Honorable Chris Christie  
Governor of the State of New Jersey  
State House  
PO Box 001  
Trenton, New Jersey 08625

Dear Governor Christie:

In accordance with the provisions of the New Jersey Environmental Infrastructure Trust Act, I hereby transmit for your review and consideration the minutes of the December 11, 2014 meeting of the New Jersey Environmental Infrastructure Trust. The New Jersey Environmental Infrastructure Trust Act provides that the Governor has ten days from the delivery of the minutes, excluding weekends and holidays, to review and accept such minutes. In the event that the minutes are not acted upon within the statutory time frame by you, the minutes become effective automatically.

Sincerely,

Mark Longo  
Secretary

Enclosure  
Cc: Honorable Stephen Sweeney, President of the Senate  
Honorable Vincent Prieto, Speaker of the General Assembly
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

OPEN PUBLIC MEETING

MINUTES – December 11, 2014

1. CALL TO ORDER:

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, December 11, 2014 in the conference room of 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey. Chairman Victor called the meeting to order at 10:00 a.m.

2. OPEN PUBLIC MEETING ACT STATEMENT:

Executive Director Zimmer read the Open Public Meeting Act Statement into the record.

3. ROLL CALL:

Ms. Melissa Pierce conducted roll call to which Mr. Victor, Mr. Briant, Mr. Longo, Mr. Kennedy, Mr. Requa, and Ms. Campbell all responded affirmatively.

DIRECTORS
Warren Victor, Chairman
Robert A. Briant, Jr., Vice Chairman
Mark Longo, Secretary
Dan Kennedy
( for DEP Commissioner Martin)
Christine Campbell
( for State Treasurer Sidamon-Eristoff)
James Requa
( for DCA Commissioner Constable)

OTHERS
David E. Zimmer, Executive Director
Frank Scangarella, Assistant Director
Lauren Seidman Kaltman, Chief Financial Officer
John Hansbury, Chief Budget Officer
Michael Collins, Governor’s Authorities Unit
Clifford T. Rones, Deputy Attorney General
Richard Nolan, McCarter & English LLP
Geoffrey Stewart, Public Financial Management
Eugene Chebra, Municipal Finance & Construction
4. **APPROVAL OF THE MINUTES:**

Chairman Victor opened discussion of the minutes of the Thursday, November 13, 2014 Trust Board meeting.

There were no comments or questions. Chairman Victor requested a motion for approval.

Mr. Requa moved for the approval of the minutes. Mr. Kennedy seconded the motion. The motion was carried 5 to 0 with 1 abstentions, as Mr. Briant was not present at the previous meeting.

5. **ANNOUNCEMENTS:**

Executive Director Zimmer summarized a number of the substantive events that occurred and the correspondence which was issued since the last Trust Board meeting:

- On December 5, 2014 – Executive Director Zimmer participated in a CSO Roundtable discussion hosted by NJ Future.

- On November 24, 2014 – Executive Director Zimmer, Assistant Director Scangarella, DEP Assistant Commissioner Dan Kennedy and members of his senior staff met with the Mayor of the City of Hoboken and her team to discuss responsibilities and prepare a schedule for funding the City’s CSO project.

- A copy of the proposed 2015 Board meeting dates was distributed in the Agenda packet.

- The next Trust Board meeting is scheduled for Thursday, January 15, 2015 at 10:00 am at the Trust’s offices. A note was made that this meeting will be held, uncustomarily, on the 3rd Thursday of January.

In keeping with the Trust’s green initiative, a copy of the full list of announcements is available on the Trust’s webpage in a format that allows for copying under the General Information tab at: [http://www.njeit.org/general-information/miscellaneous/board-meeting-agendas](http://www.njeit.org/general-information/miscellaneous/board-meeting-agendas)

Mr. Kennedy added a note that DEP Commissioner Martin will make a keynote address featuring the Department’s effort on CSO’s at the Clean Water Council meeting on December 12, 2014 at the DEP. In addition, on January 8, 2015, the Department, together with NJ Future and EDA are co-sponsoring a workshop on CSO permits at Rutgers in Newark.

6. **PUBLIC COMMENTS:**

Chairman Victor invited comments from the public. There were no comments.
7. **UNFINISHED BUSINESS:**

A. Mr. Chebra, of the NJDEP’s Municipal Finance and Construction Element, reported that there are 206 active projects totaling $1,023,462,564 and 978 closed projects with loans outstanding totaling $4,754,993,314 for a grand total of 1,184 projects at $5,778,455,878.

B. Mr. Chebra discussed the SFY2015 Combined Financing Loan Programs:

**SFY2015 Clean Water Financing Program:**

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Projects Totaling</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional and Supplemental Program:</td>
<td>112</td>
<td>$847,732,000</td>
</tr>
<tr>
<td>Supplemental Program:</td>
<td>6</td>
<td>$30,744,000</td>
</tr>
<tr>
<td>Track II Projects:</td>
<td>15</td>
<td>$57,629,000</td>
</tr>
<tr>
<td>Barnegat Bay Projects:</td>
<td>10</td>
<td>$12,936,000</td>
</tr>
<tr>
<td><strong>Total Clean Water Projects</strong></td>
<td><strong>143</strong></td>
<td><strong>$949,041,000</strong></td>
</tr>
</tbody>
</table>

**SFY2015 Drinking Water Financing Program:**

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Projects Totaling</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional and Supplemental Program:</td>
<td>76</td>
<td>$289,019,000</td>
</tr>
<tr>
<td>Supplemental Program:</td>
<td>2</td>
<td>$3,912,000</td>
</tr>
<tr>
<td>Track II Projects</td>
<td>10</td>
<td>$40,367,000</td>
</tr>
<tr>
<td><strong>Total Drinking Water Projects</strong></td>
<td><strong>88</strong></td>
<td><strong>$333,298,000</strong></td>
</tr>
</tbody>
</table>

**SFY2015 Grand Totals:**

<table>
<thead>
<tr>
<th>Program Totals</th>
<th>Projects</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean &amp; Drinking Water Program Totals:</td>
<td>231</td>
<td><strong>$1,282,339,000</strong></td>
</tr>
</tbody>
</table>

There were no comments or questions.

C. Executive Director Zimmer requested CFO Lauren Kaltman discuss the status of the Aged Inventory Report. Ms. Kaltman reported that, of the 29 projects there were issued prior to 2009 that had been discussed at the June Board meeting, 3 have closed, 5 are waiting for final requisitions, and 12 are expected to close within next 2 quarters. The DEP and the Trust continue to actively work all the remaining projects.

D. Executive Director Zimmer reported on the status of the Trust’s outstanding Requests For Proposals (RFPs):

**Internal Controls Auditing Services**

The Trust was unable to successfully negotiate the transfer of its Internal Controls Audit contract with Rothstein Kass to KPMG. Accordingly, and pursuant to Resolution No. 14-48, the Trust will issue an RFP for audit services this week. The RFP will be publicly posted on the Trust’s website and Chief Budget Officer, John Hansbury, will submit the RFP directly to 11 firms who had shown previous
interest. RFP proposals will be due to the Trust by January 16, 2015 and the Trust anticipates presenting a recommendation to the Board for award at the February 2015 Board meeting.

E. Executive Director Zimmer next reported on the status of the Interim Financing Program (IFP):

- The Trust did not receive any new applications since the November Board meeting. The Trust currently has a total of 14 IFP loan applications, totaling $83,843MM.

- The Trust has closed on 8 IFP loans applications, totaling $45,915MM.

- 7 projects have received IFP loan disbursements from the Trust to-date, totaling $20,885MM.

The IFP report was provided to the Board of Directors of the Trust in satisfaction of the requirements of Section 6 of the authorizing Resolution No. 12-61 adopted on December 13, 2012.

There were no comments or questions.

8. **NEW BUSINESS:**

A. Executive Director Zimmer requested that the Trust’s Chief Budget Officer, John Hansbury, introduce Resolution No. 14-61 accepting the November 2014 Treasurer’s Reports.

Mr. Hansbury presented the Report announcing that in November, the Trust received revenues from fees of $53,542.50 and paid bills totaling $83,544.57 and that the Trust had received and is reviewing bills for payment totaling $137,695.07.

Mr. Hansbury asked if there were any comments or questions regarding the report as presented. Hearing none, Chairman Victor requested a motion for approval.

The resolution was moved for adoption by Mr. Briant and seconded by Ms. Campbell. The motion was carried 6 to 0 with 0 abstentions.

The breakdown of pending bills was presented to the board in written form is as follows:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Princeton Pike Office Park, LLC</td>
<td>$9,235.97</td>
</tr>
<tr>
<td>Rent - January 2015</td>
<td></td>
</tr>
<tr>
<td>J&amp;J Staffing Resources</td>
<td>$21,433.49</td>
</tr>
<tr>
<td>Part-Time Salaries - Inv#s: 335588, 335941, 336292, 336629</td>
<td></td>
</tr>
<tr>
<td>PFM Asset Management LLC</td>
<td>$7,344.50</td>
</tr>
<tr>
<td>Investment Advisor - October 2014</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Bowman &amp; Company LLP</td>
<td>$35,100.00</td>
</tr>
<tr>
<td>Financial Auditor NJEIT</td>
<td></td>
</tr>
<tr>
<td>Audit SFYE 6/30/2014</td>
<td></td>
</tr>
<tr>
<td>TD Wealth</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Loan Servicer 2000A&amp;B</td>
<td></td>
</tr>
<tr>
<td>(11/1/13 - 10/31/14)</td>
<td></td>
</tr>
<tr>
<td>TD Wealth</td>
<td>$6,000.00</td>
</tr>
<tr>
<td>Loan Servicer 2001A&amp;B</td>
<td></td>
</tr>
<tr>
<td>(11/1/13 - 10/31/14)</td>
<td></td>
</tr>
<tr>
<td>TD Wealth</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Loan Servicer 2002A&amp;B</td>
<td></td>
</tr>
<tr>
<td>(11/1/13 - 10/31/14)</td>
<td></td>
</tr>
<tr>
<td>TD Wealth</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Loan Servicer 2003A&amp;B</td>
<td></td>
</tr>
<tr>
<td>(11/1/13 - 10/31/14)</td>
<td></td>
</tr>
<tr>
<td>Bank of NY Mellon</td>
<td>$3,500.00</td>
</tr>
<tr>
<td>Trustee 2008A (9/1/14 - 8/31/15)</td>
<td></td>
</tr>
<tr>
<td>Bank of NY Mellon</td>
<td>$3,500.00</td>
</tr>
<tr>
<td>Bank of NY Mellon</td>
<td>$7,000.00</td>
</tr>
<tr>
<td>Trustee 2007A-R/2001A (9/1/14 - 8/31/15)</td>
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<tr>
<td>Bank of America Business Card</td>
<td>$2,763.83</td>
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<tr>
<td>Credit Card Payment #0766</td>
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<tr>
<td>LeClair Ryan</td>
<td>$16,817.28</td>
</tr>
<tr>
<td>Special Counsel Invoice #'s:</td>
<td></td>
</tr>
<tr>
<td>593045, 598338, 598052</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$137,695.07</td>
</tr>
</tbody>
</table>

B. Executive Director Zimmer requested Mr. Hansbury introduce Resolution No. 14-62 authorizing the purchase of a replacement vehicle. The Resolution specifically approved the purchase of a new Ford Explorer XLT, under State contract number T-2007. The Trust secured 2 competitive quotes from alternative dealers for identical vehicles which came in at prices that were approximately $3,100 and $3,600 higher respectively than the State contract price. The Trust’s Chevy Malibu automobile will be sent to State Auction for sale.

Mr. Hansbury asked if there were any comments or questions. Hearing none, Chairman Victor requested a motion for approval.
The resolution was moved for adoption by Mr. Briant and seconded by Mr. Requa. The motion was carried 6 to 0 with 0 abstentions.

C. Executive Director Zimmer requested Ms. Kaltman introduce Resolution No. 14-63 approving the Trust’s SFY2014 Audited Financials Statements. Ms. Kaltman reported Bowman & Company submitted their annual audit of the Trust Financials on December 5, 2014. The audited Financials were presented by Bowman & Company to the Trust’s Audit Committee, consisting of Board members Mr. Briant, Mr. Longo and Mr. Ellis, to review independently of Trust staff.

Ms. Kaltman asked if there were any comments or questions. Hearing none, as Chairman of the Audit Committee, Robert Briant Jr., moved the motion for approval.

The resolution was seconded by Ms. Campbell. The motion was carried 6 to 0 with 0 abstentions.

D. Executive Director Zimmer stated 8D was removed from the agenda and will be re-introduced at an upcoming meeting in 2015.

E. Executive Director Zimmer requested Mr. Scangarella introduce Resolution No. 14-64 approving the SFY2015 Financing Program: (i) Borrower’s Master Forms of Trust Loan Agreements, (ii) Borrower’s Escrow Agreements, (iii) Authority to conduct a TEFRA hearing in accordance with Internal Revenue Service requirements, if necessary, and (iv) Authority to acquire the proper approvals from the Director of the Division of Investment, Department of Treasury necessary for the investment of bond proceeds. All actions serve to establish Program requirements and policies as well as communicate these policies and requirements to Program participants.

Mr. Scangarella asked if there were any comments or questions. Hearing none, Chairman Victor requested a motion for approval.

The resolution was moved for adoption by Mr. Briant and seconded by Mr. Kennedy. The motion was carried 6 to 0 with 0 abstentions.

F. Executive Director Zimmer asked DEP Assistant Commissioner, Dan Kennedy to present the Program’s annual January Report. The January Report is required to be submitted to both Houses of the NJ Legislature by January 15th of each year according to N.J.S.A. 58:11B-20 and 20.1. The January Report describes the DEP’s priority ranking system for the Program, lists all SFY2016 projects that met the Letter of Intent (LOI) October deadline and describes the different Program funding options that are available. Mr. Kennedy presented the draft Report to the Board. It is currently being reviewed by DEP Commissioner Martin.

Assistant Commissioner Kennedy asked if there were any comments or questions. Hearing none, Chairman Victor requested a motion for approval.
9. **EXECUTIVE SESSION:**

Chairman Victor asked if there was a need for an Executive Session. Executive Director Zimmer responded there was not.

10. **CLOSEOUT:**

Chairman Victor asked Executive Director Zimmer if there was any future action required by the Board. Mr. Zimmer answered there was not.

Mr. Victor thanked the EIT staff members for their accomplishments and hard work during the past year praising their dedication and productivity. Mr. Briant also expressed his appreciation to staff for their efforts and proposed a resolution recognizing the Trust’s staff for its professionalism and accomplishments in 2014.

Chairman Victor seconded the motion.  
The motion was carried 6 to 0 with 0 abstentions.

Chairman Victor then asked for a motion for an adjournment.

Mr. Briant moved to adjourn the meeting. The motion was seconded by Mr. Requa. The motion was carried 6 to 0 with 0 abstentions.

The meeting was adjourned at 10:40am.
RESOLUTION NO. 14 - 61

RESOLUTION AUTHORIZING APPROVAL OF THE
NOVEMBER 2014 TREASURER’S REPORTS

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") has reviewed the Treasurer’s Reports for November 2014; and

WHEREAS, the Trust has placed in its files certain correspondence relating to expenses incurred in relation to the Trust.

NOW THEREFORE BE IT RESOLVED, that the Trust hereby accepts the Treasurer’s Reports for November 2014 and request that the same be entered into the record.

Adopted Date: December 11, 2014

Motion Made By: Robert Braint Jr.

Motion Seconded By: Christine Campbell

Ayes: 6

Nays: 0

Abstentions: 0
RESOLUTION No. 14 - 62

RESOLUTION AUTHORIZING THE PURCHASE OF A
TRUST REPLACEMENT VEHICLE

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") is organized and existing under the New Jersey Environmental Infrastructure Trust Act, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (codified at N.J.S.A, 58:11B-1 et seq.), as the same may from time to time be amended and supplemented (the “Act); and

WHEREAS, pursuant to Section 5(g) of the Act, the Trust is authorized to purchase personal property; and

WHEREAS, the State of New Jersey has issued a single contract (T-2007) for the supply of model year 2015, four wheel drive Ford Explorer to Beyer Fleet of East Hanover, New Jersey (Beyer) which has submitted a price quote of $31,063, exclusive of taxes, title and registration fees; and

WHEREAS, quotes from two local Ford dealers were obtained for the same model with prices of $34,214 from Haldeman Ford and $34,714 from Lucas Ford of Burlington respectively; and

WHEREAS, staff recommends procuring the 2015 Ford Explorer XLT from Beyer Fleet at a price of $31,063.

NOW THEREFORE BE IT RESOLVED, that the Trust authorizes the Executive Director to sell the Chevy Impala through the State Treasurer’s auction site and procure a 2015 Ford Explorer XLT from Beyer Fleet of East Hanover, NJ for the net sum not to exceed $24,200, plus any other ancillary costs of acquisition (i.e. registration, title, delivery, etc.).

Adopted Date: December 11, 2014

Motion Made By: Robert Braint Jr.

Motion Seconded By: James Requa

Ayes: 6

Nays: 0

Abstentions: 0
RESOLUTION NO. 14 - 63

RESOLUTION APPROVING THE
STATE FISCAL YEAR 2014 AUDITED FINANCIALS

WHEREAS, the books and accounts of the New Jersey Environmental Infrastructure Trust’s (the “Trust”) are required to be audited once each year (hereafter “Audited Financials”) pursuant to N.J.S.A. 58:11B-24 and Executive Order No. 37 (Corzine) (hereafter “EO 37”); and

WHEREAS, the Trust’s State Fiscal Year (“SFY”) 2014 Audited Financials have been prepared by Bowman & Company, LLP; and

WHEREAS, the Trust’s SFY2014 Audited Financials have been presented to the Trust’s Audit Committee pursuant to EO 37; and

WHEREAS, the Trust’s Audited Financials shall be presented to the Trust’s Board of Director’s for approval pursuant to Chapter IV, Section 4 of the Trust’s Bylaws;

NOW THEREFORE BE IT RESOLVED, the Trust hereby adopts the Trust’s SFY2014 Audited Financials.

Adopted Date: December 11, 2014

Motion Made By: Robert Braint Jr.

Motion Seconded By: Christine Campbell

Ayes: 6

Nays: 0

Abstentions: 0
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
(A Component Unit of the State of New Jersey)

Report of Audit

For the Fiscal Years Ended June 30, 2014 and 2013
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</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

The Board of Directors
New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey (the “Trust”), as of and for the fiscal years ending June 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Trust Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

New Accounting Standard
As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2014, the Trust adopted the following new accounting standard issued by the Governmental Accounting Standards Board (GASB): Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Change in Accounting Principle
As discussed in Note 12 to the financial statements, management determined that principal savings from refundings should be fully recorded as a credit to loans receivable at the time of the refunding. This method of accounting more accurately reflects the conduit nature of the debt issued by the Trust. In addition, management determined that the amortization of original issue discounts and premium should be calculated to reflect the specific serial maturities within each bond series. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust’s basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.
Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2014 on our consideration of the Trust’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Trust’s internal control over financial reporting and compliance.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants & Consultants

Voorhees, New Jersey
December 5, 2014
INDEPENDENT AUDITOR’S REPORT

The Board of Directors
New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Jersey Environmental Infrastructure Trust, a component unit of the State of New Jersey (the "Trust"), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust’s internal control. Accordingly, we do not express an opinion on the effectiveness of Trust’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Voorhees, New Jersey
December 5, 2014

Respectfully submitted,

Bowman & Company LLP
Certified Public Accountants & Consultants
REQUIRED SUPPLEMENTARY INFORMATION
This section of the annual financial report of New Jersey Environmental Infrastructure Trust (the “Trust”) presents management's discussion and analysis of the Trust’s financial performance during the fiscal years ended June 30, 2014 and 2013 relative to the respective previous years. Please read this section in conjunction with the Trust’s financial statements and accompany notes.

FINANCIAL HIGHLIGHTS

- Assets increased by $70,122,817, or 3.89%
  - Cash and investments increased by $101,424,784, or 21.68%
  - Total Loans decreased by $38,096,259, or 2.56%

- Liabilities decreased by $43,308,451, or 2.89%
  - Bonds Payable decreased by $41,714,782, or 2.83%

- Net Position increased by $113,431,286, or 37.17%

- Total Loans and total bonds payable remain matched in 2014, with total loans exceeding total bonds by $12,837,319 due to direct loans.

During fiscal year 2014, the Trust issued two series of new bonds and several direct loans, creating 67 new loans. The loan receivable balance was restated as a result of the adoption of new accounting principles and change in the method of amortization of OID resulting in a loans receivable decrease of 2.56%. The cash and investment balance, which includes construction funds, increased by 21.68% due to DEP Interim Financing Program and SAIL contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report of audit consists of two parts, the Management's Discussion and Analysis (this section) and the basic financial statements, including notes. The Trust is an independent State financing entity. The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds.

The Trust's financial statements report information about the Trust using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the Trust's activities. The balance sheet includes all of the Trust's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to bondholders (liabilities). All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Trust's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and non-capital financing activities and provides answers to such questions as where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.
FINANCIAL ANALYSIS OF THE TRUST

The mission of the Trust is to provide and administer low interest rate loans to qualified municipalities, counties, regional authorities, and water purveyors for the purpose of financing water quality infrastructure projects. The Trust acts as a conduit lender selling bonds in order to provide the necessary funding for these projects. Therefore, when reviewing the Trust’s financial statements, its performance should be measured based upon the conduit’s ability to make bond payment and the net growth of the program as measured by the number of new projects financed.

**Assets**

During fiscal year 2014, the Trust issued two series of bonds with an aggregate principal amount of $62,035,000. These funds, along with funds available for direct loans, were used to make 67 new loans to Borrowers.

Cash and Investments: The Trust’s cash and investments increased by $101,424,784 substantially due to the receipt of Interim Financing Funds and SAIL loan funds from the DEP totaling $110,000,000 offset by loan disbursements to borrowers.

