change In Control, the Administrator will direct the immediate payment to the Participant of the balance of his or her Deferral Account as a lump sum.

(e) Payments Upon Separation from Service. (i) Retirement. Upon the Separation from Service of the Participant due to his or her Retirement (including a Disability that results in a Separation from Service at or after age 55), payments of deferred amounts shall commence within thirty (30) days in the form specified by the Participant on his or her Deferral Election (ii) Separation from Service Other than Retirement. Upon the Separation from Service of the Participant due to reasons other than Retirement (including a Disability that results in a Separation from Service at or after age 55)], the entire balance of the Participant's Deferral Account shall be paid to the Participant in a lump sum within thirty (30) days following such Separation from Service.

(f) Specified Employees. Other provisions of the Plan notwithstanding, payment may not be made to a Participant who is a Specified Employee before the date that is 6 months after the date of termination of employment (other than a termination caused by death) (the "Six Month Date") or, if earlier, the date of death of the Participant. To effectuate this requirement, all payments otherwise due to the Participant under the terms of the Plan, or pursuant to the terms of a valid Initial Deferral Election or Subsequent Deferral Election made by the Participant, before the Six Month Date will be paid to the Participant, with simple interest calculated at a prime rate determined and applied by the Administrator at the Six Month Date, on the first day following the end of the Six Month Date.

(g) Delay of Payments. Any payment otherwise due under the terms of the Plan which would (i) not be deductible in whole or in part under Section 162(m) of the Code, or (ii) violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer is nondeductible or violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient's control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). Except as provided in paragraph (f) above, no interest shall accrue or be paid because of any delay of payment.

(h) Acceleration of Payments. The Administrator may not permit the acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to the Plan, unless such acceleration of the time or schedule is (i) necessary to fulfill a domestic relations order (as defined in section 414(p)(1)(B) of the Code) or to comply with conflicts of interest or ethics laws (as defined in Code Section 409A), (ii) to be used for the payment of FICA or other approved taxes on amounts deferred under the Plan, (iii) equal to amounts included in the federal personal taxable income of the Participant under Code Section 409A or (iv) as otherwise allowed under Code Section 409A.

9. Statements. The Administrator will furnish written statements to each Participant reflecting the amount credited to a Participant's Deferral Accounts and transactions therein not less frequently than once each calendar quarter. Such written statements shall be in addition to any information or communication available to a Participant with respect to his Deferral Account through other means, such as the internet or telephony.

10. Sources of Stock: Limitation on Amount of Stock-Denominated Deferrals. If shares of Stock are deposited under the Plan in a Trust pursuant to Section 6 in connection with a deferral of a Stock-denominated award under another plan, program, employment agreement or other arrangement that provides for the issuance of shares, the shares so deposited shall be deemed to have originated, and shall be counted against the number of shares reserved, under such other plan, program or arrangement. Shares of Stock actually delivered in settlement of Deferral Accounts shall be originally issued shares or treasury shares, in the discretion of the Committee. If the Committee authorizes deemed investments in Stock by Participants deferring cash, any shares to be deposited under the Plan in a Trust in connection with such deemed investments in Stock shall be solely treasury shares or shares acquired in the market by or on behalf of the Trust. For this purpose, a total of 200,000 shares of Stock held in treasury by the Company, offset by the number of shares issued under the Compensation Deferral Plan of the Company, are hereby reserved for issuance under the Plan, subject to adjustment to reflect stock splits, stock dividends, and other extraordinary corporate events resulting in adjustments to the number of shares reserved under stock option plans of the Company.

11. Amendment/Termination.

(a) In General. The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan at any time without the consent of Participants, stockholders, or any other person; provided, however, that, without the consent of a Participant, no such action shall materially and adversely affect the rights of such Participant with respect to any rights to payment of amounts credited to such Participant's Deferral Account and any such action shall comply with the restrictions under the requirements of Code Section 409A.

(b) Termination and Payment. Notwithstanding the provisions of section 11(a), the Committee may, in its sole discretion, terminate the Plan (in whole or in part) with respect to one or more Participants and distribute to such affected Participants the amounts credited to their Deferral Accounts in a lump sum as soon as reasonably practicable following such termination, but if, and only if, such termination and accelerated payment complies with the requirements of Code Section 409A.

12. General Provisions.

(a) Limits on Transfer of Awards. Other than by will or the laws of descent and distribution, no right, title or interest of any kind in the Plan shall be transferable or assignable by a Participant or his or her Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, levy, execution or other legal or equitable process, nor subject to the debts, contracts, liabilities or engagements, or torts of any Participant or his or her Beneficiary. Any attempt to alienate, sell, transfer, assign, pledge, garnish, attach or take any other action subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

(b) Receipt and Release. Payments (in any form) to any Participant or Beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims for the awards or other compensation deferred and relating to the Deferral Account to which the payments relate against the Company or any Affiliate, the Committee, or the Administrator, and the Administrator may require such Participant or Beneficiary, as a condition to such payments, to execute a receipt and release to such effect. In the case of any payment under the Plan of less than all amounts then credited to an account in the form of Stock, the amounts paid shall be deemed to relate to the Stock credited to the account at the earliest time.

(c) Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for deferred compensation and Participants shall rely solely on the unsecured promise of the Company for payment hereunder. With respect to any payment not yet made to a Participant under the Plan, nothing contained in the Plan shall give a Participant any rights that are greater than those of a general unsecured creditor of the Company; provided, however, that the Committee may authorize the creation of Trusts, including but not limited to the Trusts referred to in Section 6 hereof, or make other arrangements to meet the Company's obligations under the Plan, which Trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless otherwise determined by the Committee.

(d) Compliance. A Participant in the Plan shall have no right to receive payment (in any form) with respect to his or her Deferral Account until legal and contractual obligations of the Company relating to establishment of the Plan and the making of such payments shall have been complied with in full. In addition, the Company shall impose such restrictions on Stock delivered to a Participant hereunder and any other interest constituting a security as it may deem advisable in order to comply with the Securities Act of 1933, as amended, the requirements of any stock exchange or automated quotation system upon which the Stock is then listed or quoted, any applicable state securities laws, any provision of the Company's Certificate of Incorporation or Bylaws, or any other law, regulation, or binding contract to which the Company is a party.

Any benefit, payment or other right provided by the Plan shall be provided or made in a manner, and at such time, in such form and subject to such election procedures (if any), as complies with the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). Notwithstanding any other provision hereof or document pertaining hereto, the Plan shall be so construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if non-compliant with Code Section 409A. The Administrator, Committee, the Company and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.

(e) Other Participant Rights. No Participant shall have any of the rights or privileges of a stockholder of the Company under the Plan, including as a result of the crediting of Stock-denominated units or other amounts to a Deferral Account, or the creation of any Trust and deposit of such Stock therein, except at such time as Stock may be actually delivered in settlement of a Deferral Account. No provision of the Plan or transaction hereunder shall confer upon any Participant any right to be employed by the Company or an Affiliate, or to interfere in any way with the right of the Company or an Affiliate to increase or decrease the amount of any compensation payable to such Participant. Subject to the limitations set forth in Section 12(a) hereof, the Plan shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

(f) Tax Withholding. The Company and any Affiliate shall have the right to deduct from amounts otherwise payable in settlement of a Deferral Account any sums that federal, state, local or foreign tax law requires to be withheld with respect to such payment. Shares may be withheld to satisfy such obligations in any case where taxation would be imposed upon the delivery of shares, except that shares issued or delivered under any plan, program, employment agreement or other arrangement may be withheld only in accordance with the terms of such plan, program, employment agreement or other arrangement and any applicable rules, regulations, or resolutions thereunder.

(g) Governing Law. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of New Jersey, without giving effect to principles of conflicts of laws, and applicable provisions of federal law.

(h) Limitation. A Participant and his or her Beneficiary shall assume all risk in connection with any decrease in value of the Deferral Account and neither the Company, the Committee nor the Administrator shall be liable or responsible therefor.

(i) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Stock, or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or any other event or condition occurs that affects the Stock such that an adjustment is determined by the Administrator or the Committee to be appropriate in order to prevent dilution or enlargement of a Participant's rights under the Plan, then the Administrator or the Committee may, in such manner as it may deem equitable, adjust any or all of the number and kind of shares of Stock to be issued upon settlement of Deferred Stock then credited to a Deferral Account under the Plan.