Loans: Total Loans Receivable decreased by $38,096,259 due to a net reduction in loan principal outstanding and the amortization of original issue premiums offset by an increase in direct loans.

**Liabilities**

Bonds Payable: Bonds Payable decreased $41,714,782 due to a net reduction in bond principal outstanding and the amortization of original issue premiums and discounts.

**Net Position**

The overall effect on the Trust’s net position was an increase of $113,431,268, or 37.17%.

The following table summarizes the balance sheet changes between June 30, 2014 and June 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 (Restated)</th>
<th>Percent increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Loans Receivable</td>
<td>$90,305,713</td>
<td>$98,820,358</td>
<td>(8.62%)</td>
</tr>
<tr>
<td>Noncurrent Loans Receivable</td>
<td>1,187,009,265</td>
<td>1,208,985,462</td>
<td>(1.82%)</td>
</tr>
<tr>
<td>Undisbursed Project Funds</td>
<td>165,279,063</td>
<td>173,747,271</td>
<td>(4.87%)</td>
</tr>
<tr>
<td>Prepaid Loans</td>
<td>4,188,516</td>
<td>3,342,892</td>
<td>25.30%</td>
</tr>
<tr>
<td>Coverage</td>
<td>466,283</td>
<td>449,117</td>
<td>(3.82%)</td>
</tr>
<tr>
<td>Total Loans</td>
<td>1,447,248,841</td>
<td>1,485,345,100</td>
<td>(2.56%)</td>
</tr>
<tr>
<td>Other Assets (Includes Project Accounts)</td>
<td>425,373,128</td>
<td>317,154,052</td>
<td>34.12%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,872,621,969</td>
<td>1,802,499,152</td>
<td>3.89%</td>
</tr>
<tr>
<td>Current Bonds Payable</td>
<td>88,417,261</td>
<td>94,595,420</td>
<td>(6.53%)</td>
</tr>
<tr>
<td>Non-current Bonds Payable</td>
<td>1,345,994,261</td>
<td>1,381,530,884</td>
<td>(2.57%)</td>
</tr>
<tr>
<td>Total Bonds</td>
<td>1,434,411,522</td>
<td>1,476,126,304</td>
<td>(2.83%)</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>19,579,613</td>
<td>21,173,282</td>
<td>(7.53%)</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>1,453,991,135</td>
<td>1,497,299,586</td>
<td>(2.89%)</td>
</tr>
<tr>
<td>Restricted</td>
<td>380,890,636</td>
<td>265,767,183</td>
<td>43.32%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>37,740,198</td>
<td>39,432,383</td>
<td>(4.29%)</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$418,630,834</td>
<td>$305,199,566</td>
<td>37.17%</td>
</tr>
</tbody>
</table>
FINANCIAL ANALYSIS OF THE TRUST (CONTINUED)

Highlights-Fiscal year ended June 30, 2014 versus June 30, 2013
(Revenues, Expenses and Change in Net Position Statement)

- Revenues increased by $107,893,713, or 207.50%
- Expenses decreased by $257,941, or 0.55%
- Net Position increased by $113,431,268, or 37.17%

The Trust Revenues increased substantially due to the contribution by the DEP of $110,000,000 for the IFP and SAIL programs as well as increased investment income. The Trust's administrative fees earned remained essentially constant with the prior year. Loan interest Income declined due to refundings and changes in accounting methods.

The Trust's Expenses remained relatively flat with an increase in Administrative costs of $680,701 versus the prior year related to increased expenses associated with a larger bond issuance, investments in technology and a one-time relocation charge related to the Trust's offices. Interest expense declined due to refundings.

The following table summarizes the changes in net position between fiscal years June 30, 2014 and June 30, 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 (Restated)</th>
<th>Percent increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Income</td>
<td>$2,546,729</td>
<td>$721,269</td>
<td>453.09%</td>
</tr>
<tr>
<td>Loan Interest Income</td>
<td>41,507,126</td>
<td>46,833,175</td>
<td>(11.37%)</td>
</tr>
<tr>
<td>Administrative Fees</td>
<td>5,837,548</td>
<td>5,885,784</td>
<td>(0.82%)</td>
</tr>
<tr>
<td>Net Interim Financing and SAIL</td>
<td>110,000,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>159,891,403</td>
<td>51,997,690</td>
<td>207.50%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>40,786,011</td>
<td>41,182,255</td>
<td>(0.96%)</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>706,816</td>
<td>1,249,214</td>
<td>(43.42%)</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>4,967,308</td>
<td>4,286,607</td>
<td>15.88%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>46,460,135</td>
<td>46,718,076</td>
<td>(0.55%)</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>113,431,268</td>
<td>5,279,614</td>
<td>2,048.48%</td>
</tr>
<tr>
<td>Net Position, Beginning of the year, before Cumulative Effects of Change in Accounting Principles and Adjustments</td>
<td>305,199,566</td>
<td>306,022,160</td>
<td></td>
</tr>
<tr>
<td>Cumulative Effects of Change in Accounting Principles and Prior Period Adjustments</td>
<td>(6,102,208)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position, Beginning of the Year, after Cumulative Effects of Change in Accounting Principles and Prior Period Adjustments</td>
<td>305,199,156</td>
<td>299,919,952</td>
<td></td>
</tr>
<tr>
<td><strong>Net Position, End of Year</strong></td>
<td>$418,630,834</td>
<td>$305,199,566</td>
<td>37.17%</td>
</tr>
</tbody>
</table>
FINANCIAL ANALYSIS OF THE TRUST (CONTINUED)

Restatement of 2013 Financials

Prior Period adjustments to the June 30, 2013 financials reflect changes in accounting practices related to GASB 65 as well as the recognition of principal savings credits at the time of refundings and revised amortization methodology for premiums and discounts to more accurately reflect the serial nature of the bonds. The cumulative effect of the changes resulted in assets decreasing by $56,229,790 while liabilities decreased by $54,444,019, resulting in a decrease in net position of $1,785,771.

OTHER FINANCIAL INFORMATION

On May 7, 2014, the Trust sold, by competitive bid, its Environmental Infrastructure Bonds Series 2014A&B to capitalize the 2014 New Jersey Environmental Infrastructure Financing Program. Under the Trust Direct Loan Program, 7 loans were issued this fiscal year.

The Trust's Series 2014A Bonds were sold to Citigroup Global Markets Inc., which was the low bidder with a true interest cost of 2.80%. The bond series is tax exempt and uninsured and rated AAA, Aaa, and AAA by Fitch Investor Services, Inc., Moody's Investors Service, and Standard & Poor's Corp., respectively. As a result of this issue, 73 projects received funding.

The Trust's Series 2014B Bond were also sold to Citigroup Global Markets Inc., which was the low bidder with a true interest cost of 3.34%. The bond series is Tax Exempt, but subject to the Alternative Minimum Tax ("AMT") and uninsured and rated AAA, Aaa, and AAA by Fitch Ratings, Moody's Investors Service, and Standard & Poor's Corp., respectively. As a result of this issue, 2 projects received funding.

Loans to borrowers in the 2014 program combine proceeds of the bond sale, lent at market rate, with interest-free loans from the State of New Jersey, Department of Environmental Protection Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Thus, most public borrowers will pay a composite interest rate on their loans of less than 1.25%.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, borrowers, investors and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the State appropriations and bond proceeds it receives. If you have any questions about this report or need additional financial information, contact the Trust's Chief Financial Officer at 3131 Princeton Pike, Building 4, Lawrenceville, New Jersey 08648.
BASIC FINANCIAL STATEMENTS
### NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

(A Component Unit of the State of New Jersey)

#### Comparative Balance Sheets

As of June 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$28,707,093</td>
<td>$33,602,054</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,415,624</td>
<td>2,444,216</td>
</tr>
<tr>
<td><strong>Restricted Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>346,758,031</td>
<td>234,296,390</td>
</tr>
<tr>
<td>Investments</td>
<td>89,685,555</td>
<td>101,660,055</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>23,337,393</td>
<td>24,298,316</td>
</tr>
<tr>
<td>Loans Receivable</td>
<td>90,305,713</td>
<td>98,820,358</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$581,209,409</td>
<td>$495,121,389</td>
</tr>
<tr>
<td><strong>Noncurrent Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>307,387</td>
<td>128,997</td>
</tr>
<tr>
<td><strong>Restricted Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>104,095,908</td>
<td>98,263,304</td>
</tr>
<tr>
<td>Loans Receivable</td>
<td>1,187,009,265</td>
<td>1,208,985,462</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>$1,291,412,560</td>
<td>$1,307,377,763</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$1,872,621,969</td>
<td>$1,802,499,152</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET POSITION** |                  |                  |
| **Current Liabilities:**        |                  |                  |
| Accounts Payable                | $1,208,768       | $1,863,992       |
| Accrued Interest Payable        | 18,370,845       | 19,309,290       |
| Current Portion of Bonds Payable| 88,417,261       | 94,595,420       |
| **Total Current Liabilities**   | $107,996,874     | $115,768,702     |
| **Noncurrent Liabilities:**     |                  |                  |
| Bonds Payable                   | 1,345,994,261    | 1,381,530,884    |
| **Total Noncurrent Liabilities**| $1,345,994,261   | $1,381,530,884   |
| **Total Liabilities**           | $1,453,991,135   | $1,497,299,586   |
| **Net Position:**               |                  |                  |
| Net Investment in Capital Assets| 307,387          | 128,997          |
| Restricted for:                 |                  |                  |
| Debt Service                    | 255,996,982      | 253,946,202      |
| Interim Financing Trust Loan Program | 124,893,654   | 11,820,981       |
| Unrestricted                    | 37,432,811       | 39,303,386       |
| **Total Net Position**          | $418,830,834     | $305,199,566     |
| **Total Liabilities and Net Position** | $1,872,621,969 | $1,802,499,152 |

The accompanying Notes to Financial Statements are an integral part of this statement.
### Comparative Statements of Revenues, Expenses and Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

(A Component Unit of the State of New Jersey)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income (Loss):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>$2,289,525</td>
<td>$1,505,311</td>
</tr>
<tr>
<td>Net increase (decrease) in the fair value of investments</td>
<td>257,204</td>
<td>(2,226,580)</td>
</tr>
<tr>
<td>Interest Income from Loans</td>
<td>41,507,126</td>
<td>46,833,175</td>
</tr>
<tr>
<td>Administrative Fees</td>
<td>5,837,548</td>
<td>5,885,784</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>49,891,403</td>
<td>51,997,690</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>40,786,011</td>
<td>41,182,255</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>706,816</td>
<td>1,249,214</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>4,967,308</td>
<td>4,286,607</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>46,460,135</td>
<td>46,718,076</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>3,431,268</td>
<td>5,279,614</td>
</tr>
<tr>
<td><strong>Non-operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from State of New Jersey</td>
<td>110,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Non-operating Revenues</strong></td>
<td>110,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>113,431,268</td>
<td>5,279,614</td>
</tr>
<tr>
<td><strong>Net Position, Beginning of Year, Before Cumulative Effects</strong></td>
<td>305,199,566</td>
<td>306,022,160</td>
</tr>
<tr>
<td>Cumulative Effects of Change in Accounting Principles and Prior Period Adjustments (See Note 12)</td>
<td>(6,102,208)</td>
<td></td>
</tr>
<tr>
<td>Net Position, Beginning of Year, As Adjusted for Cumulative Effects of Change in Accounting Principles and Prior Period Adjustments</td>
<td>305,199,566</td>
<td>299,919,952</td>
</tr>
<tr>
<td><strong>Net Position, End of Year</strong></td>
<td>$418,630,834</td>
<td>$305,199,566</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of this statement.
### Cash Flow from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received for administrative fees</td>
<td>$5,818,542</td>
<td>$5,968,562</td>
</tr>
<tr>
<td>Cash payments for goods and services</td>
<td>(3,621,379)</td>
<td>(1,667,126)</td>
</tr>
<tr>
<td>Cash payments for salaries</td>
<td>(2,004,943)</td>
<td>(1,717,514)</td>
</tr>
<tr>
<td>Disbursement of loan funds to borrowers</td>
<td>(76,060,469)</td>
<td>(148,757,141)</td>
</tr>
<tr>
<td>Principal received from loans to borrowers</td>
<td>92,079,315</td>
<td>113,144,925</td>
</tr>
<tr>
<td>Interest received from loans to borrowers</td>
<td>56,349,354</td>
<td>54,373,071</td>
</tr>
<tr>
<td>Interest paid on bond maturities</td>
<td>(55,489,635)</td>
<td>(56,567,730)</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>1,525,652</td>
<td>732,749</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>$18,596,437</td>
<td>$(34,490,204)</td>
</tr>
</tbody>
</table>

### Cash Flows from Non-Capital Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of bonds</td>
<td>66,885,443</td>
<td>32,321,884</td>
</tr>
<tr>
<td>Principal paid on bond maturities</td>
<td>(94,835,046)</td>
<td>(109,078,164)</td>
</tr>
<tr>
<td>Issuance and servicing costs paid</td>
<td>-</td>
<td>974,287</td>
</tr>
<tr>
<td>State appropriations received</td>
<td>110,000,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) provided by</strong></td>
<td>82,050,397</td>
<td>(75,781,993)</td>
</tr>
</tbody>
</table>

### Cash Flows from Capital and Related Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposal of fixed assets</td>
<td>91,832</td>
<td></td>
</tr>
<tr>
<td>Acquisition of fixed assets</td>
<td>(167,715)</td>
<td>(74,157)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) capital and related</strong></td>
<td>(167,715)</td>
<td>17,675</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>(111,550,292)</td>
<td>(140,040,472)</td>
</tr>
<tr>
<td>Proceeds from sale and maturity of investments</td>
<td>118,637,853</td>
<td>250,440,191</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>7,087,561</td>
<td>110,399,719</td>
</tr>
</tbody>
</table>

### Cash and Cash Equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>107,566,680</td>
<td>145,197</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>267,898,444</td>
<td>267,753,247</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$375,465,124</td>
<td>$267,898,444</td>
</tr>
</tbody>
</table>

### Displayed as

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents - unrestricted</td>
<td>$28,707,093</td>
<td>$33,602,054</td>
</tr>
<tr>
<td>Cash and cash equivalents - restricted</td>
<td>346,758,031</td>
<td>234,296,390</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$375,465,124</td>
<td>$267,898,444</td>
</tr>
</tbody>
</table>

### Reconciliation of Operating Income to Net Cash Used in Operating Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>$3,431,268</td>
<td>$5,279,614</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile operating income to net cash</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(10,675)</td>
<td>(58,931)</td>
</tr>
<tr>
<td>Net unrealized gain on investments</td>
<td>(945,665)</td>
<td>1,056,563</td>
</tr>
<tr>
<td>Amortization of bond discounts and premiums</td>
<td>(13,765,179)</td>
<td>(14,014,058)</td>
</tr>
<tr>
<td>Change in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in other assets</td>
<td>28,592</td>
<td>83,449</td>
</tr>
<tr>
<td>(Increase) decrease in interest receivable</td>
<td>960,923</td>
<td>(6,065,564)</td>
</tr>
<tr>
<td>(Increase) decrease in loans receivable</td>
<td>30,490,842</td>
<td>(20,348,944)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>(655,224)</td>
<td>949,084</td>
</tr>
<tr>
<td>Increase (decrease) in accrued interest payable</td>
<td>(938,445)</td>
<td>(1,371,417)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$18,596,437</td>
<td>$(34,490,204)</td>
</tr>
</tbody>
</table>

The accompanying Notes to Financial Statements are an integral part of this statement.
Note 1: ORGANIZATION AND FUNCTION OF THE TRUST

The New Jersey Wastewater Treatment Trust was created by the Legislature of the State of New Jersey (the "State") in November 1985 as an independent State financing authority. On June 23, 1997, the State Legislature passed amendments to rename the entity the New Jersey Environmental Infrastructure Trust (the "Trust"). The Trust leverages federal and state dollars to finance environmental infrastructure projects. It issues revenue bonds in order to make loans to local government units and private water companies for the construction and rehabilitation of eligible projects. The Trust passes the coupon rates payable on its revenue bonds directly to those borrowers.

In addition to an interest-bearing loan from the Trust, the borrowers receive an interest-free loan from the New Jersey Department of Environmental Protection (the "Department"). The sources for the Department loans are State general obligation bond issuances approved to capitalize the various loan funds and the Federal Capitalization Grants under the Clean Water Act and the Safe Drinking Water Act, respectively (the "Department Funds"). The accompanying financial statements do not include any assets, liabilities or fund balances of the Department Funds. Under the terms of the Enabling Act, the assets of the Trust cannot be used to satisfy the obligations of the Department.

Generally, either the Trust or the Department may finance up to 75% of the allowable project costs. The Trust lends its share of allowable costs to borrowers for various terms up to a maximum of 20 years at a rate equal to the interest rate on its revenue bonds. Such loan repayments are used to pay debt service on the Trust's revenue bonds. The Department maintains internally designated Clean Water (the "CW") and Drinking Water (the "DW") State Revolving Funds to separately account for loans by the Department.

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented, whether discretely presented, blended, or included in the fiduciary fund financial statements.

The Trust is a component unit of the State of New Jersey, as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, also as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, and accordingly, the financial statements of the Trust are included in the financial statements of the State of New Jersey.

As of June 30, 2014 and 2013, it has been determined by the Trust that no component units exist.

The Trust is administered by an executive director and staff, under the guidance of the board of directors that appoint trustees (currently both U.S. Bank and Bank of New York Mellon) and loan servicers (currently U.S. Bank, TD Bank and the Trust). The initial proceeds from a bond issuance are held by the trustee. The Trust authorizes the trustee to disburse funds to the borrowers based on a review and approval process in conjunction with the Department. Undisbursed funds are invested and held by the Trustee for disbursement according to the drawdown limits outlined in the loan agreements. The loan servicer receives all repayments of principal and interest from the borrowers and forwards such funds to the trustee and the Master Program Trustee (U.S. Bank) or the Department, as appropriate. As noted above, for the 2004 and later loans, the Trust’s accounting staff also acts as loan servicer. As a public body under existing statute, the Trust is exempt from both federal and state taxes.
Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Trust’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Trust are discussed below.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The accrual basis of accounting is followed by the Trust.

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place.

Non-exchange transactions, in which the Trust receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Trust must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Trust on a reimbursement basis.

**Expenses / Expenditures** – Expenses are recognized at the time they are incurred.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include funds invested in the Federated Prime Obligation and the Goldman Sachs Treasury Obligation Money Market Fund. Such is the definition of cash and cash equivalents used in the statement of cash flows.

Investments are purchased with the intent to hold to maturity. Investments, which consist primarily of U.S. Government Obligations, are stated at fair value and mature in periods ranging from one to five years. The Trust accounts for its investments at fair value in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

**Bond Issuance Costs, Bond Discounts and Bond Premiums**

Bond discounts and bond premiums arising from the issuance of long-term debt are amortized or accreted over the life of the bonds, utilizing the straight line method allowable under GAAP. Bond discounts and bond premiums are presented as an adjustment to the par amount of the bonds, whereas bond issuance costs are expensed in the year incurred.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from administration fees, interest income on loans and investment income. Non-operating revenues principally consist of transfers from the State of New Jersey for additional loan programs.

Operating expenses include expenses associated with the general administration, issuance and interest payments of conduit debt obligations.
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conduit Debt Obligations

The Trust issues its bonds in order to provide low cost loans to local government units and private water companies (collectively, the Borrowers) so as to finance the construction and rehabilitation of eligible projects for qualifying Borrowers within the State. This type of debt is commonly referred to as conduit debt. The loan agreement between each Borrower and the Trust establishes the loan repayment obligations of the Borrowers, and a bond issued by each Borrower to the Trust serves to evidence and secure the repayment obligations of such Borrower to the Trust pursuant to its loan agreement. The Borrowers’ principal and interest payment obligations match the principal and interest payment obligations of the Trust pursuant to its bonds. The loan repayments of the Borrowers are made directly to a trustee, who is appointed by the Trust to service and administer the arrangement. The Trust is not obligated to pay principal of or interest on its bonds from any source other than the loan repayments of the Borrowers and certain other funds that are specifically and directly pledged to the payment of the Trust bonds (i.e. Debt Service Reserve Funds, etc.)

The conduit debt is treated strictly as conduit debt obligations under Interpretation No. 2 of the Governmental Accounting Standards Board (GASB), which allows issuers to report conduit debt obligations and related assets in the financial statements.

Net Position

In accordance with the provisions of GASB Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, the Trust has classified its Net Position into three components – Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of Net Position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of Net Position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same Net Position component as the unspent amount.

Restricted - This component of Net Position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of Net Position.

The Trust further separates restricted Net Position into “Restricted for Debt Service” and “Restricted for Interim Financing Trust Loan Program”. Net Position Restricted for Debt Service includes amounts that have been restricted in accordance with the terms of an award or agreement or by State law. Net Position Restricted for Interim Financing Trust Loan Program is restricted for short-term financing of allowable costs of environmental infrastructure projects.

Unrestricted - This component of Net Position consists of Net Position that does not meet the definition of “restricted” or “net investment in capital assets.” This component includes Net Position that may be allocated for specific purposes by the Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncements

During the fiscal year ended June 30, 2014, the Trust adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Issued in March 2012, Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement 66, Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62. GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASBS 66, however, does not have a material impact on the Trust’s financial statements.
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncements (Cont’d)

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. The adoption of GASBS 70, however, does not have any impact on the Trust’s financial statements.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The Trust does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the Trust’s financial statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Trust’s financial statements and expects the impact to be material.

In January 2013, the GASB issued Statement 69, Government Combinations and Disposals of Government Operations. GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the Trust’s financial statements although no impact is expected.
Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Cont’d)

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. GASBS 71 is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the Trust’s financial statements and expects the impact to be material when considered in conjunction with the adoption of Statement No. 68.

Note 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk – Cash, cash equivalents and investments are substantially restricted under the terms of the Trust’s bond resolutions for the payment of bond principal and interest expense and the extension of project loans. The bond resolutions limit investments to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in cash management pools that restrict investments to U.S. government securities, money market funds that invest in high-grade AAA-rated securities, and direct and general obligations of any state that meets the minimum requirements of the resolution. Statutory limitations also apply to investments by the Trust.

Pursuant to the bond resolutions for bonds issued from 1994 to 2006, the Trust is required to maintain certain invested reserves with the trustees to fund potential deficiencies in principal and interest required to be paid in succeeding years. These funds known as the debt service reserve requirement, aggregated to $94,932,302 and $94,981,023 at June 30, 2014 and 2013, respectively, and are included in net position. The Trust has a separate investment policy for its assets.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. All assets related to bond proceeds are invested by the Trust following the investment policies and restrictions as disclosed above under the custodial credit risk section. All other assets are invested pursuant to the Trust’s separate investment policy. This policy limits the type and ratings of securities allowable as well as providing diversification requirements.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust seeks to minimize interest rate risk by structuring the investment portfolio so that securities mature to meet a projected liability schedule, thereby avoiding the need to sell securities prior to maturity and the possibility of a realized loss.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Both the State and Trust’s investment policy provides diversification requirements and limits the amount the Trust may invest in any one issuer. All of the Trust’s investments are either in treasury obligations, money market funds, GNMAs, direct Treasury Securities or corporate bonds and notes.
Note 3: **CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

The amounts of cash and cash equivalents in the accounts are as follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Checking (TD Bank)</td>
<td>$102,630</td>
<td>$83,598</td>
</tr>
<tr>
<td>Investments (TD Bank) (categorized as CE)</td>
<td>19,205,185</td>
<td>29,230,081</td>
</tr>
<tr>
<td>Uninvested Cash (US Bank)</td>
<td>6,414,773</td>
<td></td>
</tr>
<tr>
<td>Uninvested Cash (BONY)</td>
<td>11,249,814</td>
<td></td>
</tr>
<tr>
<td>GS SQ Treasury Obligation (TD Bank MM)</td>
<td>137,847,931</td>
<td>11,922,990</td>
</tr>
<tr>
<td>Federated Prime Oblig Fund (US Bank MM)</td>
<td>187,566,792</td>
<td>195,206,951</td>
</tr>
<tr>
<td>Goldman Sachs FS Treas Oblig (BONY MM)</td>
<td>13,078,000</td>
<td>31,454,824</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$375,465,125</td>
<td>$267,898,444</td>
</tr>
</tbody>
</table>

As of June 30, 2014 and 2013, the Trust had the following investments and maturities:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>June 30, 2014</th>
<th>Investment Maturity (In Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Less than 1</td>
</tr>
<tr>
<td>US Treasury Bonds</td>
<td>$19,417,753</td>
<td>-</td>
</tr>
<tr>
<td>US Treasury Notes</td>
<td>70,069,484</td>
<td>8,406,734</td>
</tr>
<tr>
<td>US Treasury SLUGs</td>
<td>952,291</td>
<td>952,291</td>
</tr>
<tr>
<td>US Gov't Other</td>
<td>66,918,826</td>
<td>55,909,743</td>
</tr>
<tr>
<td>Corporate Bonds/Notes/CP</td>
<td>36,423,109</td>
<td>24,416,787</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$193,781,463</td>
<td>$89,685,555</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>June 30, 2013</th>
<th>Investment Maturity (In Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair Value</td>
<td>Less than 1</td>
</tr>
<tr>
<td>US Treasury Bonds</td>
<td>$843,812</td>
<td>-</td>
</tr>
<tr>
<td>US Treasury Notes</td>
<td>88,980,462</td>
<td>37,217,233</td>
</tr>
<tr>
<td>US Treasury SLUGs</td>
<td>5,378,924</td>
<td>3,496,677</td>
</tr>
<tr>
<td>US Gov't Other</td>
<td>70,543,156</td>
<td>33,514,019</td>
</tr>
<tr>
<td>Corporate Bonds/Notes/CP</td>
<td>33,605,005</td>
<td>26,860,126</td>
</tr>
<tr>
<td>Uninvested Cash</td>
<td>572,000</td>
<td>572,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$199,923,359</td>
<td>$101,660,055</td>
</tr>
</tbody>
</table>
Note 4: **BONDS PAYABLE**

Changes in bonds payable for the year ended June 30, 2014 were as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Description</th>
<th>Balance at June 30, 2013</th>
<th>Issued</th>
<th>Retired</th>
<th>Balance at June 30, 2014</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series A Bonds, uninsured, maturing serially through 2013, at interest rate of 5.50%</td>
<td>$7,490,000</td>
<td></td>
<td></td>
<td>$7,490,000</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured AMT, maturing serially through 2013, at interest rate of 5.00%</td>
<td>1,560,000</td>
<td></td>
<td></td>
<td>1,560,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured Federally Taxable, maturing serially through 2013, at interest rates of 5.8%</td>
<td>70,000</td>
<td></td>
<td></td>
<td>70,000</td>
<td>-</td>
</tr>
<tr>
<td>2002 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series A Bonds, uninsured, maturing serially through 2014, at interest rate of 5.25%</td>
<td>2,094,529</td>
<td></td>
<td></td>
<td>2,094,529</td>
<td>-</td>
</tr>
<tr>
<td>2004 Refunding Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2015, at interest rate of 5.00%</td>
<td>6,275,000</td>
<td></td>
<td>1,990,000</td>
<td>4,285,000</td>
<td>2,090,000</td>
</tr>
<tr>
<td>2004 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series A Bonds, uninsured, maturing serially through 2013, at interest rate of 5.00%</td>
<td>5,750,000</td>
<td></td>
<td></td>
<td>5,750,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured AMT, maturing serially through 2024, at interest rates from 3.6% to 5.50%</td>
<td>11,365,000</td>
<td></td>
<td>855,000</td>
<td>10,510,000</td>
<td>890,000</td>
</tr>
<tr>
<td>2005 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series A Bonds, uninsured, maturing serially through 2014, at interest rate of 5.00%</td>
<td>11,665,000</td>
<td></td>
<td>5,695,000</td>
<td>5,970,000</td>
<td>5,970,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured AMT, maturing serially through 2025, at interest rates from 4.00% to 4.70%</td>
<td>2,420,000</td>
<td></td>
<td>140,000</td>
<td>2,280,000</td>
<td>150,000</td>
</tr>
<tr>
<td>2005 BCIA/ENCAP Golf Holdings</td>
<td>Variable rate bond series maturing through 2025, with weekly interest rate calculations</td>
<td>88,413,346</td>
<td></td>
<td></td>
<td>88,413,346</td>
<td>-</td>
</tr>
<tr>
<td>2006 Refunding Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2020, at interest rate of 5.00%</td>
<td>39,210,000</td>
<td></td>
<td>4,260,000</td>
<td>34,950,000</td>
<td>4,485,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2019, at interest rate of 5.00%</td>
<td>22,678,744</td>
<td></td>
<td>2,877,611</td>
<td>19,801,133</td>
<td>2,992,262</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2017, at interest rates from 4.00% to 5.00%</td>
<td>10,470,000</td>
<td></td>
<td>1,910,000</td>
<td>8,560,000</td>
<td>1,985,000</td>
</tr>
<tr>
<td></td>
<td>Series D Bonds, uninsured, maturing serially through 2016, at interest rates from 4.00% to 5.00%</td>
<td>10,845,000</td>
<td></td>
<td>2,580,000</td>
<td>8,265,000</td>
<td>2,710,000</td>
</tr>
<tr>
<td>2006 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series A Bonds, uninsured, maturing serially through 2015, at interest rates of 5.00%</td>
<td>21,095,000</td>
<td></td>
<td>6,695,000</td>
<td>14,400,000</td>
<td>7,020,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2026, at interest rates from 4.00% to 5.00%</td>
<td>17,875,000</td>
<td></td>
<td>955,000</td>
<td>16,920,000</td>
<td>990,000</td>
</tr>
</tbody>
</table>
Note 4: **BONDS PAYABLE (CONTINUED)**

<table>
<thead>
<tr>
<th>Series</th>
<th>Balance at June 30, 2013</th>
<th>Balance at June 30, 2014</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2007 Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2027, at interest rates from 3.50% to 5.00%</td>
<td>$172,140,000</td>
<td>$10,280,000</td>
<td>$10,630,000</td>
</tr>
<tr>
<td><strong>2007 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2021, at interest rates of 5.00% to 5.25%</td>
<td>$51,940,000</td>
<td>-</td>
<td>51,940,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2022, at interest rates from 4.00% to 5.25%</td>
<td>$34,600,747</td>
<td>$1,779,253</td>
<td>36,380,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2022, at interest rate of 5.00%</td>
<td>$38,830,000</td>
<td>-</td>
<td>38,830,000</td>
</tr>
<tr>
<td>Series D Bonds, uninsured AMT, maturing serially through 2016, at interest rate of 5.00%</td>
<td>$1,405,000</td>
<td>-</td>
<td>1,070,000</td>
</tr>
<tr>
<td><strong>2008 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 4% to 4.50%</td>
<td>$16,105,000</td>
<td>-</td>
<td>13,630,000</td>
</tr>
<tr>
<td><strong>2008 Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2028, at interest rates from 5.00% to 5.50%</td>
<td>$111,835,000</td>
<td>-</td>
<td>104,280,000</td>
</tr>
<tr>
<td><strong>2009 Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.50% to 5.00%</td>
<td>$56,060,000</td>
<td>-</td>
<td>53,510,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2029, at interest rates from 3% to 5.50%</td>
<td>$5,475,000</td>
<td>-</td>
<td>5,250,000</td>
</tr>
<tr>
<td><strong>2010A Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2029, at interest rates from 3.00% to 5.00%</td>
<td>$115,325,000</td>
<td>-</td>
<td>108,390,000</td>
</tr>
<tr>
<td><strong>2010 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2024, at interest rates from 3.00% to 5.00%</td>
<td>$58,513,347</td>
<td>-</td>
<td>51,530,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2020, at interest rates from 3.00% to 4.00%</td>
<td>$1,923,812</td>
<td>-</td>
<td>1,490,000</td>
</tr>
<tr>
<td><strong>2010B&amp;C Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2030, at interest rate of 5.00%</td>
<td>$112,635,000</td>
<td>-</td>
<td>106,565,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2030, at interest rates from 3.00% to 4.375%</td>
<td>$7,745,000</td>
<td>-</td>
<td>7,435,000</td>
</tr>
<tr>
<td><strong>2011 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2018, at interest rates of 3.00%</td>
<td>$2,695,000</td>
<td>-</td>
<td>2,280,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%</td>
<td>$11,060,000</td>
<td>-</td>
<td>11,060,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2022, at interest rates from 3.00% to 5.00%</td>
<td>$9,510,000</td>
<td>-</td>
<td>8,690,000</td>
</tr>
</tbody>
</table>

* The $1,779,253 referenced above represents an adjustment to the prior year balance.
**Note 4: BONDS PAYABLE (CONTINUED)**

<table>
<thead>
<tr>
<th>Series</th>
<th>Description</th>
<th>Issued</th>
<th>Retired</th>
<th>Amount Due Within</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 5.00%</td>
<td>$67,765,000</td>
<td>$1,475,000</td>
<td>$1,795,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 5.00%</td>
<td>$20,490,000</td>
<td>$730,000</td>
<td>$750,000</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 4.00%</td>
<td>$4,775,000</td>
<td></td>
<td>$210,000</td>
</tr>
<tr>
<td>2012 Refunding Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 3.00% to 4.25%</td>
<td>$200,900,000</td>
<td>$3,255,000</td>
<td>$8,985,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%</td>
<td>$1,255,000</td>
<td>$175,000</td>
<td>$255,000</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%</td>
<td>$9,010,000</td>
<td>$670,000</td>
<td>$705,000</td>
</tr>
<tr>
<td>2013 Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 5.00%</td>
<td>$30,015,000</td>
<td></td>
<td>$845,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 3.25%</td>
<td>$1,015,000</td>
<td></td>
<td>$40,000</td>
</tr>
<tr>
<td>2014 Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%</td>
<td>$56,545,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 3.25%</td>
<td>$5,490,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,402,299,525</td>
<td>$63,814,253</td>
<td>$96,614,299</td>
<td>$1,369,499,479</td>
</tr>
<tr>
<td>Less/(Plus)</td>
<td>Unamortized net premiums</td>
<td>73,826,779</td>
<td></td>
<td>64,912,043</td>
</tr>
<tr>
<td>Bonds payable - net</td>
<td></td>
<td>$1,476,126,304</td>
<td></td>
<td>$1,434,411,522</td>
</tr>
</tbody>
</table>

Balances at June 30, 2013 and 2014, and amounts due within one year are as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Description</th>
<th>Issued</th>
<th>Retired</th>
<th>Amount Due Within</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 5.00%</td>
<td>$67,765,000</td>
<td>$1,475,000</td>
<td>$1,795,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 5.00%</td>
<td>$20,490,000</td>
<td>$730,000</td>
<td>$750,000</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2031, at interest rates from 2.00% to 4.00%</td>
<td>$4,775,000</td>
<td></td>
<td>$210,000</td>
</tr>
<tr>
<td>2012 Refunding Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2026, at interest rates from 3.00% to 4.25%</td>
<td>$200,900,000</td>
<td>$3,255,000</td>
<td>$8,985,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%</td>
<td>$1,255,000</td>
<td>$175,000</td>
<td>$255,000</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2021, at interest rate of 3.00%</td>
<td>$9,010,000</td>
<td>$670,000</td>
<td>$705,000</td>
</tr>
<tr>
<td>2013 Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 5.00%</td>
<td>$30,015,000</td>
<td></td>
<td>$845,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2032, at interest rates from 3.00% to 3.25%</td>
<td>$1,015,000</td>
<td></td>
<td>$40,000</td>
</tr>
<tr>
<td>2014 Series</td>
<td>Series A Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 5.00%</td>
<td>$56,545,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2033, at interest rates from 3.00% to 3.25%</td>
<td>$5,490,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,402,299,525</td>
<td>$63,814,253</td>
<td>$96,614,299</td>
<td>$1,369,499,479</td>
</tr>
<tr>
<td>Less/(Plus)</td>
<td>Unamortized net premiums</td>
<td>73,826,779</td>
<td></td>
<td>64,912,043</td>
</tr>
<tr>
<td>Bonds payable - net</td>
<td></td>
<td>$1,476,126,304</td>
<td></td>
<td>$1,434,411,522</td>
</tr>
</tbody>
</table>

Balances at June 30, 2013 and 2014, and amounts due within one year are as follows:
Note 4: **BONDS PAYABLE (CONTINUED)**

Changes in bonds payable for the year ended June 30, 2013 were as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Balances at June 30, 2012</th>
<th>Issued</th>
<th>Retired</th>
<th>Balances at June 30, 2013</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1995 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2015, at coupon rate of 7.0%</td>
<td>$725,000</td>
<td>$725,000</td>
<td>-</td>
<td>$725,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>1998 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series F Bonds, insured, maturing serially through 2014, at coupon rate of 5.0%</td>
<td>2,620,000</td>
<td>-</td>
<td>2,620,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series G Bonds, insured, maturing serially through 2014, at coupon rate of 5.0%</td>
<td>4,115,000</td>
<td>-</td>
<td>4,115,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2000 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2012, at coupon rate of 5.00%</td>
<td>145,000</td>
<td>-</td>
<td>145,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2001 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2013, at coupon rate of 5.50%</td>
<td>14,595,000</td>
<td>-</td>
<td>7,105,000</td>
<td>7,490,000</td>
<td>7,490,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured AMT, maturing serially through 2013, at coupon rate of 5.00%</td>
<td>3,045,000</td>
<td>-</td>
<td>1,485,000</td>
<td>1,560,000</td>
<td>1,560,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured Federally Taxable, maturing serially through 2013, at coupon rates of 5.8%</td>
<td>870,000</td>
<td>-</td>
<td>800,000</td>
<td>70,000</td>
<td>70,000</td>
</tr>
<tr>
<td><strong>2002 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2014, at coupon rate of 5.25%</td>
<td>6,505,000</td>
<td>-</td>
<td>4,410,471</td>
<td>2,094,529</td>
<td>-</td>
</tr>
<tr>
<td><strong>2003 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2013, at coupon rate of 5.00%</td>
<td>4,320,000</td>
<td>-</td>
<td>4,320,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2003 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2012, at coupon rate of 5.00%</td>
<td>12,770,000</td>
<td>-</td>
<td>12,770,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2004 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2015, at coupon rate of 5.00%</td>
<td>8,170,000</td>
<td>-</td>
<td>1,895,000</td>
<td>6,275,000</td>
<td>1,990,000</td>
</tr>
<tr>
<td><strong>2004 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2013, at coupon rate of 5.00%</td>
<td>45,840,000</td>
<td>-</td>
<td>40,090,000</td>
<td>5,750,000</td>
<td>5,750,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured AMT, maturing serially through 2024, at coupon rates from 3.6% to 5.50%</td>
<td>12,195,000</td>
<td>-</td>
<td>830,000</td>
<td>11,365,000</td>
<td>855,000</td>
</tr>
<tr>
<td><strong>2005 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2014, at coupon rate of 5.00%</td>
<td>98,355,000</td>
<td>-</td>
<td>86,690,000</td>
<td>11,665,000</td>
<td>5,695,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured AMT, maturing serially through 2025, at coupon rates from 4.00% to 4.70%</td>
<td>2,555,000</td>
<td>-</td>
<td>135,000</td>
<td>2,420,000</td>
<td>140,000</td>
</tr>
</tbody>
</table>
### Note 4: **BONDS PAYABLE (CONTINUED)**

<table>
<thead>
<tr>
<th>Issuer &amp; Details</th>
<th>Balance at June 30, 2012</th>
<th>Issued</th>
<th>Retired</th>
<th>Balance at June 30, 2013</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2005 BCIA/ENCAP Golf Holdings</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$88,413,346</td>
<td>$ -</td>
<td>$ -</td>
<td>$88,413,346</td>
<td>$6,801,027</td>
</tr>
</tbody>
</table>

1. Variable rate bond series maturing through 2025, with weekly coupon rate calculations.

<table>
<thead>
<tr>
<th>Series</th>
<th>Details</th>
<th>Balance at June 30, 2012</th>
<th>Issued</th>
<th>Retired</th>
<th>Balance at June 30, 2013</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2006 Refunding Series</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Series A Bonds, uninsured, maturing serially through 2020, at coupon rate of 5.00%</td>
<td>$39,210,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$39,210,000</td>
<td>$4,260,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2019, at coupon rate of 5.00%</td>
<td>$27,259,343</td>
<td>$ -</td>
<td>$4,580,599</td>
<td>$22,678,744</td>
<td>$2,862,361</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2017, at coupon rates from 4.00% to 5.00%</td>
<td>$12,310,000</td>
<td>$ -</td>
<td>$1,840,000</td>
<td>$10,470,000</td>
<td>$1,910,000</td>
</tr>
<tr>
<td></td>
<td>Series D Bonds, uninsured, maturing serially through 2016, at coupon rates from 4.00% to 5.00%</td>
<td>$13,300,000</td>
<td>$ -</td>
<td>$2,455,000</td>
<td>$10,845,000</td>
<td>$2,580,000</td>
</tr>
<tr>
<td><strong>2006 Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2015, at coupon rates of 5.00%</td>
<td>$122,725,000</td>
<td>$ -</td>
<td>$101,630,000</td>
<td>$21,095,000</td>
<td>$6,695,000</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2026, at coupon rates from 4.00% to 5.00%</td>
<td>$18,790,000</td>
<td>$ -</td>
<td>$915,000</td>
<td>$17,875,000</td>
<td>$955,000</td>
</tr>
<tr>
<td><strong>2007 Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2027, at coupon rates from 3.50% to 5.00%</td>
<td>$188,450,000</td>
<td>$ -</td>
<td>$16,310,000</td>
<td>$172,140,000</td>
<td>$10,280,000</td>
</tr>
<tr>
<td><strong>2007 Refunding Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2021, at coupon rates of 5.00% to 5.25%</td>
<td>$51,940,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$51,940,000</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Series B Bonds, uninsured, maturing serially through 2022, at coupon rates from 4.00% to 5.25%</td>
<td>$35,640,000</td>
<td>$ -</td>
<td>$1,039,253</td>
<td>$34,600,747</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2022, at coupon rate of 5.00%</td>
<td>$38,830,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$38,830,000</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Series D Bonds, uninsured AMT, maturing serially through 2016, at coupon rate of 5.00%</td>
<td>$1,730,000</td>
<td>$ -</td>
<td>$325,000</td>
<td>$1,405,000</td>
<td>$335,000</td>
</tr>
<tr>
<td><strong>2008 Refunding Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2018, at coupon rates of 4% to 4.50%</td>
<td>$18,500,000</td>
<td>$ -</td>
<td>$2,395,000</td>
<td>$16,105,000</td>
<td>$2,475,000</td>
</tr>
<tr>
<td><strong>2008 Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2028, at coupon rates from 5.00% to 5.50%</td>
<td>$121,460,000</td>
<td>$ -</td>
<td>$9,625,000</td>
<td>$111,835,000</td>
<td>$5,240,000</td>
</tr>
<tr>
<td><strong>2009 Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2029, at coupon rates from 3.50% to 5.00%</td>
<td>$59,780,000</td>
<td>$ -</td>
<td>$3,720,000</td>
<td>$56,060,000</td>
<td>$2,550,000</td>
</tr>
<tr>
<td></td>
<td>Series C Bonds, uninsured, maturing serially through 2029, at coupon rates from 3% to 5.50%</td>
<td>$5,695,000</td>
<td>$ -</td>
<td>$220,000</td>
<td>$5,475,000</td>
<td>$225,000</td>
</tr>
<tr>
<td><strong>2010A Series</strong></td>
<td>Series A Bonds, uninsured, maturing serially through 2029, at coupon rates from 3.00% to 5.00%</td>
<td>$124,570,000</td>
<td>$ -</td>
<td>$9,245,000</td>
<td>$115,325,000</td>
<td>$4,725,000</td>
</tr>
</tbody>
</table>
Note 4: **BONDS PAYABLE (CONTINUED)**