(j) Construction. The captions and numbers preceding the sections of the Plan are included solely as a matter of convenience of reference and are not to be taken as limiting or extending the meaning of any of the terms and provisions of the Plan. Whenever appropriate, words used in the singular shall include the plural or the plural may be read as the singular.

(k) Severability. In the event that any provision of the Plan shall be declared illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of the Plan but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein.

(l) Status. The establishment and maintenance of, or allocations and credits to, the Deferral Account of any Participant shall not vest in any Participant any right, title or interest in and to any Plan or Company assets or benefits except at the time or times and upon the terms and conditions and to the extent expressly set forth in the Plan and in accordance with the terms of the Trust.

13. Effective Date. The Plan shall be effective as of January 1, 2009.

IN WITNESS WHEREOF, New Jersey Resources Corporation has caused this Plan to be executed this 31st day of December, 2008.

NEW JERSEY RESOURCES CORPORATION

Attest:

/s/ Rhonda M. Figueroa

Rhonda M. Figueroa
Corporate Secretary

By: /s/ Laurence M. Downes

Laurence M. Downes
Chairman and Chief Executive Officer

**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

**Originally Effective as of February 27, 1991
Amended and Restated as of January 1, 2009**

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**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

The Savings Equalization Plan of New Jersey Resources Corporation (the "Plan") was originally authorized and adopted by the Board of Directors of New Jersey Resources Corporation (the "Corporation") effective as of February 27, 1991, was amended and restated effective as of January 1, 2005, and is now amended and restated effective January 1, 2009. The purpose of the Plan is to provide certain supplemental benefits to certain select management or highly compensated employees who are participants in the New Jersey Resources Corporation Employees' Retirement Savings Plan (the "Qualified Plan").

Benefits provided under the Plan are employer matching contributions that would have been made to the Qualified Plan on behalf of participating employees but for the limitations on compensation and contributions imposed by Sections 401(a)(17), 401(k), 401(m) and 415 of the Internal Revenue Code.

All benefits payable under the Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management or highly compensated employees under Title I of ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

Benefits payable to any participant of the Plan who terminated employment before January 1, 2005 shall be governed by the provisions of the Plan as in effect at the relevant time, except as otherwise specifically stated elsewhere herein. Benefits not vested as of December 31, 2004 or accruing under the Plan on or after January 1, 2005 and respective related interest thereon are subject to the provisions of Code Section 409A. Benefits accrued and vested under the provisions of the Plan as of December 31, 2004 on behalf of any other Participant (and interest credited thereon) are not subject to the provisions of Code Section 409A, unless the provisions of the Plan relating to such benefits are materially modified after October 3, 2004, and shall be separately accounted for. On and before December 31, 2008, to the extent applicable, the Plan has been administered in good faith compliance with the provisions of Section 409A of the Code as enacted by the American Jobs Creation Act of 2004 and applicable regulations and other guidance issued thereunder, including but not limited to the applicable transition rules (collectively "Code Section 409A").

**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

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**SAVINGS EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

**ARTICLE I
DEFINITIONS**

The following terms when capitalized herein shall have the meanings assigned below:

- 1.01 **Accounts** shall mean the Pre-2005 Account and the 409A Account maintained on the books of the Corporation on behalf of each Participant pursuant to this Plan.
- 1.02 **Affiliate** shall mean any division, subsidiary or affiliated company of the Corporation, which is an “Affiliate” as defined in the Qualified Plan but only to the extent such “Affiliate” is treated as the Corporation for purposes of the applicable provisions of Code Section 409A.
- 1.03 **Beneficiary** shall mean the person or persons to whom a deceased Participant’s benefits are payable, as provided in Section 4.02.
- 1.04 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.05 **Committee** shall mean the Benefit Administration Committee of the Corporation or any successor thereto.
- 1.06 **Corporation** shall mean New Jersey Resources Corporation, or any successor by merger, purchase or otherwise.
- 1.07 **Effective Date** shall mean February 27, 1991.
- 1.08 **Eligible Employee** shall mean a person:
- (a) who is employed by the Corporation or a wholly-owned subsidiary of the Corporation;
 - (b) who is a participant of the Qualified Plan; and
 - (c) whose Employer Matching Contributions under the Qualified Plan are restricted by the compensation limitations under Section 401(a)(17) of the Code, the actual deferral percentage test under Section 401(k) of the Code, the actual contribution percentage test under Section 401(m) of the Code, or the contribution limitations under Section 415 of the Code.
- 1.09 **Employer Matching Contributions** shall mean “Employer Matching Contributions” as such term is defined under the Qualified Plan.
- 1.10 **ERISA** shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.11 **409A Account** shall mean the bookkeeping account (or subaccounts thereof) maintained for each Participant to record all amounts credited on his or her behalf under Section 3.02 on or after January 1, 2005 and any related deemed interest on such amounts and all amounts credited to his or her Accounts as of December 31, 2004 in which he or she is not vested as of December 31, 2004 and any related deemed interest on such amounts.
- 1.12 **Participant** shall mean an Eligible Employee who is participating in the Plan pursuant to Section 2.01 hereof.

- 1.13 **Plan** shall mean the Savings Equalization Plan of New Jersey Resources Corporation, as set forth herein or as amended from time to time.
- 1.14 **Plan Year** shall mean the calendar year.
- 1.15 **Pre-2005 Account** shall mean the bookkeeping account (or subaccounts thereof) maintained for each Participant to record the amounts credited on his or her behalf under Section 3.02 prior to January 1, 2005 in which the Participant has a nonforfeitable right to as of December 31, 2004 and any related deemed interest on such amounts.
- 1.16 **Qualified Plan** shall mean the New Jersey Resources Corporation Employees' Retirement Savings Plan, as amended from time to time.
- 1.17 **Separation from Service** shall mean the death of a Participant or the retirement or other termination of employment of the Participant such that he or she ceases to be an employee of the Corporation and all Affiliates, provided that no change in a Participant's employment status shall be considered a Separation from Service with respect to a Participant's 409A Account unless it would be treated as such pursuant to Code Section 409A . A "separation from service" will occur where it is reasonably anticipated that no further services will be performed after that date or that the level of bona fide services the Participant will perform after that date (whether as an employee or independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period. A Participant will be considered to continue employment and to not have a Separation from Service while on a leave of absence if the leave does not exceed 6 consecutive months (29 months for a disability leave of absence) or, if longer, so long as the Participant retains a right to reemployment with the Corporation or Affiliate under an applicable statute or by contract. For this purpose, a "disability leave of absence" is an absence due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 6 months, where such impairment causes the Participant to be unable to perform the duties of his job or a substantially similar job and is subject to the applicable Corporation's or Affiliate's disability leave of absence policy.
- 1.18 **Spouse** shall mean a person of the opposite sex of the Participant who is the Participant's husband or wife as provided in the Defense of Marriage Act of 1996.
- 1.19 **Supplemental Employer Matching Contributions** shall mean the amount credited to an Eligible Employee under Section 3.01.
- 1.20 **Valuation Date** shall mean the last day of each calendar quarter and such other day or days as the Committee may select. All distributions under the Plan shall be based upon the value of the Participant's Account as of the Valuation Date specified in Article IV with respect to the distribution.

ARTICLE II PARTICIPATION

2.01 Participation

An Eligible Employee shall become a Participant of the Plan as of the date he or she is entitled to a credit to his or her Account pursuant to Section 3.02.

2.02 Termination of Participation

A Participant's participation in the Plan shall terminate upon the Participant's death or other termination of employment with the Corporation and all Affiliates, unless a benefit is payable under the Plan with respect to the Participant or his or her Beneficiary under the provisions of Article IV.

**ARTICLE III
EMPLOYER CONTRIBUTIONS**

3.01 Accounts

The Corporation or such recordkeeper as the Corporation may designate shall establish and maintain a separate bookkeeping Account(s) for each Participant. For each year, the Corporation shall credit to the appropriate Account the amounts described in this Article III. The Corporation or the recordkeeper may maintain such additional accounts or subaccounts as are appropriate for the administration of the Plan. Periodically, each Participant shall be furnished with a statement setting forth the value of his or her Account.