<table>
<thead>
<tr>
<th></th>
<th>Balance at June 30, 2012</th>
<th>Issued</th>
<th>Retired at June 30, 2013</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2024, at coupon rates from 3.00% to 5.00%</td>
<td>$63,705,000</td>
<td>$ -</td>
<td>$5,191,653</td>
<td>$6,977,032</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2020, at coupon rates from 3.00% to 4.00%</td>
<td>4,800,000</td>
<td>-</td>
<td>2,876,188</td>
<td>240,000</td>
</tr>
<tr>
<td><strong>2010B&amp;C Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2030, at coupon rate of 5.00%</td>
<td>117,265,000</td>
<td>-</td>
<td>4,630,000</td>
<td>4,085,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2030, at coupon rates from 3.00% to 4.375%</td>
<td>8,050,000</td>
<td>-</td>
<td>305,000</td>
<td>310,000</td>
</tr>
<tr>
<td><strong>2011 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2018, at coupon rates of 3.00%</td>
<td>3,095,000</td>
<td>-</td>
<td>400,000</td>
<td>415,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2021, at coupon rates from 4.00% to 5.00%</td>
<td>11,060,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2020, at coupon rates from 2.00% to 4.00%</td>
<td>10,310,000</td>
<td>-</td>
<td>800,000</td>
<td>820,000</td>
</tr>
<tr>
<td><strong>2012 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 5.00%</td>
<td>67,765,000</td>
<td>-</td>
<td>-</td>
<td>1,475,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 5.00%</td>
<td>20,490,000</td>
<td>-</td>
<td>-</td>
<td>730,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2031, at coupon rates from 2.00% to 4.00%</td>
<td>4,775,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>2012 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2026, at coupon rates from 3.00% to 4.25%</td>
<td>-</td>
<td>200,900,000</td>
<td>-</td>
<td>3,255,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2021, at coupon rate of 3.00%</td>
<td>-</td>
<td>1,255,000</td>
<td>-</td>
<td>175,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2021, at coupon rate of 3.00%</td>
<td>-</td>
<td>9,010,000</td>
<td>-</td>
<td>670,000</td>
</tr>
<tr>
<td><strong>2013 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2032, at coupon rates from 3.00% to 5.00%</td>
<td>-</td>
<td>30,015,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2032, at coupon rates from 3.00% to 3.25%</td>
<td>-</td>
<td>1,015,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total 1,496,742,689 $242,195,000 $336,638,164 1,402,299,525 94,595,420

Less
Unamortized net premiums 52,104,337 73,826,779
Bonds payable - net $1,548,847,026 $1,476,126,304 $94,595,420
Note 4: **BONDS PAYABLE (CONTINUED)**

Annual debt service requirements to maturity for bonds outstanding are as follows:

<table>
<thead>
<tr>
<th>Fiscal year ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$88,417,261</td>
<td>$54,672,649</td>
<td>$143,089,910</td>
</tr>
<tr>
<td>2016</td>
<td>93,376,990</td>
<td>51,063,063</td>
<td>144,440,053</td>
</tr>
<tr>
<td>2017</td>
<td>94,562,446</td>
<td>46,819,497</td>
<td>141,381,943</td>
</tr>
<tr>
<td>2018</td>
<td>94,272,757</td>
<td>42,519,615</td>
<td>136,792,372</td>
</tr>
<tr>
<td>2019</td>
<td>96,242,962</td>
<td>37,987,795</td>
<td>134,230,757</td>
</tr>
<tr>
<td>2020 through 2024</td>
<td>440,603,717</td>
<td>125,480,833</td>
<td>566,084,550</td>
</tr>
<tr>
<td>2025 through 2029</td>
<td>383,433,346</td>
<td>42,199,965</td>
<td>425,633,311</td>
</tr>
<tr>
<td>2030 through 2034</td>
<td>78,590,000</td>
<td>4,393,951</td>
<td>82,983,951</td>
</tr>
<tr>
<td></td>
<td>1,369,499,479</td>
<td>$405,137,368</td>
<td>$1,774,636,847</td>
</tr>
</tbody>
</table>

Unamortized net premiums $64,912,043

Bonds payable - net $1,434,411,522

The Trust has no taxing power, and the State of New Jersey is not liable for the bonds of the Trust. The revenue bonds are not secured by the Trust, only by revenues, including repayment of loans from the underlying borrowers and investments of amounts on deposit with the bond trustee. Certain bonds originally issued in 1995 and 1994, which mature no later than September 1, 2014, are insured by the Financial Guaranty Insurance Company.

Note 5: **ADVANCE REFUNDING**

When conditions have warranted, the Trust has sold various series of bonds to provide for the refunding of previously issued obligations. The proceeds received from the respective sales of the bonds were used to redeem the applicable outstanding bonds or to deposit, in an irrevocable escrow fund held by an escrow agent, an amount that, when combined with interest earnings thereon, will be at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the escrow fund assets and the liability for defeased bonds are not included in the Trust’s financial statements.

These transactions defeased the outstanding bond issuances with a resulting reduction in annual debt service during the remaining term of the issuances.
Note 5: **ADVANCE REFUNDING (CONTINUED)**

Defeased bonds outstanding at June 30, 2014, are comprised of the following:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Principal Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2014</td>
</tr>
<tr>
<td><strong>2012 Refunding</strong></td>
<td></td>
</tr>
<tr>
<td>2005 Series A</td>
<td>$ 81,275,000</td>
</tr>
<tr>
<td>2006 Series A</td>
<td>94,300,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 175,575,000</strong></td>
</tr>
<tr>
<td><strong>2010A Refunding</strong></td>
<td></td>
</tr>
<tr>
<td>2006 Series A</td>
<td>$ 10,765,000</td>
</tr>
<tr>
<td><strong>Individual Borrower Defeasances</strong></td>
<td></td>
</tr>
<tr>
<td>1996 Series A</td>
<td>$ 275,000</td>
</tr>
<tr>
<td>1999 Series A</td>
<td>1,783,867</td>
</tr>
<tr>
<td>2000 Series A</td>
<td>370,000</td>
</tr>
<tr>
<td>2000 Series B</td>
<td>2,315,000</td>
</tr>
<tr>
<td>2002 Series A</td>
<td>1,120,000</td>
</tr>
<tr>
<td>2005 Series A</td>
<td>1,165,000</td>
</tr>
<tr>
<td>2006 Series A</td>
<td>1,480,000</td>
</tr>
<tr>
<td>2006 Series B</td>
<td>20,000</td>
</tr>
<tr>
<td>2007 Series A</td>
<td>7,870,000</td>
</tr>
<tr>
<td>2008 Series A</td>
<td>6,680,000</td>
</tr>
<tr>
<td>2009 Series A</td>
<td>1,450,000</td>
</tr>
<tr>
<td>2010 Series A</td>
<td>4,885,000</td>
</tr>
<tr>
<td>2010 Series B</td>
<td>3,725,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 33,138,867</strong></td>
</tr>
</tbody>
</table>
Note 6: **LOANS RECEIVABLE**

The Trust provides loans to Borrowers to finance allowable costs of clean water and safe drinking water projects. The various Trust loans are grouped into pools and funded with the proceeds of Trust bonds or other obligations. Loan repayments are required at such times and in such amounts as will pay the debt service on the bonds as it becomes due. These loans, most of which are secured by the full faith and credit of a local governmental unit, are repayable in most cases over a period of 20 years, with some loans maturing over a shorter period, and with coupon rates of 2.0% to 5.5% per annum.

Each Borrower issues to the Trust a bond, note or other obligation in a principal amount equal to the principal amount of the loan in favor of the Trust which secures the Borrowers repayment obligation. The Trust then assigns these obligations to the trustee. These obligations bear interest at the same rates and are callable at the same times and prices, as the corresponding Trust bonds. All principal and interest savings from the refunding of Trust Bonds are passed along to each applicable borrower in the form of a credit against the original debt service of the borrower.

The Trust’s net loans receivable balance of $1,277,314,978 and $1,307,805,820 as of June 30, 2014 and 2013, consisted of outstanding loans issued of $1,378,148,281 and $1,408,175,430, net of undisbursed loan funds of $165,279,063, unamortized premiums of $64,912,043, and coverage of $466,284 for 2014 and undisbursed loan funds of $173,747,271, unamortized premiums of $73,826,779, and coverage of $449,117 for 2013.

Annual maturities for loans receivable are as follows:

<table>
<thead>
<tr>
<th>Fiscal year ending June 30,</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 90,305,713</td>
</tr>
<tr>
<td>2016</td>
<td>93,962,321</td>
</tr>
<tr>
<td>2017</td>
<td>95,173,587</td>
</tr>
<tr>
<td>2018</td>
<td>95,053,817</td>
</tr>
<tr>
<td>2019</td>
<td>96,728,251</td>
</tr>
<tr>
<td>2020 through 2024</td>
<td>443,538,684</td>
</tr>
<tr>
<td>2025 through 2029</td>
<td>384,340,852</td>
</tr>
<tr>
<td>2030 through 2034</td>
<td>79,045,056</td>
</tr>
<tr>
<td></td>
<td><strong>1,378,148,281</strong></td>
</tr>
</tbody>
</table>

Undisbursed loan funds (165,279,063)  
Unamortized net premiums 64,912,043  
Coverage (466,283)  
Loans receivable - net  

$ 1,277,314,978

Note 7: **MASTER PROGRAM TRUST AGREEMENT**

The New Jersey Environmental Infrastructure Financing Program adopted the Master Program Trust Agreement in 1989. Under the agreement, repayments of Department loans are deposited with US Bank and held in the Master Program Trust Account to provide coverage for all outstanding Trust Loans. The funds are held for a period of up to one year, after which time the funds are transferred to the State. The balance in the Master Program Trust Account as of June 30, 2014 and 2013 was $32,127,207 and $34,233,118, respectively. This balance is not an asset of the Trust and therefore is not reflected in the Trust’s financial Statements; however, it is available to pay debt service on the Trust Bonds in the event of a default by any program Borrowers.
### Note 7: MASTER PROGRAM TRUST AGREEMENT (CONT’D)

Aggregate Financing Program Repayments Available to Provide Coverage for Coverage Receiving Bonds

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Aggregate Coverage Receiving Trust Loan Principal</th>
<th>Aggregate Coverage Receiving Trust Loan Interest</th>
<th>Aggregate Coverage Providing Fund Loan Repayments</th>
<th>Total Funds Available for Coverage Receiving Financing Program Debt Service</th>
<th>Total Debt Service on Coverage Receiving Financing Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>88,417,261</td>
<td>1,2,4</td>
<td>131,757,347</td>
<td>274,847,257</td>
<td>143,089,910</td>
</tr>
<tr>
<td>2016</td>
<td>93,376,989</td>
<td>1,2,4</td>
<td>133,854,768</td>
<td>278,294,821</td>
<td>144,440,053</td>
</tr>
<tr>
<td>2017</td>
<td>94,562,446</td>
<td>1,2,4</td>
<td>133,642,531</td>
<td>275,024,474</td>
<td>141,381,943</td>
</tr>
<tr>
<td>2018</td>
<td>94,272,757</td>
<td>1,2,4</td>
<td>130,489,376</td>
<td>267,281,748</td>
<td>136,792,372</td>
</tr>
<tr>
<td>2019</td>
<td>96,242,962</td>
<td>1,2,4</td>
<td>128,385,256</td>
<td>262,616,013</td>
<td>134,230,757</td>
</tr>
<tr>
<td>2020</td>
<td>96,643,717</td>
<td>1,2,4</td>
<td>123,909,775</td>
<td>254,015,620</td>
<td>130,105,845</td>
</tr>
<tr>
<td>2021</td>
<td>92,350,000</td>
<td>1,2,4</td>
<td>117,628,861</td>
<td>239,046,815</td>
<td>121,417,954</td>
</tr>
<tr>
<td>2022</td>
<td>90,010,000</td>
<td>1,2,4</td>
<td>112,430,298</td>
<td>227,277,343</td>
<td>114,847,045</td>
</tr>
<tr>
<td>2023</td>
<td>83,260,000</td>
<td>1,2,4</td>
<td>104,165,412</td>
<td>208,295,300</td>
<td>104,129,888</td>
</tr>
<tr>
<td>2024</td>
<td>78,340,000</td>
<td>1,2,4</td>
<td>98,196,983</td>
<td>193,780,801</td>
<td>95,583,818</td>
</tr>
<tr>
<td>2025</td>
<td>74,800,000</td>
<td>1,2,4</td>
<td>92,761,516</td>
<td>181,468,989</td>
<td>88,707,382</td>
</tr>
<tr>
<td>2026</td>
<td>68,010,000</td>
<td>1,2,4</td>
<td>84,109,368</td>
<td>162,943,902</td>
<td>78,834,534</td>
</tr>
<tr>
<td>2027</td>
<td>61,615,000</td>
<td>1,2,4</td>
<td>74,350,325</td>
<td>144,004,700</td>
<td>69,654,375</td>
</tr>
<tr>
<td>2028</td>
<td>51,045,000</td>
<td>1,2,4</td>
<td>59,449,192</td>
<td>116,151,577</td>
<td>56,702,385</td>
</tr>
<tr>
<td>2029</td>
<td>39,550,000</td>
<td>1,2,4</td>
<td>46,397,471</td>
<td>89,718,759</td>
<td>43,321,288</td>
</tr>
<tr>
<td>2030</td>
<td>32,925,000</td>
<td>1,2,4</td>
<td>36,622,272</td>
<td>71,841,044</td>
<td>35,218,772</td>
</tr>
<tr>
<td>2031</td>
<td>21,525,000</td>
<td>1,2,4</td>
<td>24,844,979</td>
<td>47,580,945</td>
<td>22,735,966</td>
</tr>
<tr>
<td>2032</td>
<td>13,200,000</td>
<td>1,2,4</td>
<td>17,867,882</td>
<td>31,634,001</td>
<td>13,766,119</td>
</tr>
<tr>
<td>2033</td>
<td>6,495,000</td>
<td>1,2,4</td>
<td>10,817,110</td>
<td>17,361,473</td>
<td>6,744,363</td>
</tr>
<tr>
<td>2034</td>
<td>4,445,000</td>
<td>1,2,4</td>
<td>7,371</td>
<td>9,321,841</td>
<td>4,518,731</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,281,086,132</strong></td>
<td><strong>405,137,368</strong></td>
<td><strong>1,666,283,832</strong></td>
<td><strong>3,352,507,332</strong></td>
<td><strong>1,686,223,500</strong></td>
</tr>
</tbody>
</table>

1. Trust Bond debt service net of savings credits derived from the prior refunding of certain series of Trust Bonds.
2. Excludes debt service paid on or prior to June 30, 2014.
3. Totals may not add due to rounding.
4. Differs from Loan Receivable (Note 6) due to the Encap Loan, direct loans and loan repayment dates.
Note 8: OTHER MATTER

An Event of Default ("EOD") currently exists under the terms of the Trust’s Series 2005 Indenture (the "Indenture") pursuant to which the Trust issued its Environmental Infrastructure Revenue Bonds (Bergen County Improvement Authority-EnCap Golf Holdings, LLC Project), Series 2005, specially with regard to the Bergen County Improvement Authority ("BCIA") - EnCap Golf Holdings, LLC ("EnCap") project (hereinafter referred to as the "NJEIT-BCIA Bonds"). Such EOD created a corresponding EOD under the Loan Agreement among BCIA, the Trust and EnCap ("NJEIT-BCIA Loan Agreement") pursuant to which the Trust loaned the proceeds of the NJEIT-BCIA Bonds to BCIA and thereupon BCIA loaned such proceeds to EnCap for EnCap’s Meadowlands remediation project.

As a precondition of BCIA’s loan application to the Trust for funding for the EnCap project and to protect bondholders from any repayment default risk by EnCap, the Trust required that EnCap procure a bank Letter of Credit ("LOC Provider") in order to fully secure the debt service repayments of principal and interest owed on the NJEIT-BCIA Bonds.

Subsequent to the issuance of the NJEIT-BCIA Bonds, EnCap failed to satisfy various reimbursement obligations to the LOC Provider, which in turn triggered the above referenced EODs under the terms of the Indenture and the corresponding NJEIT-BCIA Loan Agreement. In response to the occurrence of the EOD under the Indenture, the LOC Provider exercised remedies to which it was entitled. On September 28, 2007, the LOC Provider directed a mandatory tender of the NJEIT-BCIA Bonds, which mandatory tender was funded by a draw on the LOC. As a result of the tender, all holders of the publicly issued NJEIT-BCIA Bonds (then outstanding in the principal amount of $88,413,346) were paid in full; the LOC is no longer outstanding; and the LOC Provider became the 100% holder of the NJEIT-BCIA Bonds, which are without recourse to the Trust.

In the aftermath of the above referenced EOD’s, EnCap filed bankruptcy pursuant to Chapter 11 under the United States Bankruptcy Code on May 8, 2008. On February 3, 2009, an order dismissing the bankruptcy case was entered by the Bankruptcy Court and a Final Decree indicating that the case had been fully administered was entered on March 30, 2009.

On August 13, 2010, in accordance with the Agreement of Removal, Appointment and Acceptance, by and among The Bank of New York-Mellon (the "Prior Trustee"), the LOC Provider and American Home Assurance Company ("American Home"), American Home replaced the Prior Trustee as trustee with respect to the NJEIT-BCIA Bonds pursuant to the Indenture. In addition, in accordance with the Assigned Assets Sale and Assignment Agreement, by and among the LOC Provider and American Home, American Home acquired all of the NJEIT-BCIA Bonds from the LOC Provider. As of the date of this report, American Home continues to hold the NJEIT-BCIA Bonds.

The collateral that secures the NJEIT-BCIA Bonds held by American Home does not secure any of the annual financing programs of the Trust. Therefore, the events described above with respect to the NJEIT-BCIA Bonds and EnCap have no impact on any of the annual financing programs of the Trust including the principal and interest payments of any of the Trust’s outstanding publicly issued bonds relating to such annual financing programs.
Note 9: COMMITMENTS AND CONTINGENCIES

Litigation

The Trust is a defendant in several legal proceedings, unrelated to any of its outstanding bonds or loans, that are in various stages of litigation. It is believed that the outcome, or exposure to the Trust, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 10: RESERVE FOR ARBITRAGE REBATE

The Tax Reform Act of 1986 placed restrictions on the investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined, at the option of the issuing entity, as either the date of the first anniversary of bond settlement or the issuing entity’s year end.

The Trust has various issues of bonds which are subject to rebate calculations, which are required to be made at least once every five years. However, the Trust prepares annual rebate calculations for purposes of determining any contingent liability for rebate. As of June 30, 2014 it was determined there was no rebate due as a result of these calculations. The amount of contingent liability for rebate may change as a result of future events.

Note 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions that occurred after the balance sheet date, but before December 5, 2014, the date the financial statements were available to be issued. The following items were determined by management to require disclosure in the financial statements:

On July 18, 2014, the Trust defeased a portion of the following outstanding NJEIT Bonds; $2,740,000 of the Series 2007A Bonds; $9,045,000 of the Series 2008A; $270,000 of the Series 2009A Bonds; $815,000 of the Series 2010A Bonds; $4,810,000 of the Series 2010B Bonds; and $340,000 of the Series 2010C Bonds.


Note 12: PRIOR PERIOD ADJUSTMENT / CUMULATIVE EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLE

GASB 65

During fiscal year ending June 30, 2014 the Trust recognized a change in accounting principles as a result of GASB Statement 65 Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement 65 is retroactive to prior reporting periods. The Trust changed its method of accounting for principal savings credits to fully record the savings at the time of the bond refunding for both loans receivable and bonds payable. In addition, the Trust changed its method of accounting for the amortization of original issue discounts and premium to more accurately reflect the serial bonds. The adjustment is detailed below.
Note 12: PRIOR PERIOD ADJUSTMENT / CUMULATIVE EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

Summary Statement of Net Position
as of June 30, 2013

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Previously Reported</th>
<th>Prior Period Adjustment</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$33,602,054</td>
<td></td>
<td>$33,602,054</td>
</tr>
<tr>
<td>Other Assets</td>
<td>2,444,216</td>
<td></td>
<td>2,444,216</td>
</tr>
<tr>
<td>Restricted Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>234,296,390</td>
<td></td>
<td>234,296,390</td>
</tr>
<tr>
<td>Investments</td>
<td>101,660,055</td>
<td></td>
<td>101,660,055</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>22,096,051</td>
<td>$2,202,265</td>
<td>24,298,316</td>
</tr>
<tr>
<td>Loans Receivable</td>
<td>98,820,358</td>
<td></td>
<td>98,820,358</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>492,919,124</td>
<td>$2,202,265</td>
<td>495,121,389</td>
</tr>
<tr>
<td>Noncurrent Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>128,997</td>
<td></td>
<td>128,997</td>
</tr>
<tr>
<td>Restricted Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>98,263,304</td>
<td></td>
<td>98,263,304</td>
</tr>
<tr>
<td>Loans Receivable</td>
<td>1,258,425,797</td>
<td>(49,440,335)</td>
<td>1,208,985,462</td>
</tr>
<tr>
<td>Bond Issuance Costs</td>
<td>8,991,720</td>
<td>(8,991,720)</td>
<td>-</td>
</tr>
<tr>
<td>Total Noncurrent Assets</td>
<td>1,365,809,818</td>
<td>(58,432,055)</td>
<td>1,307,377,763</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$1,858,728,942</td>
<td>(56,229,790)</td>
<td>$1,802,499,152</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET POSITION | | | |
| Current Liabilities: | | | |
| Accounts Payable | $1,863,992 | | $1,863,992 |
| Accrued Interest Payable | 19,309,290 | | 19,309,290 |
| Current Portion of Bonds Payable | 94,595,420 | | 94,595,420 |
| Total Current Liabilities | 115,768,702 | | 115,768,702 |
| Noncurrent Liabilities: | | | |
| Bonds Payable | 1,435,974,903 | $54,444,019 | 1,381,530,884 |
| Total Noncurrent Liabilities | 1,435,974,903 | (54,444,019) | 1,381,530,884 |
| Total Liabilities | 1,551,743,605 | (54,444,019) | 1,497,299,586 |
| Net Position: | | | |
| Restricted for: | | | |
| Debt Service | 255,731,973 | (1,785,771) | 253,946,202 |
| Interim Financing Trust Loan Program | 11,820,981 | | 11,820,981 |
| Unrestricted | 39,432,383 | | 39,432,383 |
| Total Net Position | 306,985,337 | (1,785,771) | 305,199,566 |
| Total Liabilities and Net Position | $1,858,728,942 | (56,229,790) | $1,802,499,152 |
Note 12: **PRIOR PERIOD ADJUSTMENT / CUMULATIVE EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)**

Summary Statement of Revenues, Expenses and Changes in Net Position
for the fiscal year ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Previously Reported</th>
<th>Prior Period Adjustment</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income (Loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>$ 1,505,311</td>
<td>$ 1,505,311</td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in the fair value of investments</td>
<td>(2,226,580)</td>
<td>(2,226,580)</td>
<td></td>
</tr>
<tr>
<td>Interest Income from Loans</td>
<td>49,921,175</td>
<td>(3,088,000)</td>
<td>46,833,175</td>
</tr>
<tr>
<td>Administrative Fees</td>
<td>5,885,784</td>
<td>5,885,784</td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>55,085,690</td>
<td>(3,088,000)</td>
<td>51,997,690</td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>49,835,908</td>
<td>(8,653,653)</td>
<td>41,182,255</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>1,249,214</td>
<td>1,249,214</td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>4,286,607</td>
<td>4,286,607</td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>54,122,515</td>
<td>(7,404,439)</td>
<td>46,718,076</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>963,175</td>
<td>4,316,439</td>
<td>5,279,614</td>
</tr>
<tr>
<td>Net Position, Beginning of Year</td>
<td>306,022,160</td>
<td>(6,102,208)</td>
<td>299,919,952</td>
</tr>
<tr>
<td>Net Position, End of Year</td>
<td>$ 306,985,335 $ (1,785,769)</td>
<td>$ 305,199,566</td>
<td></td>
</tr>
</tbody>
</table>
SUPPLEMENTARY INFORMATION
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
(A Component Unit of the State of New Jersey)  
Balance Sheet - State Revolving Fund - Clean Water  
As of June 30, 2014

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Current Assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Restricted Assets:</td>
</tr>
<tr>
<td></td>
<td>Cash and Cash Equivalents $ 245,846,699</td>
</tr>
<tr>
<td></td>
<td>Investments          70,099,351</td>
</tr>
<tr>
<td></td>
<td>Interest Receivable  16,244,633</td>
</tr>
<tr>
<td></td>
<td>Loans Receivable     64,859,679</td>
</tr>
<tr>
<td></td>
<td>Total Current Assets $ 397,050,362</td>
</tr>
<tr>
<td></td>
<td>Noncurrent Assets:</td>
</tr>
<tr>
<td></td>
<td>Restricted Assets:</td>
</tr>
<tr>
<td></td>
<td>Investments          50,407,419</td>
</tr>
<tr>
<td></td>
<td>Loans Receivable     851,824,764</td>
</tr>
<tr>
<td></td>
<td>Total Noncurrent Assets $ 902,232,183</td>
</tr>
<tr>
<td></td>
<td>Total Assets         $ 1,299,282,545</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET POSITION</th>
<th>Current Liabilities:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accrued Interest Payable $ 12,793,991</td>
</tr>
<tr>
<td></td>
<td>Current Portion of Bonds Payable 64,127,667</td>
</tr>
<tr>
<td></td>
<td>Total Current Liabilities $ 76,921,658</td>
</tr>
<tr>
<td></td>
<td>Noncurrent Liabilities:</td>
</tr>
<tr>
<td></td>
<td>Bonds Payable         964,502,512</td>
</tr>
<tr>
<td></td>
<td>Total Noncurrent Liabilities 964,502,512</td>
</tr>
<tr>
<td></td>
<td>Total Liabilities     1,041,424,170</td>
</tr>
<tr>
<td></td>
<td>Net Position:</td>
</tr>
<tr>
<td></td>
<td>Restricted for:</td>
</tr>
<tr>
<td></td>
<td>Debt Service          162,978,305</td>
</tr>
<tr>
<td></td>
<td>Interim Financing Trust Loan Program 94,880,070</td>
</tr>
<tr>
<td></td>
<td>Total Net Position    $ 257,858,375</td>
</tr>
<tr>
<td></td>
<td>Total Liabilities and Net Position $ 1,299,282,545</td>
</tr>
</tbody>
</table>
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
(A Component Unit of the State of New Jersey) 
Statement of Revenues, Expenses and Changes in Net Position - 
State Revolving Fund - Clean Water  
For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>$1,213,758</td>
<td></td>
</tr>
<tr>
<td>Net increase in the fair value of investments</td>
<td>$124,711</td>
<td></td>
</tr>
<tr>
<td>Interest Income from Loans</td>
<td>$29,661,450</td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$30,999,919</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$28,808,846</td>
<td></td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>$443,960</td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$29,252,806</td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1,747,113</td>
<td></td>
</tr>
<tr>
<td>Non-operating Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interim financing activity</td>
<td>$80,000,000</td>
<td></td>
</tr>
<tr>
<td>Transfer from State of New Jersey</td>
<td>$3,000,000</td>
<td></td>
</tr>
<tr>
<td>Total Non-operating Revenues</td>
<td>$83,000,000</td>
<td></td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$84,747,113</td>
<td></td>
</tr>
<tr>
<td>Net Position, Beginning of Year, Before Cumulative Effects of Changes in Accounting Principles and Prior Period Adjustments</td>
<td>$175,646,427</td>
<td></td>
</tr>
<tr>
<td>Cumulative Effects of Change in Accounting Principles and Prior Period Adjustments</td>
<td>$(2,535,165)</td>
<td></td>
</tr>
<tr>
<td>Net Position, Beginning of Year, As Adjusted for Cumulative Effects of Changes in Accounting Principles and Prior Period Adjustments</td>
<td>$173,111,262</td>
<td></td>
</tr>
<tr>
<td>Net Position, End of Year</td>
<td>$257,858,375</td>
<td></td>
</tr>
</tbody>
</table>
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST  
(A Component Unit of the State of New Jersey)  
Balance Sheet - State Revolving Fund - Drinking Water  
As of June 30, 2014

### ASSETS

Current Assets:
- Restricted Assets:
  - Cash and Cash Equivalents: $68,021,306
  - Investments: 14,663,851
  - Interest Receivable: 4,568,114
  - Loans Receivable: 17,124,513
- Total Current Assets: 104,377,784

Noncurrent Assets:
- Restricted Assets:
  - Investments: 32,851,227
  - Loans Receivable: 215,051,796
- Total Noncurrent Assets: 247,903,023

**Total Assets:** $352,280,807

### LIABILITIES AND NET POSITION

Current Liabilities:
- Accrued Interest Payable: $3,544,486
- Current Portion of Bonds Payable: 15,736,443
- Total Current Liabilities: 19,280,929

Noncurrent Liabilities:
- Bonds Payable: 245,143,621
- Total Noncurrent Liabilities: 245,143,621

Net Position:
- Restricted for:
  - Debt Service: 57,842,673
  - Interim Financing Trust Loan Program: 30,013,584
- Total Net Position: 87,856,257

**Total Liabilities and Net Position:** $352,280,807
## NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
### (A Component Unit of the State of New Jersey)

### Statement of Revenues, Expenses and Changes in Net Position -
#### State Revolving Fund - Drinking Water
##### For the Fiscal Year Ended June 30, 2014

### Operating Revenue:
- **Investment Income**:
  - Interest Income: $492,358
  - Net increase in the fair value of investments: $221,706
  - Interest Income from Loans: $8,352,635
- **Total Operating Revenues**: $9,066,699

### Operating Expenses:
- **Interest Expense**: $7,237,583
- **Cost of Issuance**: $158,356
- **Total Operating Expenses**: $7,395,939

### Operating Income
1,670,760

### Non-operating Revenues:
- **Net interim financing activity**: $30,000,000
- **Transfer from State of New Jersey**: -
- **Total Non-operating Revenues**: $30,000,000

### Change in Net Position
31,670,760

### Net Position, Beginning of Year, Before Cumulative Effects of Changes in Accounting Principles and Prior Period Adjustments
57,024,640

### Cumulative Effects of Change in Accounting Principles and Prior Period Adjustments
(839,143)

### Net Position, Beginning of Year, As Adjusted for Cumulative Effects of Changes in Accounting Principles and Prior Period Adjustments
56,185,497

### Net Position, End of Year
$87,856,257
FINDINGS & RECOMMENDATIONS
Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

None.
This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

None.
APPRECIATION

We express our appreciation for the assistance and courtesies rendered by the Trust officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants & Consultants
RESOLUTION NO. 14 - 64

RESOLUTION CONFIRMING FORMS OF LOAN AGREEMENTS AND AUTHORIZING VARIOUS ACTIONS RELEVANT TO THE STATE FISCAL YEAR 2015 NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE FINANCING PROGRAM.

WHEREAS, pursuant to Section 5(i) and Section 6(a) of the New Jersey Environmental Infrastructure Trust Act, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (the “State”), as amended and supplemented (N.J.S.A. 58:11B-1 et seq.) (the “Act”), the New Jersey Environmental Infrastructure Trust, a public body corporate and politic under the laws of the State, created pursuant to the Act (the “Trust”), is authorized to issue its bonds (the “Trust Bonds”) in any principal amounts (subject to the limitations of Section 6(g) of the Act) as in its judgment shall be necessary to provide funds sufficient for any of its corporate purposes, including, without limitation, the making of loans (each a “Trust Loan”) to project sponsors (each a “Project Sponsor”) to finance a portion of the costs of the respective environmental infrastructure system projects thereof (each a “Project”); and

WHEREAS, pursuant to Section 5(m) and Section 9(a) of the Act, the Trust is authorized to make and contract to make Trust Loans to Project Sponsors to finance a portion of the costs of the respective Projects thereof, which Project Sponsors may lawfully undertake or acquire and for which they are authorized by law to borrow funds, subject to such terms and conditions as the Trust shall determine to be consistent with the purposes thereof; and

WHEREAS, the Board of Directors of the Trust (the “Board”) currently is scheduled to consider, as part of its agenda at its meeting to be held on or about February 12, 2015, the Project applications of certain Project Sponsors for Trust Loans from the Trust, which Trust Loans, if so approved, would be made, pursuant to the provisions of the Act, by the Trust to such Project Sponsors from the proceeds of Trust Bonds, to be issued pursuant to the State Fiscal Year 2015 Environmental Infrastructure Financing Program of the Trust (the “Program”); and

WHEREAS, each Trust Loan made by the Trust to a Project Sponsor pursuant to the Program shall be made pursuant to the terms and provisions of a loan agreement, by and between the Trust and the respective Project Sponsor (the “Trust Loan Agreement”); and

WHEREAS, the Trust, in consultation with its professional advisors, has prepared master forms of the Trust Loan Agreement, such forms being attached hereto as Exhibit A and made a part hereof; and

WHEREAS, the Trust Loan Agreement contains all of the terms and conditions that are applicable to the receipt by the Project Sponsors of Trust Loans from the Trust, including, without limitation, specific terms and conditions with which certain Project Sponsors must comply prior to receipt of Trust Loans from the Trust, but do not contain those terms and conditions that cannot be determined until completion of the sale of the Trust Bonds or until further evaluation of information to be received by the Trust from the Project Sponsors; and

WHEREAS, pursuant to the terms and provisions of the Program and subject to (i) satisfaction in full of the conditions precedent set forth in the hereinafter defined Escrow Agreement and (ii) the final certification of the respective Project pursuant to the regulations and procedures of the New Jersey Department of Environmental Protection (the “NJDEP”), the Trust and each Project Sponsor shall deposit into escrow (the “Escrow Closing”) the duly authorized, executed and delivered Trust Loan Agreement (subject to completion to the extent of those terms and conditions that cannot be determined until completion of the sale of the Trust Bonds or until further evaluation of information to be received by the Trust from the Project
Sponsor) and certain other Program-related documents (collectively, the “Escrowed Program Documents”), which Escrowed Program Documents shall be held in escrow by a national banking association or a banking corporation with trust and fiduciary powers in the State, duly appointed by the Board as escrow agent (the “Escrow Agent”), pursuant to the terms and provisions of an escrow agreement (the “Escrow Agreement”) to which the Trust, the respective Project Sponsor and the Escrow Agent, *inter alia*, shall be parties, which Escrow Agreement shall establish the terms and conditions governing the holding in escrow and administering by the Escrow Agent of the Escrowed Program Documents, including, without limitation, the completion of those terms and conditions of the Trust Loan Agreement that cannot be determined until completion of the sale of the Trust Bonds or until the further evaluation of information to be received by the Trust from the Project Sponsor; and

**WHEREAS**, the Trust, in consultation with its professional advisors, has prepared master forms of the Escrow Agreement, such forms being attached hereto as Exhibit B and made a part hereof; and

**WHEREAS**, in furtherance of the intent and goals of the Program, the Board currently is scheduled to consider, as part of its agenda at its meeting to be held on or about April 9, 2015, the adoption of one or more Environmental Infrastructure Bond Resolutions (collectively, the “Trust Bond Resolution”), which Trust Bond Resolution shall authorize, *inter alia*, (i) the marketing, issuance and sale by the Trust of its Trust Bonds, (ii) the allocation of the proceeds of the Trust Bonds to the Projects of the respective Project Sponsors pursuant to the terms of the respective Trust Loan Agreement, (iii) the investment of the proceeds of the Trust Bonds until expenditure thereof pursuant to the terms of the Trust Bond Resolution, and (iv) certain other matters as shall be set forth in the Trust Bond Resolution; and

**WHEREAS**, prior to consideration by the Board of the Trust Bond Resolution, as part of the agenda of its meeting to be held on or about April 9, 2015, in furtherance of the intent and purposes of the Program, it will be necessary for the Trust to implement certain elements of the Program, including, without limitation, (i) the completion of an Escrow Closing with respect to the Trust Loan to be made by the Trust to each qualifying Project Sponsor from the proceeds of the Trust Bonds, (ii) the conduct, if necessary, of a hearing (the “TEFRA Hearing”) with respect to the Trust Bonds pursuant to the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) the submission of a written request by the Trust (the “Investment Authorization Request”) to the Director of the Division of Investments in the New Jersey Department of the Treasury (the “Director”) for approval of the investment by the Trust of proceeds of the Trust Bonds pursuant to, among other investment instruments that may be deemed appropriate and advantageous, a repurchase agreement that does not conform with State Investment Council regulations, which approval by the Director is dependent upon a finding thereby that such investment is consistent with the corporate purposes of the Trust; and

**WHEREAS**, it is the desire of the Board, in furtherance of the intent and purposes of the Program, that the Executive Director of the Trust, or any other person or persons designated by the Board by resolution to act on behalf of the Trust (each, an “Authorized Officer”), each be severally authorized to act on behalf of the Trust and implement in furtherance of the Program (i) the completion of an Escrow Closing with respect to the Trust Loan to be made by the Trust to each qualifying Project Sponsor from the proceeds of the Trust Bonds, (ii) the conduct, if determined to be necessary by any Authorized Officer, of a TEFRA Hearing with respect to the Trust Bonds pursuant to the requirements of the Code, (iii) the submission, if determined to be necessary by an Authorized Officer, of the Investment Authorization Request to the Director, and (iv) such other actions in connection with the foregoing or such other actions as shall be necessary in furtherance of the intent and purposes of the Program.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the New Jersey Environmental Infrastructure Trust, as follows:
Section 1. In furtherance of the intent and purposes of the Program, the Board hereby approves the execution and delivery at Escrow Closing (but only upon (i) satisfaction in full of the conditions precedent to Escrow Closing set forth in the respective Escrow Agreement and (ii) the final certification of the respective Project pursuant to the regulations and procedures of the NJDEP) of a Trust Loan Agreement with respect to each Trust Loan to be made by the Trust to each Project Sponsor in connection with the respective Project thereof, each such Trust Loan Agreement to be in substantially the form attached hereto as Exhibit A and made a part hereof, with such revisions and modifications thereto as shall be approved by any Authorized Officer, after consultation with counsel to the Trust, such approval to be evidenced by the execution thereof by such Authorized Officer; provided, however, that each Trust Loan Agreement executed and delivered at Escrow Closing pursuant to the authorization of the Board set forth herein shall be exclusive of the following terms, which terms shall be completed, upon completion of the sale of the Trust Bonds and further evaluation of information to be received by the Trust from the Project Sponsors, by any Authorized Officer in a manner (i) consistent with the provisions of the Trust Bond Resolution and (ii) pursuant to the provisions of the respective Escrow Agreement relating to the completion of such terms: (a) the principal and interest repayment schedules and adjusted principal amount reflecting, as applicable and without limitation, capitalized interest, reserve capacity, administrative fees and issuance expenses, including, without limitation, bond insurance premiums, if any, which cannot be finally determined until completion of the sale of the Trust Bonds; (b) if applicable, provisions requiring additional forms of security, such as a deficiency agreement, a letter of credit or a special reserve fund securing the timely repayment of the Trust Loan; and (c) provisions relating to the satisfaction of the “funds available” or “cash on hand” requirement pertaining to the funding of unallowable Project costs or that portion of allowable Project costs not financed with proceeds of the Trust Bonds through the Trust Loan Agreement and the corresponding fund loan agreement entered into by and between the NJDEP and the Project Sponsor.

Section 2. In furtherance of the intent and purposes of the Program, the Board hereby approves the execution and delivery at Escrow Closing (but only upon (i) satisfaction in full of the conditions precedent to Escrow Closing set forth in the respective Escrow Agreement and (ii) the final certification of the respective Project pursuant to the regulations and procedures of the NJDEP) of an Escrow Agreement with respect to each Trust Loan to be made by the Trust to each Project Sponsor in connection with the respective Project thereof. The Board hereby authorizes any Authorized Officer, upon consultation with counsel to the Trust, (i) to determine the Escrow Closing schedule and (ii) to undertake any other action in furtherance of the Escrow Closing, relating to the Trust Loan made by the Trust to each Project Sponsor in connection with the respective Project thereof, as such Authorized Officer shall determine to be necessary.

Section 3. In furtherance of the intent and purposes of the Program, the Board hereby authorizes any Authorized Officer to engage in an Escrow Closing (but only upon (i) satisfaction in full of the conditions precedent to Escrow Closing set forth in the respective Escrow Agreement and (ii) the final certification of the respective Project pursuant to the regulations and procedures of the NJDEP), pursuant to the terms and procedures of the Escrow Agreement, with respect to each Trust Loan to be made by the Trust to each Project Sponsor in connection with the respective Project thereof. The Board hereby authorizes any Authorized Officer, upon consultation with counsel to the Trust, (i) to determine the Escrow Closing schedule and (ii) to undertake any other action in furtherance of the Escrow Closing, relating to the Trust Loan made by the Trust to each Project Sponsor in connection with the respective Project thereof, as such Authorized Officer shall determine to be necessary.

Section 4. In furtherance of the intent and purposes of the Program, the Board hereby authorizes (but only upon (i) satisfaction in full of the conditions precedent to Escrow Closing set forth in the respective Escrow Agreement and (ii) the final certification of the respective Project pursuant to the regulations and
procedures of the NJDEP) that (i) the Trust Loan Agreement, the Escrow Agreement, any other Escrowed Program Documents to which the Trust is a party, and any other document required to be executed by the Trust in connection with the undertaking and completion of the Escrow Closing shall be executed in the name of the Trust by the manual signature of the Chairman or any Authorized Officer of the Trust, and (ii) if required by the terms of such document, its corporate seal shall be impressed, imprinted or otherwise reproduced thereon and attested by the manual signature of the Secretary or Assistant Secretary or other Authorized Officer of the Trust.

**Section 5.** In furtherance of the intent and purposes of the Program, the Board hereby authorizes any Authorized Officer, after consultation with counsel to the Trust, to take such other actions and to execute such other documents and instruments as may be necessary or appropriate (and not inconsistent with the terms and provisions of this Resolution) to effect the consummation of an Escrow Closing with respect to each Trust Loan made by the Trust to each Project Sponsor in connection with the respective Project thereof.

**Section 6.** In furtherance of the intent and purposes of the Program, the Board hereby authorizes any Authorized Officer, after consultation with counsel to the Trust, to conduct the TEFRA Hearing with respect to the Trust Bonds at such time in such manner as any Authorized Officer, after consultation with counsel to the Trust, shall determine to be necessary, convenient or desirable in order to satisfy the requirements of the Code.

**Section 7.** In furtherance of the intent and purposes of the Program, the Board hereby authorizes any Authorized Officer, if determined to be necessary by an Authorized Officer after consultation with counsel to the Trust, to submit the Investment Authorization Request to the Director for approval and to undertake any other action necessary in connection with (i) the approval by the Director of the investment by the Trust of a portion of the proceeds of the Trust Bonds pursuant to, among other investment instruments that may be deemed appropriate and advantageous, a repurchase agreement that does not conform with State Investment Council regulations and (ii) the finding by the Director that such investment is consistent with the corporate purposes of the Trust.

**Section 8.** The Board hereby authorizes any Authorized Officer, after consultation with counsel to the Trust, to take such other actions, to execute such other instruments and to seek such other consents as may be necessary or appropriate (and not inconsistent with the terms and provisions of this Resolution) to further the intent and purposes of the Program.

Adopted Date: December 11, 2014

Motion Made By: Robert Braint Jr.