3.02 Amount of Supplemental Employer Matching Contributions

The amount of Supplemental Employer Matching Contributions credited to a Participant's Account for a calendar quarter shall be equal to the excess of (a) over (b) as determined below:

- (a) the Employer Matching Contributions that would have been made to the Participant's "Employer Thrift Account" (as such term is defined under the Qualified Plan) under the Qualified Plan, determined on the basis that the Participant's "Basic Savings" (as such term is defined in the Qualified Plan) under the Qualified Plan were made without regard to the limitations imposed under the Qualified Plan by Section 401(a)(17) of the Code, by the actual deferral percentage test under Section 401(k) of the Code, or the actual contribution percentage test under Section 401(m) of the Code, or by Section 415 of the Code;

over

- (b) the Employer Matching Contributions actually made to the Participant's "Employer Thrift Account" (as such term is defined under the Qualified Plan) under the Qualified Plan, determined with regard to the limitations imposed by Section 401(a)(17) of the Code, by the actual deferral percentage test under Section 401(k) of the Code or the actual contribution percentage test under Section 401(m) of the Code, or by Section 415 of the Code;

provided, however, that any change in a Participant's deferral or contribution election made under the Qualified Plan during the calendar year shall not be given effect under this Section 3.02 until the following January 1 if to do so would violate Code Section 409A ;

Such amount shall generally be credited to a Participant's Accounts on the last day of each calendar quarter.

3.03 Deemed Interest

As of the last day of each calendar quarter:

- (a) the amount credited to a Participant's Account under the Plan as of the end of the prior calendar quarter shall be credited with interest for that calendar quarter at one-quarter of the prime rate as published in the Wall Street Journal on the last day of such calendar quarter, such prime rate first rounded to the nearest .25%; and
- (b) the amount credited to a Participant's Account under the Plan during the calendar quarter shall be credited with interest for that calendar quarter at one-eighth of the prime rate as published in the Wall Street Journal on the last day of such calendar quarter, such prime rate first rounded to the nearest .25%.

3.04 **Vesting of Account**

- (a) A Participant shall be vested in, and have a nonforfeitable right to, his or her Account in accordance with the following schedule based on the Participant's years of "Service" (as such term is defined in the Qualified Plan):

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2 years but less than 3 years	25%
3 years but less than 4 years	50%
4 years but less than 5 years	75%
5 years or more	100%

- (b) Notwithstanding the provisions of paragraph (a) above, a Participant shall be 100% vested in, and have a nonforfeitable right to, his or her Account if prior to his or her termination of employment, the Participant either (i) attains age 65, (ii) attains age 55 and completes 20 years of "Service" (as such term is defined in the New Jersey Natural Gas Company Plan for Retirement Allowances for Non-Represented Employees), or dies, or becomes "Disabled" (as such term is defined in Code Section 409A).
- (c) Upon the termination of Employment of a Participant who is not 100% vested in his or her Account, the nonvested portion of the Participant's Account shall be forfeited.

ARTICLE IV PAYMENT OF ACCOUNT

4.01 **Payment of Account Upon Separation from Service**

Subject to Section 4.03, a Participant shall be entitled to receive payment of the vested portion of his or her Account upon the Participant's Separation from Service for any reason. Payment of a Participant's Account shall be made in a single lump-sum payment on the first day of the calendar quarter following the calendar quarter during which the Participant incurs a Separation from Service.

4.02 **Death Benefits**

Upon becoming a Participant and at any time thereafter, the Participant may designate a Beneficiary (or change a Beneficiary designation) to receive death benefits payable under this Section 4.02 by duly completing, executing, and filing with the Committee before the Participant's death the appropriate form designated by the Committee. The Beneficiary may be a designated person or persons, provided that, if more than one person is named, the Participant must indicate the shares and/or precedence of each person. In the event of the death of the Participant prior to full payment of the vested amounts credited to the Participant's Account (in accordance with Section 3.04), the unpaid amount shall be paid on the first day of the calendar quarter following the calendar quarter during which Participant's death occurs in a single sum cash payment to the Participant's Beneficiary.

In the event that no Beneficiary has been designated in accordance with this Section 4.02 or that no designated Beneficiary survives the Participant, the following Beneficiaries (if then living) shall be deemed to have been designated in the following priority:

- (a) the Participant's Spouse;
- (b) the Participant's children, in equal shares, per stirpes;
- (c) the Participant's parents;
- (d) the person(s) designated as beneficiary by the Participant under any group life insurance maintained by the Corporation or any of its Affiliates; and
- (e) the Participant's estate.

4.03 **Timing of Payment for a “Specified Employee”**

Notwithstanding any provision of the Plan to the contrary, the actual payment of a Participant’s 409A Account to a Participant who is classified as a “Specified Employee” as determined under the procedures adopted by the Board of Directors of the Corporation or its delegate in accordance with Code Section 409A , on account of such Specified Employee’s Separation from Service for reasons other than death shall not commence prior to the first day of the seventh month following the Specified Employee’s Separation from Service. Any payment to the Specified Employee which he or she would have otherwise received under Section 3.01 during the six-month period immediately following such Specified Employee’s termination of employment shall be credited with interest in accordance with Section 3.03 and paid on the first day of the seventh month following his or her Separation from Service.

**ARTICLE V
PLAN ADMINISTRATION**

5.01 **Administration**

- (a) The administration of the Plan, the exclusive power and complete discretionary authority to interpret it, and the responsibility for carrying out its provisions are vested in the Committee or its designate. The Committee shall have the complete discretionary authority to administer the Plan and resolve any question under the Plan. The determination of the Committee as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law. The Committee may employ and rely on such legal counsel, actuaries, accountants and agents as it may deem advisable to assist in the administration of the Plan.
- (b) To the extent permitted by law, all agents and representative of the Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

5.02 **Claims Procedure**

(a) **Submission of Claims**

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) **Denial of Claim**

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure (as described in paragraph (c) below).

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) Claim Review Procedure

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee or its designate shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) Exhaustion of Remedy

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

5.03

Expenses

Expenses of the Committee attributable to the administration of the Plan shall be paid directly by the Corporation.

**ARTICLE VI
GENERAL PROVISIONS**

6.01

Funding

- (a) All amounts payable in accordance with the Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
- (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as "grantor" of said trust for purposes of Section 677 of the Code; and
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Corporation's general creditors and that the rights of such general creditors are enforceable by them under federal and state law;
 - (iv) the trust shall be sited in the United States; and
 - (v) the funding of the trust shall not be contingent on the financial condition of the Corporation.

Discontinuance and Amendment

The Board of Directors of the Corporation reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the vested benefits accrued as of the date of such modification, amendment or discontinuance and any such modification, amendment or discontinuance shall comply with the requirements of Code Section 409A.

Termination of Plan

The Board of Directors of the Corporation reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively. As of the effective date of termination of the Plan, no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his or her Spouse, or Beneficiary shall retain the right to benefits hereunder; provided that on or after the effective date of termination the Participant is vested under the Qualified Plan. Benefits attributable to the Participant's Pre-2005 Account shall be paid to the Participant (or the Participant's Beneficiary if the Participant is not alive on the date of Plan termination) as soon as administratively practicable following such Plan termination. Benefits attributable to the Participant's 409A Account shall be paid in accordance with Article IV of the Plan unless such Plan termination meets the requirements for acceleration of payment under Code Section 409A.

All other provisions of the Plan shall remain in effect.

Plan Not a Contract of Employment

The Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by the Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation or any Affiliate to discharge any person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

Facility of Payment

In the event that the Committee shall find that a Participant or Beneficiary is unable to care for his or her affairs because of illness or accident, or because such individual is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him or her, to the extent not payable from a grantor trust, be paid on his or her behalf to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation, its Affiliates, and the Plan therefore.

6.06 **Withholding Taxes**

The Corporation shall have the right to deduct from any payment to be made under the Plan any required withholding taxes.

6.07 **Nonalienation**

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

6.08 **Construction**

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under the Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New Jersey to the extent such laws are not superseded by applicable federal law. The Plan shall be construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if non-compliant with Code Section 409A. The Committee, the Corporation and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

PENSION EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION

Originally Effective as of February 27, 1991
Amended and Restated as of January 1, 2005

**PENSION EQUALIZATION PLAN
OF NEW JERSEY RESOURCES CORPORATION**

The Pension Equalization Plan of New Jersey Resources Corporation (the "Plan") was originally authorized and adopted by the Board of Directors of New Jersey Resources (the "Corporation") effective as of February 27, 1991 and is now amended and restated effective January 1, 2005. The purpose of the Plan is to provide certain supplemental benefits to certain select management or highly compensated employees who are participants in the Plan for Retirement Allowances for Non-Represented Employees of New Jersey Natural Gas Company (the "Qualified Plan").