Motion Seconded By: Dan Kennedy

Ayes: 6

Nays: 0

Abstentions: 0
EXHIBIT A
[MASTER TRUST LOAN AGREEMENT - MUNICIPAL/COUNTY FORM]

LOAN AGREEMENT

BY AND BETWEEN

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

AND

[NAME OF BORROWER]

DATED AS OF MAY 1, 2015
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NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into as of May 1, 2015, by and between the NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession, and the Borrower (capitalized terms used in this Loan Agreement shall have, unless the context otherwise requires, the meanings ascribed thereto in Section 1.01 hereof);

WITNESSETH THAT:

WHEREAS, the Trust, in accordance with the Act, the Bond Resolution and a financial plan approved by the State Legislature in accordance with Sections 22 and 22.1 of the Act, will issue its Trust Bonds on or prior to the Loan Closing for the purpose of making the Loan to the Borrower and the Loans to the Borrowers from the proceeds of the Trust Bonds to finance a portion of the Costs of Environmental Infrastructure Facilities;

WHEREAS, the Borrower has, in accordance with the Act and the Regulations, made timely application to the Trust for a Loan to finance a portion of the Costs of the Project;

WHEREAS, the State Legislature, in accordance with Sections 20 and 20.1 of the Act, has in the form of an appropriations act approved a project priority list that includes the Project and that authorizes an expenditure of proceeds of the Trust Bonds to finance a portion of the Costs of the Project;

WHEREAS, the Trust has approved the Borrower’s application for a Loan from available proceeds of the Trust Bonds to finance a portion of the Costs of the Project;

WHEREAS, in accordance with the applicable Bond Act (as defined in the Fund Loan Agreement), and the Regulations, the Borrower has been awarded a Fund Loan for a portion of the Costs of the Project; and

WHEREAS, the Borrower, in accordance with the Act, the Regulations and the Borrower Enabling Act, will issue a Borrower Bond to the Trust evidencing said Loan at the Loan Closing.

NOW, THEREFORE, for and in consideration of the award of the Loan by the Trust, the Borrower agrees to complete the Project and to perform under this Loan Agreement in accordance with the conditions, covenants and procedures set forth herein and attached hereto as part hereof, as follows:
ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions.

(a) The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meanings:

“Act” means the “New Jersey Environmental Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 et seq.), as the same may from time to time be amended and supplemented.

“Administrative Fee” means that portion of Interest on the Loan or Interest on the Borrower Bond payable hereunder as an annual fee of up to four-tenths of one percent (.40%) of the initial principal amount of the Loan or such lesser amount, if any, as may be authorized by any act of the State Legislature and as the Trust may approve from time to time.

“Authorized Officer” means, in the case of the Borrower, any person or persons authorized pursuant to a resolution or ordinance of the governing body of the Borrower to perform any act or execute any document relating to the Loan, the Borrower Bond or this Loan Agreement.

“Bond Counsel” means a law firm appointed or approved by the Trust, as the case may be, having a reputation in the field of municipal law whose opinions are generally acceptable by purchasers of municipal bonds.

“Borrower” means the New Jersey county or municipality that is a party to this Loan Agreement, and its successors and assigns, as further described in Schedule A attached hereto.

“Borrower Bond” means the Borrower Bond issued pursuant to the Borrower Enabling Act, authorized, executed, attested and delivered by the Borrower to the Trust to evidence the Borrower’s obligations to pay the Loan Repayments and all other amounts due and owing by the Borrower under this Loan Agreement, a specimen of which is attached hereto as Exhibit D and made a part hereof, pursuant to which the power and obligation of the Borrower to make such payments shall be unlimited and for the payment of which the Borrower shall, if necessary, levy ad valorem taxes upon all the taxable property within the jurisdiction of the Borrower without limitation as to rate or amount.

“Borrowers” means any other Local Government Unit or Private Entity (as such terms are defined in the Regulations) authorized to construct, operate and maintain Environmental Infrastructure Facilities that have entered into Loan Agreements with the Trust pursuant to which the Trust will make Loans to such recipients from moneys on deposit in the Project Fund, excluding the Project Loan Account.

“Code” means the Internal Revenue Code of 1986, as the same may from time to time be amended and supplemented, including any regulations promulgated thereunder, any successor code thereto and any administrative or judicial interpretations thereof.
“Costs” means those costs that are eligible, reasonable, necessary, allocable to the Project and permitted by generally accepted accounting principles, including Allowances and Building Costs (as defined in the Regulations), as shall be determined on a project-specific basis in accordance with the Regulations as set forth in Exhibit B hereto, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an authorized officer of the Trust.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund, if any, as defined in the Bond Resolution.

“Department” means the New Jersey Department of Environmental Protection.

“Environmental Infrastructure Facilities” means Wastewater Treatment Facilities, Stormwater Management Facilities or Water Supply Facilities (as such terms are defined in the Regulations).

“Environmental Infrastructure System” means the Environmental Infrastructure Facilities of the Borrower, including the Project, described in Exhibit A-1 attached hereto and made a part hereof for which the Borrower is borrowing the Loan under this Loan Agreement.

“Event of Default” means any occurrence or event specified in Section 5.01 hereof.

“Excess Project Funds” shall have the meaning set forth in Section 3.03A hereof.

“Fund Loan” means the loan made to the Borrower by the State, acting by and through the Department, pursuant to the Fund Loan Agreement dated as of May 1, 2015 by and between the Borrower and the State, acting by and through the Department, to finance or refinance a portion of the Costs of the Project.

“Fund Loan Agreement” means the loan agreement dated as of May 1, 2015 by and between the Borrower and the State, acting by and through the Department, regarding the terms and conditions of the Fund Loan.

“Interest on the Loan” or “Interest on the Borrower Bond” means the sum of (i) the Interest Portion, (ii) the Administrative Fee, and (iii) any late charges incurred hereunder.

“Interest Portion” means that portion of Interest on the Loan or Interest on the Borrower Bond payable hereunder that is necessary to pay the Borrower’s proportionate share of interest on the Trust Bonds (i) as set forth in Exhibit A-2 hereof under the column heading entitled “Interest”, or (ii) with respect to any prepayment of Trust Bond Loan Repayments in accordance with Section 3.07 or 5.03 hereof, to accrue on any principal amount of Trust Bond Loan Repayments to the date of the optional redemption or acceleration, as the case may be, of the Trust Bonds allocable to such prepaid or accelerated Trust Bond Loan Repayment.

“Loan” means the loan made by the Trust to the Borrower to finance or refinance a portion of the Costs of the Project pursuant to this Loan Agreement, as further described in Schedule A attached hereto.
“Loan Agreement” means this Loan Agreement, including Schedule A and the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof and of the Bond Resolution.

“Loan Agreements” means any other loan agreements entered into by and between the Trust and one or more of the Borrowers pursuant to which the Trust will make Loans to such Borrowers from moneys on deposit in the Project Fund, excluding the Project Loan Account, financed with the proceeds of the Trust Bonds.

“Loan Closing” means the date upon which the Trust shall issue and deliver the Trust Bonds and the Borrower shall deliver its Borrower Bond, as previously authorized, executed and attested, to the Trust.

“Loan Repayments” means the sum of (i) Trust Bond Loan Repayments, (ii) the Administrative Fee, and (iii) any late charges incurred hereunder.

“Loan Term” means the term of this Loan Agreement provided in Sections 3.01 and 3.03 hereof and in Exhibit A-2 attached hereto and made a part hereof.

“Loans” means the loans made by the Trust to the Borrowers under the Loan Agreements from moneys on deposit in the Project Fund, excluding the Project Loan Account.

“Master Program Trust Agreement” means that certain Master Program Trust Agreement, dated as of November 1, 1995, by and among the Trust, the State, United States Trust Company of New York, as Master Program Trustee thereunder, The Bank of New York (NJ), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to Wachovia Bank, National Association), in several capacities thereunder, as supplemented by that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement, dated as of November 1, 2001, by and among United States Trust Company of New York, as Outgoing Master Program Trustee, State Street Bank and Trust Company, N.A. (predecessor to U.S. Bank Trust National Association), as Successor Master Program Trustee, and the Trust, as the same may be amended and supplemented from time to time in accordance with its terms.

“Official Statement” means the Official Statement relating to the issuance of the Trust Bonds.

“Preliminary Official Statement” means the Preliminary Official Statement relating to the issuance of the Trust Bonds.

“Prime Rate” means the prevailing commercial interest rate announced by the Trustee from time to time in the State as its prime lending rate.

“Project” means the Environmental Infrastructure Facilities of the Borrower described in Exhibit A-1 attached hereto and made a part hereof, which constitutes a project for which the Trust is permitted to make a loan to the Borrower pursuant to the Act, the Regulations and the Bond Resolution, all or a portion of the Costs of which is financed or refinanced by the Trust through the making of the Loan under this Loan Agreement and which may be identified under
either the Drinking Water or Clean Water Project Lists with the Project Number specified in Exhibit A-1 attached hereto.

“Project Fund” means the Project Fund as defined in the Bond Resolution.

“Project Loan Account” means the project loan account established on behalf of the Borrower in the Project Fund in accordance with the Bond Resolution to finance all or a portion of the Costs of the Project.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated under N.J.A.C. 7:22-3 et seq., 7:22-4 et seq., 7:22-5 et seq., 7:22-6 et seq., 7:22-7 et seq., 7:22-8 et seq., 7:22-9 et seq. and 7:22-10 et seq., as the same may from time to time be amended and supplemented.

“State” means the State of New Jersey.

“Trust” means the New Jersey Environmental Infrastructure Trust, a public body corporate and politic with corporate succession duly created and validly existing under and by virtue of the Act.

“Trust Bond Loan Repayments” means the repayments of the principal amount of the Loan plus the payment of any premium associated with prepaying the principal amount of the Loan in accordance with Section 3.07 hereof plus the Interest Portion.

“Trust Bonds” means bonds authorized by Section 2.03 of the Bond Resolution, together with any refunding bonds authenticated and delivered pursuant to Section 2.04 of the Bond Resolution, in each case issued in order to finance (i) the portion of the Loan deposited in the Project Loan Account, (ii) the portion of the Loans deposited in the balance of the Project Fund, (iii) any capitalized interest related to such bonds, (iv) a portion of the costs of issuance related to such bonds, and (v) that portion of the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution), if any, allocable to the Loan or Loans, as the case may be, a portion of which includes the funding of reserve capacity, if applicable, for the Environmental Infrastructure Facilities of the Borrower or Borrowers, as the case may be, or to refinance any or all of the above.

“Trustee” means, initially, U.S. Bank National Association, the Trustee appointed by the Trust and its successors as Trustee under the Bond Resolution, as provided in Article X of the Bond Resolution.

(b) In addition to the capitalized terms defined in subsection (a) of this Section 1.01, certain additional capitalized terms used in this Loan Agreement shall, unless the context clearly requires otherwise, have the meanings ascribed to such additional capitalized terms in Schedule A attached hereto and made a part hereof.

(c) Except as otherwise defined herein or where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, agencies and districts. Words importing one gender shall include the other gender.
ARTICLE II

REPRESENTATIONS AND COVENANTS OF BORROWER

SECTION 2.01. Representations of Borrower. The Borrower represents for the benefit of the Trust, the Trustee and the holders of the Trust Bonds as follows:

(a) Organization and Authority.

(i) The Borrower is an Entity duly created and validly existing under and pursuant to the Constitution and statutes of the State.

(ii) The acting officials of the Borrower who are contemporaneously herewith performing or have previously performed any action contemplated in this Loan Agreement either are or, at the time any such action was performed, were the duly appointed or elected officials of such Borrower empowered by applicable State law and, if applicable, authorized by ordinance or resolution of the Borrower to perform such actions. To the extent any such action was performed by an official no longer the duly acting official of such Borrower, all such actions previously taken by such official are still in full force and effect.

(iii) The Borrower has full legal right and authority and all necessary licenses and permits required as of the date hereof to own, operate and maintain its Environmental Infrastructure System, to carry on its activities relating thereto, to execute, attest and deliver this Loan Agreement and the Borrower Bond, to sell the Borrower Bond to the Trust, to undertake and complete the Project and to carry out and consummate all transactions contemplated by this Loan Agreement.

(iv) The proceedings of the Borrower’s governing body approving this Loan Agreement and the Borrower Bond, authorizing the execution, attestation and delivery of this Loan Agreement and the Borrower Bond, authorizing the sale of the Borrower Bond to the Trust and authorizing the Borrower to undertake and complete the Project, including, without limitation, the “Proceedings”, were duly published in accordance with applicable State law, and have been duly and lawfully adopted in accordance with the Borrower Enabling Act and other applicable State law at a meeting or meetings that were duly called pursuant to necessary public notice and held in accordance with applicable State law and at which quorums were present and acting throughout.

(v) By official action of the Borrower taken prior to or concurrent with the execution and delivery hereof, including, without limitation, the Proceedings, the Borrower has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the execution, attestation, delivery and performance of this Loan Agreement and the transactions contemplated hereby; (B) the issuance of the Borrower Bond and the sale thereof to the Trust upon the terms set forth herein; (C) the approval of the inclusion, if such inclusion is deemed necessary in the sole discretion of the Trust, in the Preliminary Official Statement and the Official Statement of all statements and information relating to the Borrower set forth in “APPENDIX B” thereto.
(the “Borrower Appendices”) and any amendment thereof or supplement thereto; and (D) the execution, delivery and due performance of any and all other certificates, agreements and instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out, give effect to and consummate the transactions contemplated by this Loan Agreement, including, without limitation, the designation of the Borrower Appendices portion of the Preliminary Official Statement, if any, as “deemed final” for the purposes and within the meaning of Rule 15c2-12 (“Rule 15c2-12”) of the Securities and Exchange Commission (“SEC”) promulgated under the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto.

(vi) This Loan Agreement and the Borrower Bond have each been duly authorized by the Borrower and duly executed, attested and delivered by Authorized Officers of the Borrower, and the Borrower Bond has been duly sold by the Borrower to the Trust and duly issued by the Borrower; and assuming that the Trust has all the requisite power and authority to authorize, execute, attest and deliver, and has duly authorized, executed, attested and delivered, this Loan Agreement, and assuming further that this Loan Agreement is the legal, valid and binding obligation of the Trust, enforceable against the Trust in accordance with its terms, each of this Loan Agreement and the Borrower Bond constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights; and the information contained under "Description of Loan" in Exhibit A-2 attached hereto and made a part hereof is true and accurate in all respects.

(b) Full Disclosure. There is no fact that the Borrower has not disclosed to the Trust in writing on the Borrower’s application for the Loan or otherwise that materially adversely affects or (so far as the Borrower can now foresee) that will materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, or the ability of the Borrower to make all Loan Repayments and any other payments required under this Loan Agreement or otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect (i) the undertaking or completion of the Project, (ii) the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, (iii) the ability of the Borrower to make all Loan Repayments or any other payments required under this Loan Agreement, (iv) the authorization, execution, attestation or delivery of this Loan Agreement or the Borrower Bond, (v) the issuance of the Borrower Bond and the sale thereof to the Trust, or (vi) the Borrower’s ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond, which proceedings have not been previously disclosed in writing to the Trust either in the Borrower’s application for the Loan or otherwise.
Compliance with Existing Laws and Agreements.  (i) The authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond by the Borrower and the sale of the Borrower Bond to the Trust, (ii) the observation and performance by the Borrower of its duties, covenants, obligations and agreements hereunder and thereunder, (iii) the consummation of the transactions provided for in this Loan Agreement and the Borrower Bond, and (iv) the undertaking and completion of the Project will not (A) other than the lien, charge or encumbrance created hereby, by the Borrower Bond and by any other outstanding debt obligations of the Borrower that are at parity with the Borrower Bond as to lien on, and source and security for payment thereon from, the general tax revenues of the Borrower, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations is subject.

No Defaults.  No event has occurred and no condition exists that, upon the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, the sale of the Borrower Bond to the Trust or the receipt of the amount of the Loan, would constitute an Event of Default hereunder.  The Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it, its Environmental Infrastructure System or its properties may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System or the ability of the Borrower to make all Loan Repayments, to pay all other amounts due hereunder or otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

Governmental Consent.  The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, for the sale of the Borrower Bond to the Trust for the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond and for the undertaking or completion of the Project and the financing or refinancing thereof, including, but not limited to, the approval by the Local Finance Board in the Division of Local Government Services in the New Jersey Department of Community Affairs (the “Local Finance Board”) of the issuance by the Borrower of the Borrower Bond to the Trust, as required by Section 9a of the Act, and any other approvals required therefor by the Local Finance Board; and the Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond or with the undertaking or
completion of the Project and the financing or refinancing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer that has not been obtained is required on the part of the Borrower as a condition to the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, the sale of the Borrower Bond to the Trust, the undertaking or completion of the Project or the consummation of any transaction herein contemplated.

(g) **Compliance with Law.** The Borrower:

(i) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, the failure to comply with which would materially adversely affect (A) the ability of the Borrower to conduct its activities or to undertake or complete the Project, (B) the ability of the Borrower to make the Loan Repayments and to pay all other amounts due hereunder, or (C) the condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System; and

(ii) has obtained all licenses, permits, franchises or other governmental authorizations presently necessary for the ownership of its properties or for the conduct of its activities that, if not obtained, would materially adversely affect (A) the ability of the Borrower to conduct its activities or to undertake or complete the Project, (B) the ability of the Borrower to make the Loan Repayments and to pay all other amounts due hereunder, or (C) the condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System.

(h) **Use of Proceeds.** The Borrower will apply the proceeds of the Loan from the Trust as described in Exhibit B attached hereto and made a part hereof (i) to finance or refinance a portion of the Costs of the Borrower’s Project; and (ii) where applicable, to reimburse the Borrower for a portion of the Costs of the Borrower’s Project, which portion was paid or incurred in anticipation of reimbursement by the Trust and is eligible for such reimbursement under and pursuant to the Regulations, the Code and any other applicable law. All of such costs constitute Costs for which the Trust is authorized to make Loans to the Borrower pursuant to the Act and the Regulations.

(i) **Official Statement.** The descriptions and information set forth in the Borrower Appendices, if any, contained in the Official Statement relating to the Borrower, its operations and the transactions contemplated hereby, as of the date of the Official Statement, were and, as of the date of delivery hereof, are true and correct in all material respects, and did not and do not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(j) **Preliminary Official Statement.** As of the date of the Preliminary Official Statement, the descriptions and information set forth in the Borrower Appendices, if any, contained in the Preliminary Official Statement relating to the Borrower, its operations and the transactions contemplated hereby (i) were “deemed final” by the Borrower for the purposes and within the meaning of Rule 15c2-12 and (ii) were true and correct in all material respects, and did not contain any untrue statement of a material fact or omit to state a material fact necessary
to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

SECTION 2.02. Particular Covenants of Borrower.

(a) Full Faith and Credit Pledge. The Borrower unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal and redemption premium, if any, of the Borrower Bond, the Interest on the Borrower Bond and all other amounts due under the Borrower Bond, which Borrower Bond shall secure the Loan Repayments and all other amounts due under this Loan Agreement according to its terms. The Borrower acknowledges that to assure the continued operation and solvency of the Trust and to further secure the Trust Bonds, the Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Borrower fails or is unable to pay promptly to the Trust in full any Loan Repayments, an amount sufficient to satisfy such deficiency shall be paid by the New Jersey State Treasurer to the Trust from State-aid otherwise payable to the Borrower.

(b) Performance Under Loan Agreement; Rates. The Borrower covenants and agrees (i) to comply with all applicable state and federal laws, rules and regulations in the performance of this Loan Agreement; (ii) to cooperate with the Trust in the observance and performance of the respective duties, covenants, obligations and agreements of the Borrower and the Trust under this Loan Agreement; and (iii) to establish, levy and collect rents, rates and other charges for the products and services provided by its Environmental Infrastructure System, which rents, rates and other charges, together with any other moneys available for the purpose, shall be at least sufficient to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond ordinance, resolution, trust indenture or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower, including without limitation rents, rates and other charges, together with other available moneys, sufficient to pay the principal of and Interest on the Borrower Bond, plus all other amounts due hereunder.

(c) Completion of Project and Provision of Moneys Therefor. The Borrower covenants and agrees (i) to exercise its best efforts in accordance with prudent environmental infrastructure utility practice to complete the Project and to accomplish such completion on or before the estimated Project completion date set forth in Exhibit G hereto and made a part hereof; (ii) to comply with the terms and provisions contained in Exhibit G hereto; and (iii) to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives under the Loan and Fund Loan, required to complete the Project.

(d) Disposition of Environmental Infrastructure System. The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System except on ninety (90) days’ prior written notice to the Trust, and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless the following conditions are met: (i) the Borrower shall, in accordance with Section 4.02 hereof, assign this Loan Agreement and the Borrower Bond and its rights and interests hereunder and thereunder to the purchaser or lessee of the Environmental Infrastructure System, and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under this Loan Agreement and
the Borrower Bond; and (ii) the Trust shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not materially adversely affect (A) the Trust’s ability to meet its duties, covenants, obligations and agreements under the Bond Resolution, (B) the value of this Loan Agreement or the Borrower Bond as security for the payment of Trust Bonds and the interest thereon, or (C) the excludability from gross income for federal income tax purposes of the interest on Trust Bonds then outstanding or that could be issued in the future.

(e) Exclusion of Interest from Federal Gross Income and Compliance with Code.

(i) The Borrower covenants and agrees that it shall not take any action or omit to take any action that would result in the loss of the exclusion of the interest on any Trust Bonds now or hereafter issued from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.

(ii) The Borrower shall not take any action or omit to take any action that would cause its Borrower Bond or the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) to be “private activity bonds” within the meaning of Section 141(a) of the Code. Accordingly, unless the Borrower receives the prior written approval of the Trust, the Borrower shall not (A) permit any of the proceeds of the Trust Bonds loaned to the Borrower or the Project financed or refinanced with the proceeds of the Trust Bonds loaned to the Borrower to be used (directly or indirectly) in any manner that would constitute “private business use” within the meaning of Section 141(b)(6) of the Code, (B) use (directly or indirectly) any of the proceeds of the Trust Bonds loaned to the Borrower to make or finance loans to persons other than “governmental units” (as such term is used in Section 141(c) of the Code), or (C) use (directly or indirectly) any of the proceeds of the Trust Bonds loaned to the Borrower to acquire any “nongovernmental output property” within the meaning of Section 141(d)(2) of the Code.

(iii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action that would cause the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(iv) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay the principal of or the interest or redemption premium on or any other amount in connection with the retirement or redemption of any issue of state or local governmental obligations (“refinancing of indebtedness”), unless the Borrower shall (A) establish to the satisfaction of the Trust, prior to the issuance of the Trust Bonds, that such refinancing of indebtedness will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds, and (B) provide to the Trust an opinion of Bond Counsel to that effect in form and substance satisfactory to the Trust.
(v) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to reimburse the Borrower for an expenditure with respect to Costs of the Borrower’s Project paid by the Borrower prior to the issuance of the Trust Bonds, unless (A) the allocation by the Borrower of the proceeds of the Trust Bonds to reimburse such expenditure complies with the requirements of Treasury Regulations §1.150-2 necessary to enable the reimbursement allocation to be treated as an expenditure of the proceeds of the Trust Bonds for purposes of applying Sections 103 and 141-150, inclusive, of the Code, or (B) such proceeds of the Trust Bonds will be used for refinancing of indebtedness that was used to pay Costs of the Borrower’s Project or to reimburse the Borrower for expenditures with respect to Costs of the Borrower’s Project paid by the Borrower prior to the issuance of such indebtedness in accordance with a reimbursement allocation for such expenditures that complies with the requirements of Treasury Regulations §1.150-2.

(vi) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay any costs which are not Costs of the Borrower’s Project that constitute (A) a “capital expenditure,” within the meaning of Treasury Regulations §1.150-1, or (B) interest on the Trust Bonds accruing during a period commencing on the date of issuance of the Trust Bonds and ending on the date that is the later of (I) three years from the date of issuance of the Trust Bonds or (II) one year after the completion date with respect to the Project, as set forth in Exhibit G hereto.

(vii) The Borrower shall not use the proceeds of the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) in any manner that would cause the Trust Bonds to be considered “federally guaranteed” within the meaning of Section 149(b) of the Code or “hedge bonds” within the meaning of Section 149(g) of the Code.

(viii) The Borrower shall not issue any debt obligations that (A) are sold at substantially the same time as the Trust Bonds and finance or refinance the Loan made to the Borrower, (B) are sold pursuant to the same plan of financing as the Trust Bonds and finance or refinance the Loan made to the Borrower, and (C) are reasonably expected to be paid out of substantially the same source of funds as the Trust Bonds and finance or refinance the Loan made to the Borrower.

(ix) Neither the Borrower nor any “related party” (within the meaning of Treasury Regulations §1.150-1) shall purchase Trust Bonds in an amount related to the amount of the Loan.

(x) The Borrower will not issue or permit to be issued obligations that will constitute an “advance refunding” of the Borrower Bond within the meaning of Section 149(d)(5) of the Code without the express written consent of the Trust, which consent may only be delivered by the Trust after the Trust has received notice from the Borrower of such contemplated action no later than sixty (60) days prior to any such contemplated action, and which consent is in the sole discretion of the Trust.
(xi) The Borrower will not invest amounts held in any reserve or replacement fund of the Borrower (within the meaning of Section 148(d)(1) of the Code) that are allocable to the Borrower Bond evidencing the Loan at a yield in excess of the yield on the Trust Bonds, all in accordance with the instructions of the Trust, except for any period such amounts constitute proceeds of indebtedness of the Borrower the interest on which is excluded from gross income for purposes of federal income taxation and such amounts have not been reallocated to the Trust Bonds as "gross proceeds" of the Trust Bonds (in accordance with Treasury Regulations §1.148-6(b) or successor Treasury Regulations applicable to the Trust Bonds).

(xii) No “gross proceeds” of the Trust Bonds held by the Borrower (other than amounts in a “bona fide debt service fund”) will be held in a “commingled fund” (as such terms are defined in Treasury Regulations §1.148-1(b)).

(xiii) Based upon all of the objective facts and circumstances in existence on the date of issuance of the Trust Bonds used to finance the Project, (A) within six months of the date of issuance of the Trust Bonds used to finance the Project, the Borrower will incur a substantial binding obligation to a third party to expend on the Project at least five percent (5%) of the “net sale proceeds” (within the meaning of Treasury Regulations §1.148-1) of the Loan used to finance the Project (treating an obligation as not being binding if it is subject to contingencies within the control of the Borrower, the Trust or a “related party” (within the meaning of Treasury Regulations §1.150-1)), (B) completion of the Project and the allocation to expenditures of the “net sale proceeds” of the Loan used to finance the Project will proceed with due diligence, and (C) all of the proceeds of the Loan used to finance the Project (other than amounts deposited into the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution) allocable to that portion of the Loan used to finance reserve capacity, if any) and investment earnings thereon will be spent prior to the period ending three (3) years subsequent to the date of issuance of the Trust Bonds used to finance the Project. Accordingly, the proceeds of the Loan deposited in the Project Loan Account used to finance the Project will be eligible for the 3-year arbitrage temporary period since the expenditure test, time test and due diligence test, as set forth in Treasury Regulations §1.148-2(e)(2), will be satisfied.

(xiv) The weighted average maturity of the Loan does not exceed 120% of the average reasonably expected economic life of the Project financed or refinanced with the Loan, determined in the same manner as under Section 147(b) of the Code. Accordingly, the term of the Loan will not be longer than is reasonably necessary for the governmental purposes of the Loan within the meaning of Treasury Regulations §1.148-1(c)(4).

(xv) The Borrower shall only enter into service contracts (including management contracts), with respect to any portion of the Project financed by the Trust Bonds, with a “governmental unit” (within the meaning of Section 141 of the Code) or only when such contracts comply with Rev. Proc. 97-13, 1997-1 C.B. 632, or successor provisions applicable to the Trust Bonds; provided, that the Borrower delivers an opinion of Bond Counsel, in form and substance satisfactory to the Trust, to the effect that the
entering into of such contracts by the Borrower will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds.

(xvi) The Borrower shall, within 30 days of date the Borrower concludes that no additional proceeds of the Loan will be required to pay costs of the Project, provide to the Trust a certificate of the Borrower evidencing such conclusion.

For purposes of this subsection and subsection (g) of this Section 2.02, quoted terms shall have the meanings given thereto by Section 148 of the Code, including, particularly, Treasury Regulations §§1.148-1 through 1.148-11, inclusive, as supplemented or amended, to the extent applicable to the Trust Bonds, and any successor Treasury Regulations applicable to the Trust Bonds.

(f) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall, in accordance with prudent environmental infrastructure utility practice, (i) at all times operate the properties of its Environmental Infrastructure System and any business in connection therewith in an efficient manner, (ii) maintain its Environmental Infrastructure System in good repair, working order and operating condition, and (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its Environmental Infrastructure System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(g) Records and Accounts.

(i) The Borrower shall keep accurate records and accounts for its Environmental Infrastructure System (the “System Records”) separate and distinct from its other records and accounts (the “General Records”). Such System Records shall be audited annually by an independent registered municipal accountant or certified public accountant, which may be part of the annual audit of the General Records of the Borrower. Such System Records and General Records shall be made available for inspection by the Trust at any reasonable time upon prior written notice, and a copy of such annual audit(s) therefor, including all written comments and recommendations of such accountant, shall be furnished to the Trust within 150 days of the close of the fiscal year being so audited or, with the consent of the Trust, such additional period as may be provided by law.

(ii) Within 30 days following receipt of any Loan proceeds, including without limitation the “Allowance for Administrative Costs” or the “Allowance for Planning and Design” set forth in Exhibit B hereto, the Borrower shall allocate such proceeds to an expenditures in a manner that satisfies the requirements of Treasury Regulation §1.148-6(d) and transmit a copy of each such allocation to the Trust. No portion of the Allowance for Administrative Costs will be allocated to a cost other than a cost described in N.J.A.C. 7:22-5.11(a) 3, 4, 5 or 6. No portion of the Allowance for Planning and Design will be allocated to a cost other than a cost described N.J.A.C. 7:22-5.12, or other costs of the Borrower’s Environmental Infrastructure System which are “capital expenditures,” within the meaning of Treasury Regulations §1.150-1. The Borrower
shall retain records of such allocations for at least until the date that is three years after
the scheduled maturity date of the Trust Bonds. The Borrower shall make such records
available to the Trust within 15 days of any request by the Trust.

(iii) Unless otherwise advised in writing by the Trust, in furtherance of the
covenant of the Borrower contained in subsection (f) of this Section 2.02 not to cause the
Trust Bonds to be arbitrage bonds, the Borrower shall keep, or cause to be kept, accurate
records of each investment it makes in any “nonpurpose investment” acquired with, or
otherwise allocated to, “gross proceeds” of the Trust Bonds not held by the Trustee and
each “expenditure” it makes allocated to “gross proceeds” of the Trust Bonds. Such
records shall include the purchase price, including any constructive “payments” (or in the
case of a “payment” constituting a deemed acquisition of a “nonpurpose investment”
(e.g., a “nonpurpose investment” first allocated to “gross proceeds” of the Trust Bonds
after it is actually acquired because it is deposited in a sinking fund for the Trust Bonds)),
the “fair market value” of the “nonpurpose investment” on the date first allocated to the
“gross proceeds” of the Trust Bonds, nominal interest rate, dated date, maturity date, type
of property, frequency of periodic payments, period of compounding, yield to maturity,
amount actually or constructively received on disposition (or in the case of a “receipt”
constituting a deemed disposition of a “nonpurpose investment” (e.g., a “nonpurpose
investment” that ceases to be allocated to the “gross proceeds” of the Trust Bonds
because it is removed from a sinking fund for the Trust Bonds)), the “fair market value”
of the “nonpurpose investment” on the date it ceases to be allocated to the “gross
proceeds” of the Trust Bonds, the purchase date and disposition date of the “nonpurpose
investment” and evidence of the “fair market value” of such property on the purchase
date and disposition date (or deemed purchase or disposition date) for each such
“nonpurpose investment”. The purchase date, disposition date and the date of
determination of “fair market value” shall be the date on which a contract to purchase or
sell the “nonpurpose investment” becomes binding, i.e., the trade date rather than the
settlement date. For purposes of the calculation of purchase price and disposition price,
brokerage or selling commissions, administrative expenses or similar expenses shall not
increase the purchase price of an item and shall not reduce the amount actually or
constructively received upon disposition of an item, except to the extent such costs
constitute “qualified administrative costs”.

(iv) Within thirty (30) days of the last day of the fifth and each succeeding
fifth “bond year” (which, unless otherwise advised by the Trust, shall be the five-year
period ending on the date five years subsequent to the date immediately preceding the
date of issuance of the Trust Bonds and each succeeding fifth “bond year”) and within
thirty (30) days of the date the last bond that is part of the Trust Bonds is discharged (or
on any other periodic basis requested in writing by the Trust), the Borrower shall (A)
calculate, or cause to be calculated, the “rebate amount” as of the “computation date” or
“final computation date” attributable to any “nonpurpose investment” made by the
Borrower and (B) remit the following to the Trust: (1) an amount of money that when
added to the “future value” as of the “computation date” of any previous payments made
to the Trust on account of rebate equals the “rebate amount”, (2) the calculations
supporting the “rebate amount” attributable to any “nonpurpose investment” made by the
Borrower allocated to “gross proceeds” of the Trust Bonds, and (3) any other information
requested by the Trust relating to compliance with Section 148 of the Code (e.g.,
information related to any “nonpurpose investment” of the Borrower for purposes of
application of the “universal cap”).

(v) The Borrower covenants and agrees that it will account for “gross
proceeds” of the Trust Bonds, investments allocable to the Trust Bonds and expenditures
of “gross proceeds” of the Trust Bonds in accordance with Treasury Regulations §1.148-
6. All allocations of “gross proceeds” of the Trust Bonds to expenditures will be
recorded on the books of the Borrower kept in connection with the Trust Bonds no later
than 18 months after the later of the date the particular Costs of the Borrower’s Project is
paid or the date the portion of the project financed by the Trust Bonds is placed in
service. All allocations of proceeds of the Trust Bonds to expenditures will be made no
later than the date that is 60 days after the fifth anniversary of the date the Trust Bonds
are issued or the date 60 days after the retirement of the Trust Bonds, if earlier. Such
records and accounts will include the particular Costs paid, the date of the payment and
the party to whom the payment was made.

(vi) From time to time as directed by the Trust, the Borrower shall provide to
the Trust a written report demonstrating compliance by the Borrower with the provisions
of Section 2.02(e) of this Loan Agreement, each such written report to be submitted by
the Borrower to the Trust in the form of a full and complete written response to a
questionnaire provided by the Trust to the Borrower. Each such questionnaire shall be
provided by the Trust to the Borrower not less than fourteen (14) days prior to the date
established by the Trust for receipt from the Borrower of the full and complete written
response to the questionnaire.

(h) Inspections; Information. The Borrower shall permit the Trust and the Trustee
and any party designated by any of such parties, at any and all reasonable times during
disconstruction of the Project and thereafter upon prior written notice, to examine, visit and inspect
the property, if any, constituting the Project and to inspect and make copies of any accounts,
books and records, including (without limitation) its records regarding receipts, disbursements,
contracts, investments and any other matters relating thereto and to its financial standing, and
shall supply such reports and information as the Trust and the Trustee may reasonably require in
connection therewith.

(i) Insurance. The Borrower shall maintain or cause to be maintained, in force,
insurance policies with responsible insurers or self-insurance programs providing against risk of
direct physical loss, damage or destruction of its Environmental Infrastructure System at least to
the extent that similar insurance is usually carried by utilities constructing, operating and
maintaining Environmental Infrastructure Facilities of the nature of the Borrower’s
Environmental Infrastructure System, including liability coverage, all to the extent available at
reasonable cost but in no case less than will satisfy all applicable regulatory requirements.

(j) Costs of Project. The Borrower certifies that the building cost of the Project, as
listed in Exhibit B hereto and made a part hereof, is a reasonable and accurate estimation thereof,
and it will supply to the Trust a certificate from a licensed professional engineer authorized to
practice in the State stating that such building cost is a reasonable and accurate estimation and that the useful life of the Project exceeds the maturity date of the Borrower Bond.

(k) **Delivery of Documents.** Concurrently with the delivery of this Loan Agreement (as previously authorized, executed and attested) at the Loan Closing, the Borrower will cause to be delivered to the Trust and the Trustee each of the following items:

(i) an opinion of the Borrower’s bond counsel substantially in the form of Exhibit E hereto; provided, however, that the Trust may permit portions of such opinion to be rendered by general counsel to the Borrower and may permit variances in such opinion from the form set forth in Exhibit E if, in the opinion of the Trust, such variances are not to the material detriment of the interests of the holders of the Trust Bonds;

(ii) counterparts of this Loan Agreement as previously executed and attested by the parties hereto;

(iii) copies of those ordinances and/or resolutions finally adopted by the governing body of the Borrower and requested by the Trust, including, without limitation, (A) the resolution of the Borrower authorizing the execution, attestation and delivery of this Loan Agreement, (B) the ordinances and resolutions of the Borrower authorizing the execution, attestation, sale and delivery of the Borrower Bond to the Trust, (C) the resolution of the Borrower, if any, confirming the details of the sale of the Borrower Bond to the Trust, (D) the resolution of the Borrower, if any, declaring its official intent to reimburse expenditures for the Costs of the Project from the proceeds of the Trust Bonds, each of said ordinances and resolutions of the Borrower being certified by an Authorized Officer of the Borrower as of the date of the Loan Closing, (E) the resolution of the Local Finance Board approving the issuance by the Borrower of the Borrower Bond to the Trust and setting forth any other approvals required therefor by the Local Finance Board, and (F) any other Proceedings;

(iv) if the Loan is being made to reimburse the Borrower for all or a portion of the Costs of the Borrower’s Project or to refinance indebtedness or reimburse the Borrower for the repayment of indebtedness previously incurred by the Borrower to finance all or a portion of the Costs of the Borrower’s Project, an opinion of Bond Counsel, in form and substance satisfactory to the Trust, to the effect that such reimbursement or refinancing will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds; and

(v) the certificates of insurance coverage as required pursuant to the terms of Section 3.06(d) hereof and such other certificates, documents, opinions and information as the Trust may require in Exhibit F hereto, if any.

(l) **Execution and Delivery of Borrower Bond.** Concurrently with the delivery of this Loan Agreement at the Loan Closing, the Borrower shall also deliver to the Trust the Borrower Bond, as previously executed and attested, upon the receipt of a written certification of the Trust that a portion of the net proceeds of the Trust Bonds shall be deposited in the Project Loan Account simultaneously with the delivery of the Borrower Bond.
(m) **Notice of Material Adverse Change.** The Borrower shall promptly notify the Trust of any material adverse change in the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, or in the ability of the Borrower to make all Loan Repayments and otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

(n) **Continuing Representations.** The representations of the Borrower contained herein shall be true at the time of the execution of this Loan Agreement and at all times during the term of this Loan Agreement.

(o) **Additional Covenants and Requirements.** (i) No later than the Loan Closing and, if necessary, in connection with the Trust’s issuance of the Trust Bonds or the making of the Loan, additional covenants and requirements have been included in Exhibit F hereto and made a part hereof. Such covenants and requirements may include, but need not be limited to, the maintenance of specified levels of Environmental Infrastructure System rates, the issuance of additional debt of the Borrower, the use by or on behalf of the Borrower of certain proceeds of the Trust Bonds as such use relates to the exclusion from gross income for federal income tax purposes of the interest on any Trust Bonds, the transfer of revenues and receipts from the Borrower’s Environmental Infrastructure System, compliance with Rule 15c2-12, Rule 10b-5 and any other applicable federal or state securities laws, and matters in connection with the appointment of the Trustee under the Bond Resolution and any successors thereto. The Borrower hereby agrees to observe and comply with each such additional covenant and requirement, if any, included in Exhibit F hereto as if the same were set forth herein in its entirety. (ii) Additional defined terms, covenants, representations and requirements have been included in Schedule A attached hereto and made a part hereof. Such additional defined terms, covenants, representations and requirements are incorporated in this Loan Agreement by reference thereto as if set forth in full herein and the Borrower hereby agrees to observe and comply with each such additional term, covenant, representation and requirement included in Schedule A as if the same were set forth in its entirety where reference thereto is made in this Loan Agreement.

(p) **Continuing Disclosure Covenant.** To the extent that the Trust, in its sole discretion, determines, at any time prior to the termination of the Loan Term, that the Borrower is a material “obligated person”, as the term “obligated person” is defined in Rule 15c2-12, with materiality being determined by the Trust pursuant to criteria established, from time to time, by the Trust in its sole discretion and set forth in a bond resolution or official statement of the Trust, the Borrower hereby covenants that it will authorize and provide to the Trust, for inclusion in any preliminary official statement or official statement of the Trust, all statements and information relating to the Borrower and deemed material by the Trust for the purpose of satisfying Rule 15c2-12 and Rule 10b-5 promulgated pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto (“Rule 10b-5”), including certificates and written representations of the Borrower evidencing its compliance with Rule 15c2-12 and Rule 10b-5; and the Borrower hereby further covenants that the Borrower shall execute and deliver the Continuing Disclosure Agreement, in substantially the form attached hereto as Exhibit H, with such revisions thereto prior to execution and delivery thereof as the Trust shall determine to be necessary, desirable or convenient, in its sole
discretion, for the purpose of satisfying Rule 15c2-12 and the purposes and intent thereof, as Rule 15c2-12, its purposes and intent may hereafter be interpreted from time to time by the SEC or any court of competent jurisdiction; and pursuant to the terms and provisions of the Continuing Disclosure Agreement, the Borrower shall thereafter provide on-going disclosure with respect to all statements and information relating to the Borrower in satisfaction of the requirements set forth in Rule 15c2-12 and Rule 10b-5, including, without limitation, the provision of certificates and written representations of the Borrower evidencing its compliance with Rule 15c2-12 and Rule 10b-5.
ARTICLE III

LOAN TO BORROWER; AMOUNTS PAYABLE; GENERAL AGREEMENTS

SECTION 3.01. Loan; Loan Term. The Trust hereby agrees to make the Loan as described in Exhibit A-2 hereof and to disburse proceeds of the Loan to the Borrower in accordance with Section 3.02 and Exhibit C hereof, and the Borrower hereby agrees to borrow and accept the Loan from the Trust upon the terms set forth in Exhibit A-2 attached hereto and made a part hereof; provided, however, that the Trust shall be under no obligation to make the Loan if (a) at the Loan Closing, the Borrower does not deliver to the Trust a Borrower Bond and such other documents required under Section 2.02(k) hereof, or (b) an Event of Default has occurred and is continuing under the Bond Resolution or this Loan Agreement. Although the Trust intends to disburse proceeds of the Loan to the Borrower at the times and up to the amounts set forth in Exhibit C to pay a portion of the Costs of the Project, due to unforeseen circumstances there may not be a sufficient amount on deposit in the Project Fund on any date to make the disbursement in such amount. Nevertheless, the Borrower agrees that the amount actually deposited in the Project Loan Account at the Loan Closing plus the Borrower’s allocable share of (i) certain costs of issuance and underwriter’s discount for all Trust Bonds issued to finance the Loan; (ii) capitalized interest during the Project construction period, if applicable; and (iii) that portion of the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution) attributable to the cost of funding reserve capacity for the Project, if applicable, shall constitute the initial principal amount of the Loan (as the same may be adjusted downward in accordance with the definition thereof), and neither the Trust nor the Trustee shall have any obligation thereafter to loan any additional amounts to the Borrower.

The Borrower shall use the proceeds of the Loan strictly in accordance with Section 2.01(h) hereof.

The payment obligations created under this Loan Agreement are secured by the Borrower Bond. The obligations to pay the principal of the Borrower Bond, Interest on the Borrower Bond and other amounts due under the Borrower Bond are each direct, general, irrevocable and unconditional obligations of the Borrower payable from any source legally available to the Borrower, including, without limitation, the general tax revenues of the Borrower, and the Borrower shall, if necessary, levy ad valorem taxes upon all the taxable property within the Borrower for the payment of such obligations, without limitation as to rate or amount.