All benefits payable under the Plan, which is intended to constitute both an unfunded excess benefit plan under Section 3(36) of Title I of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), and a nonqualified, unfunded deferred compensation plan for a select group of management or highly compensated employees under ERISA, shall be paid out of the general assets of the Corporation. The Corporation may establish and fund a trust in order to aid it in providing benefits due under the Plan.

Benefits payable to any participant of the Plan who terminated employment before January 1, 2005 shall be governed by the provisions of the Plan as in effect at the time of termination, except as otherwise specifically stated elsewhere herein. Benefits accruing and /or vesting under the Plan after December 31, 2004 are subject to the provisions of Code Section 409A. Benefits that accrued and became vested under the Plan prior to January 1, 2005 are not subject to Code Section 409A unless the provisions of the Plan relating to such benefits are materially modified after October 3, 2004. On and before December 31, 2008, to the extent applicable, the Plan administrator has administered the Plan in accordance with the provisions of Section 409A of the Code as enacted by the American Jobs Creation Act of 2004 and regulations and other applicable guidance issued thereunder, including but not limited to the applicable transition rules (collectively "Code Section 409A").

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ARTICLE I
DEFINITIONS

The following terms when capitalized herein shall have the meanings assigned below.

- 1.01 **Accrued Basic Retirement Allowance** shall mean a Participant's "Accrued Retirement Allowance" (as such term is defined in the Qualified Plan) under the Qualified Plan attributable to the Participant's "Basic Allowance" (as such term is defined in the Qualified Plan) under the Qualified Plan determined, for purposes of calculating the amount of benefits under Section 2.02, 2.08, and Appendices A, B, C, D and E prior to the application of any offset required pursuant to Section 4.9 (Non-duplication of benefits) of the Qualified Plan.
- 1.02 **Actuarial Equivalent** shall mean a benefit of equivalent value to another benefit determined using the factors specified in the Qualified Plan for a similar determination, unless otherwise provided in the Plan. With regard to the Non-Grandfathered Benefit, Actuarial Equivalent will not violate Code Section 409A.
- 1.03 **Affiliate** shall mean any division, subsidiary or affiliated company of the Corporation not participating in the Plan, which is an "Affiliate" as defined in the Qualified Plan but only to the extent such "Affiliate" is required to be treated as the Corporation for purposes of the applicable provision of Code Section 409A.
- 1.04 **Beneficiary** shall mean the person designated to receive benefits after a Participant's death; provided, however, that if a Participant elects Option C under Section 2.04(c), he or she may elect a primary Beneficiary and a secondary Beneficiary. A Participant may, from time to time, revoke or change his or her Beneficiary designation without the consent of any prior Beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling, provided however, that no designation or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death or the Participant's Benefit Commencement Date, if earlier, and in no event shall it be effective as of a date prior to such receipt.
- 1.05 **Benefit Commencement Date** shall mean, unless the Plan expressly provides otherwise, the first day of the first period following the Participant's Separation from Service for which an amount is due as an annuity or any other form. The Benefit Commencement Date under the Plan is determined without regard to any delay in payment pursuant to Section 2.06 or Section 2.10.
- 1.06 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time.
- 1.07 **Committee** shall mean the Benefit Administration Committee of the Corporation or any successor thereto.
- 1.08 **Corporation** shall mean New Jersey Resources Corporation, or any successor by merger, purchase or otherwise.
- 1.09 **Disabled** shall mean totally disabled and permanently in accordance with a determination by the Social Security Administration. Sufficient proof of such determination shall be provided to the Administrator in order for a Participant to be determined Disabled under the Plan.
- 1.10 **Effective Date** shall mean February 27, 1991.

- 1.21 **Spouse** shall mean a person of the opposite sex of the Participant who is the Participant's husband or wife as provided in the Defense of Marriage Act of 1996.
- 1.22 **Surviving Spouse** shall mean the Spouse of the Participant to whom the Participant has been married throughout the one-year period ending on the date of the Participant's death.
- 1.23 **Unreduced Benefit Commencement Date** shall mean the earliest date as of which a Participant could commence receiving his or her Accrued Basic Retirement Allowance under the Qualified Plan without reduction for early commencement, regardless of whether or not the Participant actually commences payment of his or her Accrued Basic Retirement Allowance under the Qualified Plan as of such date.

ARTICLE II PARTICIPATION; AMOUNT AND PAYMENT OF BENEFITS

2.01 Participation

- (a) Eligible Employees participating in the Plan on December 31, 2006 shall continue to be a Participant in the Plan thereafter in accordance with the terms of the Plan.
- (b) Effective on and after January 1, 2007, except as otherwise provided in an Appendix, an Eligible Employee shall become a Participant of the Plan on the first day of calendar year next following the date he or she is approved for participation in the Plan by the Committee.
- (c) A Participant's participation in the Plan shall terminate upon the Participant's death or other Separation from Service, unless a benefit is payable under the Plan with respect to the Participant or his or her Beneficiary under the provisions of this Article II.

2.02 Amount of Benefits

Except as otherwise provided in an Appendix and prior to adjustment in accordance with Section 2.04, as of each Participant's Benefit Commencement Date, the Participant's benefit under this Article II shall be a monthly payment for the life of the Participant and shall equal the excess, if any, of (a) over (b) as calculated as of Separation from Service (except as provided in Section 2.07(c)) and determined as follows:

- (a) the monthly Accrued Basic Retirement Allowance that would have been payable beginning on the Participant's Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan, determined without regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17) of the Code, or the maximum limitation on benefits imposed by Section 415 of the Code without regard to any election to defer compensation under the New Jersey Resources Corporation Officer's Deferred Compensation Plan (or a successor plan) and without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced his benefit under this Plan;
- over
- (b) the monthly Accrued Basic Retirement Allowance that would have been payable beginning on the Participant's Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced his benefit under this Plan;

The foregoing determination shall be made as of the Participant's Benefit Commencement Date, with any adjustment for commencement before or after the Participant's Normal Retirement Date made using the applicable adjustment factors under the Qualified Plan.

Vesting

Except as otherwise provided in Section 4.04 or an Appendix, a Participant shall be vested in, and have a nonforfeitable right to, the benefits payable under this Article II upon the later of the date he or she becomes a Participant in the Plan and the date he or she has a vested and nonforfeitable right to an Accrued Basic Retirement Allowance under the Qualified Plan.

Form of Payment

- (a) Except as otherwise provided in Appendix A, the benefit under Section 2.02 of a Participant whose Benefit Commencement Date is prior to January 1, 2007 shall be paid in the same form of payment in which the Participant receives his or her Accrued Basic Retirement Allowance under the Qualified Plan.
- (b) Except as otherwise provided in Appendix A, unless a Participant has made a valid election under paragraph (c) below of an optional form of payment, the benefit under Section 2.02 of a Participant whose Benefit Commencement Date is on or after January 1, 2007 shall be paid in accordance with (i) and (ii) below:
 - (i) The Grandfathered Benefit shall be paid in the same form of payment in which the Participant receives his or her Accrued Basic Retirement Allowance under the Qualified Plan.
 - (ii) The Non-Grandfathered Benefit shall be paid as follows:
 - (A) If the Participant does not have a Spouse on his or her Benefit Commencement Date, a single life annuity for the life of the Participant, with no payments after his or her death.
 - (B) If the Participant does have a Spouse on his or her Benefit Commencement Date, a reduced benefit of Actuarial Equivalent value to the Non-Grandfathered Benefit, which shall be payable for the Participant's life and after his or her death 50% of such reduced amount shall be payable during the life of, and to the Spouse whom the Participant was married on his or her Benefit Commencement Date.
- (c) Subject to paragraph (d) below, except as otherwise provided in Appendix A, a Participant whose Benefit Commencement Date is on or after January 1, 2007 may elect to convert the Non-Grandfathered Benefit otherwise payable to him or her into an optional benefit of Actuarial Equivalent value as provided in one of the options set forth below:

Option A: A reduced benefit payable during the Participant's life and after his or her death payable during the life of, and to the Participant's Beneficiary.

Option B: A reduced benefit payable during the Participant's life and after his or her death 50% of such reduced amount payable during the life of, and to the Participant's Beneficiary.

Option C: Effective January 1, 2008, a reduced benefit payable during the Participant's life and after his or her death 75% of such reduced amount payable during the life of, and to the Participant's Beneficiary.

Option D: A reduced benefit payable during the Participant's life, and if the Participant dies within 120 months of his or her Benefit Commencement Date, the remaining balance of such 120 monthly payments shall be paid to the Participant's primary Beneficiary (or the Participant's secondary Beneficiary, if one has been designated and if the primary Beneficiary is not then alive); provided, however, that if the primary Beneficiary (or the secondary Beneficiary, if one has been designated, if the primary Beneficiary is not alive on the Participant's date of death) does not survive the 120-month period, a lump sum payment of Actuarial Equivalent value to the remaining payments shall be paid to the estate of the last to survive of the Participant, the primary Beneficiary, and the secondary Beneficiary.

Option E: A benefit payable for the Participant's life with no payments after his or her death.

Except as otherwise provided in an Appendix, Actuarial Equivalent value shall be determined as of the Participant's Benefit Commencement Date for purposes of adjusting the benefit determined under Section 2.02.

- (d) Notwithstanding the foregoing, subject to the provisions of Code Section 409A and except as otherwise provided in Appendix A, a Participant's election to receive his or her Non-Grandfathered Benefit in an optional form of payment as described in paragraph (c) above shall be effective as of the Participant's Benefit Commencement Date, provided that the Participant makes and submits to the Committee his or her election of an optional form of payment prior to his or her Benefit Commencement Date. Any election hereunder as to an optional form of payment may be revoked prior to the Participant's Benefit Commencement Date. A Participant whose Benefit Commencement Date is on or after January 1, 2007 and who does not have a valid form of payment election on file with the Committee on his or her Benefit Commencement Date, shall receive his or her Non-Grandfathered Benefit in accordance with paragraph (b) of this Section 2.04.
- (e) If the Actuarial Equivalent value of the benefits to be paid under the Plan and all plans that are required to be aggregated with the Plan under Code Section 409A is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code, such benefit shall be paid in one lump sum.

2.05

Timing of Payment

- (a) Except as otherwise provided in Appendix A and subject to Section 2.06, the Benefit Commencement Date of a Participant whose Qualified Plan Annuity Starting Date is prior to January 1, 2007 shall be such Qualified Plan Annuity Starting Date.
- (b) Except as otherwise provided in Section 2.07(b) or an Appendix and subject to Section 2.06, unless a Participant has made a valid election under paragraph (c) below of an optional Benefit Commencement Date, the Benefit Commencement Date of a Participant whose benefits under the Plan have not commenced by January 1, 2007 shall be determined in accordance with (i) and (ii) below:

- (i) The Benefit Commencement Date for the Participant's Grandfathered Benefit shall be the Participant's Qualified Plan Annuity Starting Date.
- (ii) The Benefit Commencement Date for the Participant's Non-Grandfathered Benefit shall be the first day of the month following the later of:
 - (A) the Participant's Separation from Service; and
 - (B)
 - (I) the first day of the month following the month in which the Participant's 60th birthday occurs, if the Participant has completed at least 20 or more years of "Credited Service" (as such term is defined in the Qualified Plan as defined in the Qualified Plan on January 1, 2009); or
 - (II) the first day of the month following the month in which the Participant's 65th birthday occurs, if the Participant has not completed at least 20 years of "Credited Service" (as such term is defined in the Qualified Plan as of January 1, 2009).
- (c) In lieu of the Benefit Commencement Date specified in paragraph (b) above and subject to Section 2.06, a Participant whose benefits under the Plan have not commenced by January 1, 2007 and who is not eligible for benefits under Appendix A may elect to have the Benefit Commencement Date applicable to his or her Non-Grandfathered Benefit be one of the following dates:
 - (i) the first day of the month following the Participant's Separation from Service; or
 - (ii) the first day of the month following the later of the Participant's Separation from Service and the date specified by the Participant, provided that such specified date may not be earlier than age 55 nor later than the first day of the month following the Participant's 65th birthday;

provided, however, that unless the Participant has completed at least 20 years of "Credited Service" (as such term is defined in the Qualified Plan on January 1, 2009 or, if applicable, as provided in an Appendix) as of his or her Separation from Service, the Participant's election under this paragraph (c) shall not be given effect.
- (d) Upon the Committee's approval of an Eligible Employee's initial participation in the Plan but prior to the calendar year in which such Eligible Employee's participation is effective (except as otherwise provided for in an Appendix in accordance with Code Section 409A), the Eligible Employee may elect a Benefit Commencement Date set forth in paragraph (b) above and such election shall become effective and irrevocable, except as allowed in paragraph (e) below and otherwise in accordance with Code Section 409A, on the date the Eligible Employee becomes a participant in the Plan provided such election is received by the Committee prior to such date.
- (e) Unless otherwise made in accordance with paragraph (d) above or as otherwise provided under the provisions of Code Section 409A for a Participant who is employed on or after January 1, 2008, an election pursuant to paragraph (c) above:
 - (i) shall become effective 12 months after the date such election is made;
 - (ii) must be made at least 12 months prior to the date payments to the Participant would otherwise commence pursuant to the Plan; and

- (iii) the new Benefit Commencement Date under such election must be at least 5 years after the date payments to the Participant would otherwise commence pursuant to the Plan above.

Notwithstanding the foregoing provisions of this paragraph (e), an election pursuant to paragraph (c) that is made in accordance with a transition rule or other applicable provision under Code Section 409A shall become effective on the date such election is made and shall not be subject to the 5 year delay. For purposes of this paragraph (e), an election is deemed to be made on the date such election is received by the Committee.

Notwithstanding the foregoing provisions of this paragraph (e), an election pursuant to paragraph (c) that is made in accordance with a transition rule or other applicable provision under Code Section 409A shall become effective on the date such election is made and shall not be subject to the 5 year delay. For purposes of this paragraph (e), an election is deemed to be made on the date such election is received by the Committee.

- (f) Anything in the Plan to the contrary notwithstanding, no distribution shall be made that would cause the Plan to violate Code Section 409A.

2.06

Timing of Payment for a “Specified Employee”

Notwithstanding any provision of the Plan to the contrary, the actual payment of a Non-Grandfathered Benefit to a Participant who is classified as a “Specified Employee” as determined under procedures adopted by the Board of Directors of the Corporation or its delegate in accordance with Code Section 409A, on account of such Specified Employee’s Separation from Service (for reasons other than death or disability) shall not commence prior to the first day of the seventh month following the Specified Employee’s Separation from Service. Except as otherwise provided in Appendix A, any payment of a Non-Grandfathered Benefit to the Specified Employee which he or she would have otherwise received under Section 2.02 during the six-month period immediately following such Specified Employee’s Separation from Service shall be paid with interest for that six-month period at one-half of the prime rate as published in the Wall Street Journal on the last day of the last calendar quarter that ends within such six-month period, such prime rate first rounded to the nearest .25%, within 30 days after the later of (a) the first day of seventh month following the Specified Employee’s Separation from Service, and (b) the Specified Employee’s Benefit Commencement Date.

2.07

Disability Retirement

- (a) In the event the Participant receives a Disability Retirement Allowance under the Qualified Plan, the Grandfathered Benefit shall be paid at the same time and in the same form as, and subject to the same rules as (including the suspension and termination provisions), the Participant’s Disability Retirement Allowance under the Qualified Plan. Such benefit shall not be reduced for early commencement.
- (b) At the time an Eligible Employee makes his election under Section 2.05(d) or, on or prior to December 31, 2008, as otherwise allowed under Code Section 409A, the Eligible Employee may elect to receive his Non-Grandfathered Benefit under the Plan at the time he is determined to be Disabled. Such Non-Grandfathered Benefit is called his “Disability Retirement Benefit”. If the Eligible Employee fails to submit an election at this time, he *or she* shall not be eligible to receive a Disability Retirement Benefit.
- (c) In the event a Participant who elected a Disability Retirement Benefit in accordance with Section 2.07(b) becomes Disabled, his Benefit Commencement Date shall be on the date he *or she* is considered Disabled and his benefit shall be calculated in accordance with Section 2.02 as of such Benefit Commencement Date. Such benefit shall not be reduced for early commencement.

- (d) In the event a Participant does not elect, or is deemed not to elect, a Disability Retirement Benefit under Section 2.07(b) but is otherwise Disabled or is receiving long term disability benefits under a long term disability plan maintained by the Corporation or an Affiliate, then such Participant shall continue to accrue benefits as provided in the Qualified Plan until the later of his *or her* Separation from Service or the date his *or her non-grandfathered* benefits are scheduled to commence under this Plan in accordance with Section 2.05.

2.08

Death

- (a) If a Participant who is vested in a benefit under the Plan dies before his or her Benefit Commencement Date, such Participant's Surviving Spouse, if any, shall receive a monthly payment for life commencing as of the month coincident with or next following the Participant's date of death.
- (b) Except as otherwise provided in paragraph (c) below, the benefit payable to the Surviving Spouse of a Participant who dies before his Benefit Commencement Date and either (A) while in active service with the Corporation or any Affiliate or (B) while accruing benefits under Section 2.07(c) shall be equal to the excess, if any, of (i) over (ii) as follows:

- (i) 50% of the monthly Accrued Basic Retirement Allowance that would have been payable to the Participant under the Qualified Plan in the form of a joint and 50% survivor annuity with the Surviving Spouse as contingent annuitant if the Participant had terminated employment on his or her date of death and payments had commenced on the Participant's Normal Retirement Date, determined without regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17) of the Code, or the maximum limitation on benefits imposed by Section 415 of the Code, and disregarding any election by the Participant to name a beneficiary for the pre-retirement death benefit under the Qualified Plan other than his or her Surviving Spouse;

over

- (ii) (50% of the monthly Accrued Basic Retirement Allowance that would have been payable to the Participant under the Qualified Plan in the form of a joint and 50% survivor annuity with the Surviving Spouse as contingent annuitant if the Participant had terminated employment on his or her date of death and payments had commenced on the Participant's Normal Retirement Date, determined with regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17) of the Code, and the maximum limitation on benefits imposed by Section 415 of the Code but disregarding any election by the Participant to name a beneficiary for the pre-retirement death benefit under the Qualified Plan other than his or her Surviving Spouse.

For the Surviving Spouse of a Participant who does not meet the above requirements but who dies before his Benefit Commencement Date, the benefit payable to the Surviving Spouse shall be equal to the Actuarial Equivalent of the excess of (i) over (ii) above, adjusted for commencement at the Participant's Normal Retirement Date at the time set forth in paragraph (a) above. For this purpose, for a Participant with 20 years of Credited Service (as such term is defined in the Qualified Plan on January 1, 2009), the Actuarial Equivalent of a benefit payable immediately at any age from age 55 and up to age 65 shall be determined using the early retirement factors in the Qualified Plan as of the date of death. Actuarial Equivalence for a benefit payable immediately that is paid before age 55 or with regard to a Participant with less than 20 years of Credited Service (as such term is defined in the Qualified Plan on January 1, 2009) shall be determined using the definition of Actuarial Equivalence specified in the Qualified Plan.

- (c) If within the 180-day period prior to his or her Qualified Plan Annuity Starting Date, a Participant has elected a joint and 100% or 75% survivor annuity form of payment with his or her Surviving Spouse as contingent annuitant under the Qualified Plan, “100%” or “75%”, whichever applicable, shall be substituted for “50%” and “Benefit Commencement Date” shall be substituted for “Normal Retirement Date” in paragraph (b) above, provided that such substitutions do not cause the Plan to incur any of the failures under Code Section 409A.
- (d) Upon the death of a Participant on or after his or her Benefit Commencement Date, no further benefits shall be paid on behalf of such Participant under the Plan except to the extent such Participant had elected to receive benefits in an optional form, in which case survivor benefits shall be paid in accordance with the option elected.
- (e) If the Actuarial Equivalent value of the benefits to be paid under the Plan and all plans that are required to be aggregated with the Plan under Code Section 409A is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code, such benefit shall be paid in one lump sum

2.09

Reemployment of Former Participant or Retired Participant

If a Participant who retired or otherwise has a Separation from Service with the Corporation and its Affiliates is reemployed by the Corporation or an Affiliate, any payment of a Grandfathered Benefit shall cease and any payment of a Non-Grandfathered Benefit under the Plan shall not cease. The Participant shall not accrue any additional benefits under the Plan. Upon the Participant’s subsequent Separation from Service, payment of the Grandfathered Benefit shall be recomputed in accordance with the provisions of the Qualified Plan applicable to reemployed participants and any benefits then payable hereunder shall be reduced by the Actuarial Equivalent value of any Grandfather Benefit previously paid under the Plan.

2.10

Delay of Payments

Any payment otherwise due under the Plan which would (i) not be deductible in whole or in part under Code Section 162(m), or (ii) violate Federal securities laws or other applicable law may not be made until the earliest date on which such payment no longer is nondeductible or violates such laws. Payment may be delayed for a reasonable period in accordance with the provisions of Code Section 409A (including in the event the payment is not administratively practical due to events beyond the recipient’s control such as where the recipient is not competent to receive the benefit payment, there is a dispute as to amount due or the proper recipient of such benefit payment, or additional time is needed to calculate the amount payable). Any benefit delayed under this Section 2.10 shall be adjusted appropriately to maintain its Actuarial Equivalent value in accordance with Code Section 409A.

2.11

Qualified Domestic Relations Orders

Any domestic relations order must be submitted to the Committee and determined by the Committee to be qualified. Any domestic relations order determined to be qualified by the Committee (a “QDRO”) shall only apply to future benefits payable under the Plan. No benefits shall be paid under the Plan pursuant to a QDRO until a Participant elects to or otherwise begins to receive his benefit under the Plan. Any payment to an alternate payee pursuant to a QDRO shall be based on the time and form of payment elected by the Participant or, if applicable, the death benefit provisions in the Plan.

**ARTICLE III
PLAN ADMINISTRATION**

3.01

Administration

- (a) The administration of the Plan, the exclusive power and complete discretionary authority to interpret it, and the responsibility for carrying out its provisions are vested in the Committee or its designate. The Committee shall have the complete discretionary authority to administer the Plan and resolve any question under the Plan. The determination of the Committee as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law. The Committee may employ and rely on such legal counsel, actuaries, accountants and agents as it may deem advisable to assist in the administration of the Plan.
- (b) To the extent permitted by law, all agents and representative of the Committee shall be indemnified by the Corporation and held harmless against any claims and the expenses of defending against such claims, resulting from any action or conduct relating to the administration of the Plan, except claims arising from gross negligence, willful neglect or willful misconduct.

3.02

Claims Procedure

(a) **Submission of Claims**

Claims for benefits under the Plan shall be submitted in writing to the Committee or to an individual designated by the Committee for this purpose.

(b) **Denial of Claim**

If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within 90 days following the date on which the claim is filed, which notice shall set forth

- (i) the specific reason or reasons for the denial;
- (ii) specific reference to pertinent Plan provisions on which the denial is based;
- (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (iv) an explanation of the Plan's claim review procedure.

If special circumstances require an extension of time for processing the claim, written notice of an extension shall be furnished to the claimant prior to the end of the initial period of 90 days following the date on which the claim is filed. Such an extension may not exceed a period of 90 days beyond the end of said initial period.

If the claim has not been granted and written notice of the denial of the claim is not furnished within 90 days following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(c) **Claim Review Procedure**

The claimant or his authorized representative shall have 60 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Committee, and may review pertinent documents and submit issues and comments in writing within such 60-day period.

Not later than 60 days after receipt of the request for review, the Committee or its designate shall render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. If special circumstances require an extension of time for processing, the decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review, provided that written notice and explanation of the delay are given to the claimant prior to commencement of the extension. Such decision by the Committee shall not be subject to further review. If a decision on review is not furnished to a claimant within the specified time period, the claim shall be deemed to have been denied on review.

(d) **Exhaustion of Remedy**

No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the procedures set forth in this section.

Expenses

Expenses of the Committee attributable to the administration of the Plan shall be paid directly by the Corporation.

**ARTICLE IV
GENERAL PROVISIONS**

Funding

- (a) All amounts payable in accordance with the Plan shall constitute a general unsecured obligation of the Corporation. Such amounts, as well as any administrative costs relating to the Plan, shall be paid out of the general assets of the Corporation, to the extent not paid from the assets of any trust established pursuant to paragraph (b) below.
- (b) The Corporation may, for administrative reasons, establish a grantor trust for the benefit of Participants in the Plan. The assets placed in said trust shall be held separate and apart from other Corporation funds and shall be used exclusively for the purposes set forth in the Plan and the applicable trust agreement, subject to the following conditions:
 - (i) the creation of said trust shall not cause the Plan to be other than "unfunded" for purposes of Title I of ERISA;
 - (ii) the Corporation shall be treated as "grantor" of said trust for purposes of Section 677 of the Code;
 - (iii) the agreement of said trust shall provide that its assets may be used upon the insolvency or bankruptcy of the Corporation to satisfy claims of the Corporation's general creditors and that the rights of such general creditors are enforceable by them under federal and state law;

- (iv) the trust shall be sited in the United States; and
- (v) the funding of the trust shall not be contingent on the financial condition of the Corporation.

4.01 **Duration of Benefits**

Benefits shall accrue under the Plan on behalf of a Participant only for so long as the provisions of Section 401(a)(4), Section 401(a)(17), or Section 415 of the Code limit the benefits that are payable under the Qualified Plan.

4.03 **Discontinuance and Amendment**

The Board of Directors of the Corporation reserves the right to modify, amend, or discontinue in whole or in part, benefit accruals under the Plan at any time. However, no modification, amendment, or discontinuance shall adversely affect the right of any Participant to receive the vested benefits accrued as of the date of such modification, amendment or discontinuance. Notwithstanding the foregoing, following any amendment, benefits may be adjusted as required to take into account the amount of benefits payable under the Qualified Plan after the application of the limitations referred to in Section 2.02 hereof. Notwithstanding any of the foregoing, any modification, amendment, or discontinuance shall comply with the requirements of Code Section 409A.

4.04 **Termination of Plan**

The Board of Directors of the Corporation reserves the right to terminate the Plan at any time, provided, however, that no termination shall be effective retroactively and any such termination shall comply with the requirements of Code Section 409A. As of the effective date of termination of the Plan:

- (a) A Participant shall become vested in, and have a nonforfeitable right to, his or her Grandfathered Benefit;
- (b) the benefits of any Participant, Spouse, Surviving Spouse, or Beneficiary whose benefit payments have commenced shall continue to be paid, but only to the extent such benefits are not otherwise payable under the Qualified Plan because of the limitations referred to in Section 2.02 hereof, and
- (c) no further benefits shall accrue on behalf of any Participant whose benefits have not commenced, and such Participant and his or her Spouse, Surviving Spouse, or Beneficiary shall:
 - (i) retain the right to Grandfathered Benefits hereunder; and
 - (ii) retain the right to Non-Grandfathered Benefits hereunder, provided that on or after the effective date of Plan termination the Participant is vested under the Qualified Plan.All other provisions of the Plan shall remain in effect.

4.05 **Plan Not a Contract of Employment**

The Plan is not a contract of employment, and the terms of employment of any Participant shall not be affected in any way by the Plan or related instruments, except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any person for a continuation of employment, nor shall it interfere with the rights of the Corporation or any Affiliate to discharge any person and to treat him or her without regard to the effect which such treatment might have upon him or her under the Plan. Each Participant and all persons who may have or claim any right by reason of his participation shall be bound by the terms of the Plan and all agreements entered into pursuant thereto.

4.06 **Facility of Payment**

In the event that the Committee shall find that a Participant or Beneficiary is unable to care for his or her affairs because of illness or accident, or because such individual is a minor or has died, the Committee may, unless claim shall have been made therefore by a duly appointed legal representative, direct that any benefit payment due him or her, to the extent not payable from a grantor trust, be paid on his or her behalf to his or her spouse, a child, a parent or other blood relative, or to a person with whom he or she resides, and any such payment so made shall be a complete discharge of the liabilities of the Corporation, its Affiliates, and the Plan therefore.

4.07 **Withholding Taxes**

The Corporation shall have the right to deduct from each payment to be made under the Plan any required withholding taxes.

4.08 **Nonalienation**

Subject to any applicable law, no benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void, nor shall any such benefit be in any manner liable for or subject to garnishment, attachment, execution or levy, or liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.

4.09 **Construction**

- (a) The Plan is intended to constitute an unfunded deferred compensation arrangement maintained for a select group of management or highly compensated employees within the meaning of Section 201(2), Section 301(a)(3), and Section 401(a)(1) of ERISA, and all rights under the Plan shall be governed by ERISA. Subject to the preceding sentence, the Plan shall be construed, regulated and administered under the laws of the State of New Jersey, to the extent such laws are not superseded by applicable federal law. The Plan shall be construed and interpreted to meet the applicable requirements of Code Section 409A to avoid a plan failure described in Code Section 409A(a)(1). The Committee is authorized to adopt rules or regulations deemed necessary or appropriate in connection therewith to anticipate and/or comply the requirements of Code Section 409A and to declare any election, consent or modification thereto void if non-compliant with Code Section 409A. The Committee, the Corporation and any related parties shall not be responsible for the payment of any taxes or related penalties or interest for any failure to comply with Code Section 409A.
- (b) The masculine pronoun shall mean the feminine wherever appropriate.
- (c) The illegality of any particular provision of this document shall not affect the other provisions and the document shall be construed in all respects as if such invalid provision were omitted.
- (d) The headings and subheadings in the Plan have been inserted for convenience of reference only, and are to be ignored in any construction of the provisions thereof.

APPENDIX A
SPECIAL PROVISIONS APPLICABLE TO PARTICIPANTS
UNDER THE ENHANCED RETIREMENT PROGRAM

This Appendix A, which is effective as of September 15, 2004 and constitutes an integral part of the Plan, is applicable solely with respect to Participants who elect to retire from the Corporation and all Affiliates pursuant to the Enhanced Retirement Program offered from September 16, 2004 through November 10, 2004 (hereinafter referred to as an “ERP Participant”).

Amount of Benefits

If an ERP Participant’s Benefit Commencement Date is prior to the earlier of his or her Qualified Plan Annuity Starting Date and his or her Unreduced Benefit Commencement Date:

- (a) prior to the earlier of the Participant’s Qualified Plan Annuity Starting Date and his or her Unreduced Benefit Commencement Date, the ERP Participant’s benefit under Section 2.02, prior to adjustment in accordance with Section 2.04, shall be a monthly payment for the life of the ERP Participant and shall equal the amount determined in accordance with Section 2.02(a), without regard to the offset set forth in Section 2.02(b); and
- (b) on and after the earlier of the Participant’s Qualified Plan Annuity Starting Date and his or her Unreduced Benefit Commencement Date, the ERP Participant’s benefit under Section 2.02, prior to adjustment in accordance with Section 2.04, shall be a monthly payment for the life of the ERP Participant and shall equal the amount determined in accordance with Section 2.02, including the offset set forth in Section 2.02(b), substituting the earlier of the Participant’s Qualified Plan Annuity Starting Date and his or her “Unreduced Benefit Commencement Date” for “Benefit Commencement Date” in Section 2.02(b)

Form of Payment

- (a) If an ERP Participant’s Benefit Commencement Date is on or after his or her Qualified Plan Annuity Starting Date but prior to January 1, 2007, the benefit under Section 2.02 shall be paid in the same form of payment in which the ERP Participant receives his or her Accrued Basic Retirement Allowance under the Qualified Plan.
- (b) If an ERP Participant’s Benefit Commencement Date is prior to his or her Qualified Plan Annuity Starting Date or after December 31, 2006, the benefit under Section 2.02 shall be paid from the ERP Participant’s Benefit Commencement Date until such Qualified Plan Annuity Starting Date in the form of payment provided for in accordance with the following:
 - (i) Unless an ERP Participant has made a valid election under paragraph (ii) below of an optional form of payment, the benefit under Section 2.02(a) of an ERP Participant shall be paid as follows:
 - (A) If the ERP Participant does not have a Spouse on his or her Benefit Commencement Date, a single life annuity for the life of the ERP Participant, with no payments after his or her death.
 - (B) If the ERP Participant does have a Spouse on his or her Benefit Commencement Date, a reduced benefit of Actuarial Equivalent value to the benefit payable under Section 2.02(a), which shall be payable for the ERP Participant’s life and after his or her death 50% of such reduced amount shall be payable during the life of, and to the Spouse whom the ERP Participant was married on his or her Benefit Commencement Date.

- (ii) Subject to paragraph (iii) below, an ERP Participant may elect to convert the benefit otherwise payable to him or her under the provisions of Section 2.02(a) into an optional benefit of Actuarial Equivalent value as provided in one of the options set forth below;

Option A: A reduced benefit payable during the ERP Participant's life and after his or her death payable during the life of, and to the ERP Participant's Beneficiary.

Option B: A reduced benefit payable during the ERP Participant's life and after his or her death 50% of such reduced amount payable during the life of, and to the ERP Participant's Beneficiary.

Option C: Effective January 1, 2008, a reduced benefit payable during the Participant's life and after his or her death 75% of such reduced amount payable during the life of, and to the Participant's Beneficiary.

Option D: A reduced benefit payable during the ERP Participant's life, and if the ERP Participant dies within 120 months of his or her Benefit Commencement Date, the remaining balance of such 120 monthly payments shall be paid to the ERP Participant's primary Beneficiary (or the ERP Participant's secondary Beneficiary, if one has been designated and if the primary Beneficiary is not then alive); provided, however, that if the primary Beneficiary (or the secondary Beneficiary, if one has been designated, if the primary Beneficiary is not alive on the ERP Participant's date of death) does not survive the 120-month period, a lump sum payment of Actuarial Equivalent value to the remaining payments shall be paid to the estate of the last to survive of the ERP Participant, the primary Beneficiary, and the secondary Beneficiary.

Option E: A benefit payable for the ERP Participant's life with no payments after his or her death.

If an ERP Participant elects to receive his or her benefit under Section 2.02 prior to his or her Qualified Plan Annuity Starting Date, Actuarial Equivalent value shall be determined:

(A) as of the Participant's Benefit Commencement Date for purposes of adjusting the amount of benefit determined under Section 2.02(a); and

(B) as of the earlier of the Participant's Unreduced Benefit Commencement Date and his or her Qualified Plan Annuity Starting Date for purposes of adjusting the amount of benefit determined under Section 2.02(b).

- (iii) Notwithstanding the foregoing, subject to the provisions of Code Section 409A, an ERP Participant's election to receive his or her benefit payable under Section 2.02 in an optional form of payment as described in paragraph (b) above shall be effective as of the ERP Participant's Benefit Commencement Date, provided that the ERP Participant makes and submits to the Committee his or her election of an optional form of payment prior to his or her Benefit Commencement Date. Any election hereunder as to an optional form of payment may be revoked prior to the ERP Participant's Benefit Commencement Date. An ERP Participant who does not have a valid form of payment election on his or her Benefit Commencement Date shall receive his or her benefit in accordance with subparagraph (i)(A) or (B) above.

Timing of Payment

- (a) Unless an ERP Participant has made a valid election under paragraphs (b) and (c) below of an optional Benefit Commencement Date, the Benefit Commencement Date of an ERP Participant shall be the first day of the month following the later of:
- (i) the ERP Participant's Separation from Service; and
 - (ii) the earliest date the ERP Participant could receive an unreduced retirement allowance under the Plan.
- (b) In lieu of the Benefit Commencement Date specified in paragraph (a) above, an ERP Participant may elect to commence his or her benefits under the Plan on one of the following dates:
- (i) the first day of the month following the ERP Participant's Separation from Service; or
 - (ii) the first day of the month following the later of:
 - (A) the ERP Participant's Separation from Service; and
 - (B) the date specified by the ERP Participant (which date shall be no later than the ERP Participant's 60th birthday).
- (c) An ERP Participant's initial election under paragraph (b) above must have been made by October 29, 2004. Unless otherwise provided under the provisions of Code Section 409A, an ERP Participant who made an initial election under paragraph (b) above by October 29, 2004 may revoke his or her initial election under paragraph (b) above and make a one-time subsequent election under paragraph (b) above or an ERP Participant who did not make an initial election under paragraph (b) above by October 29, 2004 may make a one-time election under paragraph (b), provided such one-time election:
- (i) shall become effective 12 months after the date such election is made;
 - (ii) must be made at least 12 months prior to the date payments to the ERP Participant would otherwise commence pursuant to paragraph (a) above; and
 - (iii) the new Benefit Commencement Date under such election must be at least 5 years after the date payments to the ERP Participant would otherwise commence pursuant to paragraph (b) above.
- Notwithstanding the foregoing provisions of this paragraph (c), an initial election pursuant to paragraph (b) that is made by October 29, 2004 shall become effective on the date such election is made. For purposes of this paragraph (c), an election is deemed to be made on the date such election is received by the Committee.

Vesting

An ERP Participant shall be vested in, and have a nonforfeitable right to, the benefits payable under Article II of the Plan, as modified by this Appendix A, upon his or her Separation from Service.

APPENDIX B
SPECIAL PROVISIONS APPLICABLE TO KATHLEEN T. ELLIS

This Appendix B, which is effective as of May 15, 2005 and constitutes an integral part of the Plan, is applicable solely with respect to Kathleen T. Ellis.

Kathleen T. Ellis shall be eligible to participate in this Plan as of December 31, 2004.

Amount of Benefits

If, as of her date of termination from the Corporation and all Affiliates, Kathleen T. Ellis has completed at least five full years of service with the Corporation or an Affiliate, Kathleen T. Ellis shall be entitled to a benefit under the Plan equal to:

- (a) the monthly Accrued Basic Retirement Allowance that would have been payable to Kathleen T. Ellis beginning on her Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan, determined without regard to the limitations imposed by Section 401(a)(4) of the Code, the limitation on compensation imposed by Section 401(a)(17), or the maximum limitation on benefits imposed by Section 415 of the Code, and as if Kathleen T. Ellis had completed five additional years of “Credited Service” (as such term is defined in the Qualified Plan) under the Qualified Plan without regard to any election to defer compensation under the New Jersey Resources Corporation Officer’s Deferred Compensation Plan (or a successor plan) and without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced her benefit under this Plan;
over
- (b) the monthly Accrued Basic Retirement Allowance that would have been payable to Kathleen T. Ellis beginning on her Benefit Commencement Date in the form of a life annuity under the terms of the Qualified Plan without regard to any accruals under the Qualified Plan because of a disability if such accruals relate to any period after which a Participant has commenced her benefit under this Plan;

provided; however, that if Kathleen T. Ellis’s Benefit Commencement Date is prior to the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date, the offset under paragraph (b) above shall not be applied until the first day of the month coincident with or next following the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date, and by substituting “the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date” for “her Benefit Commencement Date” in paragraph (b) above.

The determination under paragraph (a) above shall be made as of Kathleen T. Ellis’s Benefit Commencement Date, and any adjustment to the amount computed pursuant to paragraph (a) above for commencement before or after her Normal Retirement Date shall be made using the applicable adjustment factors under the Qualified Plan, determined taking the five additional years of Credited Service into account.

The determination under paragraph (b) above shall be made as of the later of Kathleen T. Ellis’s Benefit Commencement Date or the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date and by substituting “the earlier of her Qualified Plan Annuity Starting Date and her Unreduced Benefit Commencement Date” for “her Benefit Commencement Date” in paragraph (b) above. Any adjustment to the amount computed pursuant to paragraph (b) above for commencement before or after her Normal Retirement Date shall be made using the applicable adjustment factors under the Qualified Plan, determined without taking the five additional years of Credited Service into account.

Form of Payment

If Kathleen T. Ellis elects to receive her benefit under Section 2.02 prior to her Qualified Plan Annuity Starting Date, Actuarial Equivalent value shall be determined:

- (a) as of her Benefit Commencement Date for purposes of adjusting the amount of benefit determined under Section 2.02(a); and
- (b) as of the earlier of her Unreduced Benefit Commencement Date and her Qualified Plan Annuity Starting Date for purposes of adjusting the amount of benefit determined under Section 2.02(b).

Timing of Payment

For purposes of Sections 2.05(b) and 2.05(c) of the Plan, Kathleen T. Ellis's years of Credited Service shall include any additional years of Credited Service she is credited with pursuant to paragraph (a) of the "Amount of Benefits" provisions of this Appendix B.