SECTION 3.02. Disbursement of Loan Proceeds.

(a) The Trustee, as the agent of the Trust, shall disburse the amounts on deposit in the Project Loan Account to the Borrower upon receipt of a requisition executed by an Authorized Officer of the Borrower, and approved by the Trust, in a form meeting the requirements of Section 5.02(3) of the Bond Resolution.

(b) The Trust and Trustee shall not be required to disburse any Loan proceeds to the Borrower under this Loan Agreement, unless:
(i) the proceeds of the Trust Bonds shall be available for disbursement, as determined solely by the Trust;

(ii) in accordance with the Bond Act, and the Regulations, the Borrower shall have timely applied for, shall have been awarded and, prior to or simultaneously with the Loan Closing, shall have closed a Fund Loan for a portion of the Allowable Costs (as defined in such Regulations) of the Project in an amount not in excess of the amount of Allowable Costs of the Project financed by the Loan from the Trust;

(iii) the Borrower shall have funds available to pay for the greater of (A) that portion of the total Costs of the Project that is not eligible to be funded from the Fund Loan or the Loan, or (B) that portion of the total Costs of the Project that exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Fund Loan and the Loan; and

(iv) no Event of Default nor any event that, with the passage of time or service of notice or both, would constitute an Event of Default shall have occurred and be continuing hereunder.

SECTION 3.03. Amounts Payable.

(a) The Borrower shall repay the Loan in installments payable to the Trustee as follows:

(i) the principal of the Loan shall be repaid annually on the Principal Payment Dates, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution;

(ii) the Interest Portion described in clause (i) of the definition thereof shall be paid semiannually on the Interest Payment Dates, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution; and

(iii) the Interest Portion described in clause (ii) of the definition thereof shall be paid upon the date of optional redemption or acceleration, as the case may be, of the Trust Bonds allocable to any prepaid or accelerated Trust Bond Loan Repayment.

The obligations of the Borrower under the Borrower Bond shall be deemed to be amounts payable under this Section 3.03. Each Loan Repayment, whether satisfied through a direct payment by the Borrower to the Trustee or (with respect to the Interest Portion) through the use of Trust Bond proceeds and income thereon on deposit in the Interest Account (as defined in the Bond Resolution) to pay interest on the Trust Bonds, shall be deemed to be a credit against the corresponding obligation of the Borrower under this Section 3.03 and shall fulfill the Borrower’s obligation to pay such amount hereunder and under the Borrower Bond. Each payment made to the Trustee pursuant to this Section 3.03 shall be applied first to the Interest Portion then due and
payable, second to the principal of the Loan then due and payable, third to the payment of the Administrative Fee, and finally to the payment of any late charges hereunder.

(b) The Interest on the Loan described in clause (iii) of the definition thereof shall (i) consist of a late charge for any Trust Bond Loan Repayment that is received by the Trustee later than the tenth (10th) day following its due date and (ii) be payable immediately thereafter in an amount equal to the greater of twelve percent (12%) per annum or the Prime Rate plus one half of one percent per annum on such late payment from its due date to the date it is actually paid; provided, however, that the rate of Interest on the Loan, including, without limitation, any late payment charges incurred hereunder, shall not exceed the maximum interest rate permitted by law.

(c) The Borrower shall receive, as a credit against its semiannual payment obligations of the Interest Portion, the amounts, if any, certified by the Trust pursuant to Section 5.10 of the Bond Resolution. Such amounts shall represent the Borrower’s allocable share of the interest earnings on certain funds and accounts established under the Bond Resolution, as calculated and determined in accordance with Section 5.10 of the Bond Resolution.

(d) In accordance with the provisions of the Bond Resolution, the Borrower shall receive, as a credit against its Trust Bond Loan Repayments, the amounts, if any, set forth in the certificate of the Trust filed with the Trustee pursuant to Section 5.02(4) of the Bond Resolution.

(e) The Interest on the Loan described in clause (ii) of the definition thereof shall be paid by the Borrower in the amount of one-half of the Administrative Fee, if any, to the Trustee semiannually on each February 1 and August 1, commencing August 1, 2015.

(f) In the event that the Borrower fails or is unable to pay promptly to the Trust in full any Loan Repayment or any other payment required under this Loan Agreement when due, the Borrower hereby acknowledges that the Trust may exercise its right under and in accordance with Section 12a of the Act to satisfy such deficiency from State-aid payable to the Borrower. The amount of State-aid so paid to the Trust shall be deemed to be a credit against the obligations of the Borrower under this Section 3.03, and any such payment made to the Trust shall fulfill the Borrower’s obligation to pay such amount under this Loan Agreement and the Borrower Bond. Each such payment of State-aid so made to the Trust shall be applied first to the Interest Portion then due and payable, second, to the extent available, to the principal of the Loan then due and payable, third, to the extent available, to the Administrative Fee, fourth, to the extent available, to the payment of any late charges incurred hereunder, and finally, to the extent available, to any other payment required under this Loan Agreement.

(g) Upon thirty (30) days prior written notice to the Borrower, an Authorized Officer of the Trust may, in the sole discretion of such Authorized Officer, prescribe the particular method by which payments pursuant to, and in satisfaction of, this Section 3.03 shall be made by the Borrower. Such method as prescribed by an Authorized Officer of the Trust may include, without limitation, the automatic debit by the Trust or the Trustee of the respective amounts of such payments, as required by this Section 3.03, from an account that shall be identified by the Borrower in writing and recorded on file with the Trust and the Trustee. In the absence of any such written notice to the Borrower by an Authorized Officer of the Trust pursuant to this
subsection (g), the Borrower shall implement the payments required pursuant to, and in satisfaction of, this Section 3.03 either via electronic transfer of immediately available funds or via check.

**SECTION 3.03A. Amounts on Deposit in Project Loan Account After Completion of Project Draws.**

(a) If, on the date which is one hundred eighty (180) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to the original draw schedule contained in Exhibit C hereto, any amounts remain on deposit in the Borrower’s Project Loan Account, the Borrower shall provide to the Trust and the Department a certificate of an Authorized Officer of the Borrower (i) stating that the Borrower has not yet completed the Project, (ii) stating that the Borrower intends to complete the Project, (iii) setting forth the amount of remaining Loan Proceeds required to complete the Project, and (iv) providing a revised draw schedule, in a form similar to Exhibit C hereto and approved by the Department.

(b) If, on the date which is one hundred eighty (180) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to the revised draw schedule certified to the Trust and the Department in accordance with Section 3.03A(a) hereof, any amounts remain on deposit in the Borrower’s Project Loan Account, the Borrower shall provide to the Trust and the Department a certificate of an Authorized Officer of the Borrower (i) stating that the Borrower has not yet completed the Project, (ii) stating that the Borrower intends to complete the Project, (iii) setting forth the amount of remaining Loan Proceeds required to complete the Project, and (iv) providing a further revised draw schedule, in a form similar to Exhibit C hereto and approved by the Department.

(c) If (i) the Borrower fails to provide the certificate described in paragraphs (a) or (b) of this Section 3.03A, when due, or (ii) a certificate provided pursuant to paragraphs (a) or (b) of this Section 3.03A states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account for completion of the Project, or (iii) on the date which is one hundred eighty (180) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to a further revised draw schedule certified to the Trust and the Department in accordance with Section 3.03A(b) hereof, any amounts remain on deposit in the Borrower’s Project Loan Account, or (iv) a certificate provided pursuant to Section 2.02(e)(xvi) hereof states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account for completion of the Project, then such amounts on deposit in the Project Loan Account, which are amounts that have not been certified by an Authorized Officer of the Borrower as being required to complete the Project (“Excess Project Funds”), shall be applied as follows:

(A) If the Excess Project Funds are less than or equal to the greater of (1) $250,000 or (2) the amount of Loan Repayments due from the Borrower to the Trust in the next succeeding calendar year, the Excess Project Funds shall be applied by the Trust toward the Borrower’s obligation to make the Loan Repayments next coming due; or

(B) If the Excess Project Funds are greater than the greater of (1) $250,000 or (2) the amount of Loan Repayments due from the Borrower to the Trust in the next...
succeeding calendar year, the Excess Project Funds shall be applied by the Trust as a prepayment of the Borrower’s Loan Repayments, and shall be applied to the principal payments (including the premium, if any, associated with any optional or mandatory redemption of Trust Bonds) on the Loan in inverse order of their maturity.

SECTION 3.04. Unconditional Obligations. The direct, general obligation of the Borrower to make the Loan Repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever while any Trust Bonds remain outstanding or any Loan Repayments remain unpaid, for any reason, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project, this Loan Agreement or the Bond Resolution, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Trust, the Trustee or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights. The Borrower shall not be obligated to make any payments required to be made by any other Borrowers under separate Loan Agreements or the Bond Resolution.

The Borrower acknowledges that payment of the Trust Bonds by the Trust, including payment from moneys drawn by the Trustee from the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution), does not constitute payment of the amounts due under this Loan Agreement and the Borrower Bond. If at any time the amount in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement as the result of any transfer of moneys from the Debt Service Reserve Fund to the Debt Service Fund (as all such terms are defined in the Bond Resolution) as the result of a failure by the Borrower to make any Trust Bond Loan Repayments required hereunder, the Borrower agrees to replenish (i) such moneys so transferred and (ii) any deficiency arising from losses incurred in making such transfer as the result of the liquidation by the Trust of Investment Securities (as defined in the Bond Resolution) acquired as an investment of moneys in the Debt Service Reserve Fund, by making payments to the Trust in equal monthly installments for the lesser of six (6) months or the remaining term of the Loan at an interest rate to be determined by the Trust necessary to make up any loss caused by such deficiency.

The Borrower acknowledges that payment of the Trust Bonds from moneys that were originally received by the Trustee pursuant to Section 5.04(1) of the Bond Resolution from repayments by the Borrowers of loans made to the Borrowers by the State, acting by and through the Department, pursuant to loan agreements dated as of May 1, 2015 by and between the Borrowers and the State, acting by and through the Department, to finance or refinance a portion of the Costs of the Environmental Infrastructure Facilities of the Borrowers, does not constitute payment of the amounts due under this Loan Agreement and the Borrower Bond.
SECTION 3.05.  Loan Agreement to Survive Bond Resolution and Trust Bonds.

The Borrower acknowledges that its duties, covenants, obligations and agreements hereunder shall survive the discharge of the Bond Resolution applicable to the Trust Bonds and shall survive the payment of the principal and redemption premium, if any, of and the interest on the Trust Bonds until the Borrower can take no action or fail to take any action that could adversely affect the exclusion from gross income of the interest on the Trust Bonds for purposes of federal income taxation, at which time such duties, covenants, obligations and agreements hereunder shall, except for those set forth in Sections 3.06(a) and (b) hereof, terminate.

SECTION 3.06.  Disclaimer of Warranties and Indemnification.

(a) The Borrower acknowledges and agrees that (i) neither the Trust nor the Trustee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the Environmental Infrastructure System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Trust or the Trustee or their respective agents be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the Environmental Infrastructure System or the Project or any item or products or services provided for in this Loan Agreement; and (iii) to the fullest extent permitted by law, the Borrower shall indemnify and hold the Trust and the Trustee harmless against, and the Borrower shall pay any and all, liability, loss, cost, damage, claim, judgment or expense of any and all kinds or nature and however arising and imposed by law, which the Trust and the Trustee may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death or damage to property, whether real, personal or mixed, or upon or arising out of contracts entered into by the Borrower, the Borrower’s ownership of the Environmental Infrastructure System or the Project, or the acquisition, construction or installation of the Project.

(b) It is mutually agreed by the Borrower, the Trust and the Trustee that the Trust and its officers, agents, servants or employees shall not be liable for, and shall be indemnified and saved harmless by the Borrower in any event from, any action performed under this Loan Agreement and any claim or suit of whatsoever nature, except in the event of loss or damage resulting from their own negligence or willful misconduct. It is further agreed that the Trustee and its directors, officers, agents, servants or employees shall not be liable for, and shall be indemnified and saved harmless by the Borrower in any event from, any action performed pursuant to this Loan Agreement, except in the event of loss or damage resulting from their own negligence or willful misconduct.

(c) The Borrower and the Trust agree that all claims shall be subject to and governed by the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. (except for N.J.S.A. 59:13-9 thereof), although such Act by its express terms does not apply to claims arising under contract with the Trust.

(d) In connection with its obligation to provide the insurance required under Section 2.02(i) hereof: (i) the Borrower shall include, or cause to be included, the Trust and its directors, employees and officers as additional “named insureds” on (A) any certificate of liability
insurance procured by the Borrower (or other similar document evidencing the liability insurance coverage procured by the Borrower) and (B) any certificate of liability insurance procured by any contractor or subcontractor for the Project, and from the later of the date of the Loan Closing or the date of the initiation of construction of the Project until the date the Borrower receives the written certificate of Project completion from the Trust, the Borrower shall maintain said liability insurance covering the Trust and said directors, employees and officers in good standing; and (ii) the Borrower shall include the Trust as an additional “named insured” on any certificate of insurance providing against risk of direct physical loss, damage or destruction of the Environmental Infrastructure System, and during the Loan Term the Borrower shall maintain said insurance covering the Trust in good standing.

The Borrower shall provide the Trust with a copy of each of any such original, supplemental, amendatory or reissued certificates of insurance (or other similar documents evidencing the insurance coverage) required pursuant to this Section 3.06(d).

SECTION 3.07. Option to Prepay Loan Repayments. The Borrower may prepay the Trust Bond Loan Repayments, in whole or in part (but if in part, in the amount of $100,000 or any integral multiple thereof), upon prior written notice to the Trust and the Trustee not less than ninety (90) days in addition to the number of days’ advance notice to the Trustee required for any optional redemption of the Trust Bonds, and upon payment by the Borrower to the Trustee of amounts that, together with investment earnings thereon, will be sufficient to pay the principal amount of the Trust Bond Loan Repayments to be prepaid plus the Interest Portion described in clause (ii) of the definition thereof on any such date of redemption; provided, however, that, with respect to any prepayment other than those required by Section 3.03A hereof, any such full or partial prepayment may only be made (i) if the Borrower is not then in arrears on its Fund Loan, (ii) if the Borrower is contemporaneously making a full or partial prepayment of the Fund Loan such that, after the prepayment of the Loan and the Fund Loan, the Trust, in its sole discretion, determines that the interests of the owners of the Trust Bonds are not adversely affected by such prepayments, (iii) upon the prior written approval of the Trust, and (iv) provided that the Borrower shall agree to pay all costs and expenses of the Trust in connection with such prepayment, including, without limitation, the fees of Bond Counsel to the Trust and any other professional advisors to the Trust. In addition, if at the time of such prepayment the Trust Bonds may only be redeemed at the option of the Trust upon payment of a premium, the Borrower shall add to its prepayment of Trust Bond Loan Repayments an amount, as determined by the Trust, equal to such premium allocable to the Trust Bonds to be redeemed as a result of the Borrower’s prepayment. Prepayments shall be applied first to the Interest Portion that accrues on the portion of the Loan to be prepaid until such prepayment date as described in clause (ii) of the definition thereof and then to principal payments (including premium, if any) on the Loan in inverse order of their maturity.

SECTION 3.08. Priority of Loan and Fund Loan.

(a) The Borrower hereby acknowledges that, to the extent allowed by law, any Loan Repayments then due and payable on the Loan shall be satisfied by the Trustee before any loan repayments on the Borrower’s Fund Loan shall be satisfied by the Trustee. The Borrower agrees not to interfere with any such action by the Trustee.
(b) The Borrower hereby acknowledges that in the event the Borrower fails or is unable to pay promptly to the Trust in full any Trust Bond Loan Repayments under this Loan Agreement when due, then any (i) Administrative Fee paid hereunder, (ii) late charges paid hereunder, and (iii) loan repayments paid by the Borrower on its Fund Loan under the related loan agreement therefor, any of which payments shall be received by the Trustee during the time of any such Trust Bond Loan Repayment deficiency, shall be applied by the Trustee first to satisfy such Trust Bond Loan Repayment deficiency as a credit against the obligations of the Borrower to make payments of the Interest Portion under the Loan and the Borrower Bond, second, to the extent available, to make Trust Bond Loan Repayments of principal hereunder and payments of principal under the Borrower Bond, third, to the extent available, to pay the Administrative Fee, fourth, to the extent available, to pay any late charges hereunder, fifth, to the extent available, to satisfy the repayment of the Borrower’s Fund Loan under its related loan agreement therefor, and finally, to the extent available, to satisfy the repayment of the administrative fee under any such related loan agreement.

(c) The Borrower hereby further acknowledges that any loan repayments paid by the Borrower on its Fund Loan under the related loan agreement therefor shall be applied according to the provisions of the Master Program Trust Agreement.

SECTION 3.09. Approval of the New Jersey State Treasurer. The Borrower and the Trust hereby acknowledge that prior to or simultaneously with the Loan Closing the New Jersey State Treasurer, in satisfaction of the requirements of Section 9a of the Act, issued the “Certificate of the New Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” (the “Treasurer’s Certificate”). Pursuant to the terms of the Treasurer’s Certificate, the New Jersey State Treasurer approved the Loan and the terms and conditions thereof as established by the provisions of this Loan Agreement.
ARTICLE IV

ASSIGNMENT OF LOAN AGREEMENT AND BORROWER BOND

SECTION 4.01. Assignment and Transfer by Trust.

(a) The Borrower hereby expressly acknowledges that, other than the provisions of Section 2.02(c)(ii) hereof, the Trust’s right, title and interest in, to and under this Loan Agreement and the Borrower Bond have been assigned to the Trustee as security for the Trust Bonds as provided in the Bond Resolution, and that if any Event of Default shall occur, the Trustee or any Bond Insurer (as such term may be defined in the Bond Resolution), if applicable, pursuant to the Bond Resolution, shall be entitled to act hereunder in the place and stead of the Trust. The Borrower hereby acknowledges the requirements of the Bond Resolution applicable to the Trust Bonds and consents to such assignment and appointment. This Loan Agreement and the Borrower Bond, including, without limitation, the right to receive payments required to be made by the Borrower hereunder and to compel or otherwise enforce observance and performance by the Borrower of its other duties, covenants, obligations and agreements hereunder, may be further transferred, assigned and reassigned in whole or in part to one or more assignees or subassignees by the Trustee at any time subsequent to their execution without the necessity of obtaining the consent of, but after giving prior written notice to, the Borrower.

The Trust shall retain the right to compel or otherwise enforce observance and performance by the Borrower of its duties, covenants, obligations and agreements under Section 2.02(c)(ii) hereof; provided, however, that in no event shall the Trust have the right to accelerate the Borrower Bond in connection with the enforcement of Section 2.02(c)(ii) hereof.

(b) The Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement and the Borrower Bond that the Trust deems to be necessary in connection with any refunding of the Trust Bonds or the issuance of additional bonds under the Bond Resolution or otherwise, all in connection with the pooled loan program of the Trust.

SECTION 4.02. Assignment by Borrower. Neither this Loan Agreement nor the Borrower Bond may be assigned by the Borrower for any reason, unless the following conditions shall be satisfied: (i) the Trust and the Trustee shall have approved said assignment in writing; (ii) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower’s duties, covenants, obligations and agreements under this Loan Agreement and, to the extent permitted under applicable law, the Borrower Bond; (iii) immediately after such assignment, the assignee shall not be in default in the observance or performance of any duties, covenants, obligations or agreements of the Borrower under this Loan Agreement or the Borrower Bond; and (iv) the Trust shall have received an opinion of Bond Counsel to the effect that such assignment will not adversely affect the security of the holders of the Trust Bonds or the exclusion of the interest on the Trust Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code.
ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.01. Events of Default. If any of the following events occur, it is hereby defined as and declared to be and to constitute an “Event of Default”:

(a) failure by the Borrower to pay, or cause to be paid, any Trust Bond Loan Repayment required to be paid hereunder when due, which failure shall continue for a period of fifteen (15) days;

(b) failure by the Borrower to pay, or cause to be paid, the Administrative Fee or any late charges incurred hereunder or any portion thereof when due or to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in subsection (a) of this Section 5.01 or other than the obligations of the Borrower contained in Section 2.02(c)(ii) hereof and in Exhibit F hereto, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Trustee may not unreasonably withhold its consent to an extension of such time up to 120 days from the delivery of the written notice referred to above if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Event of Default is corrected;

(c) any representation made by or on behalf of the Borrower contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement or the Loan, is false or misleading in any material respect;

(d) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, and/or any proceeding with respect to such petition and/or pursuant to any such law shall occur or be pending (including, without limitation, the operation and administration of the Borrower pursuant to any plan of reorganization approved and implemented under any such law), unless in the case of any such petition filed against the Borrower or any such proceeding such petition and such proceeding shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal or the further jurisdiction of any court; or the Borrower shall become insolvent or bankrupt or shall make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee, but not including a takeover by the Division of Local Government Services in the New Jersey Department of Community Affairs) of the Borrower or any of its property shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days;

(e) the Borrower shall generally fail to pay its debts as such debts become due; and
(f) failure of the Borrower to observe or perform such additional duties, covenants, obligations, agreements or conditions as are required by the Trust and specified in Exhibit F attached hereto and made a part hereof.

SECTION 5.02. Notice of Default. The Borrower shall give the Trustee and the Trust prompt telephonic notice of the occurrence of any Event of Default referred to in Section 5.01(d) or (e) hereof and of the occurrence of any other event or condition that constitutes an Event of Default at such time as any senior administrative or financial officer of the Borrower becomes aware of the existence thereof.

SECTION 5.03. Remedies on Default. Whenever an Event of Default referred to in Section 5.01 hereof shall have occurred and be continuing, the Borrower acknowledges the rights of the Trustee and of any Bond Insurer to direct any and all remedies in accordance with the terms of the Bond Resolution, and the Borrower also acknowledges that the Trust shall have the right to take, or to direct the Trustee to take, any action permitted or required pursuant to the Bond Resolution and to take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the observance and performance of any duty, covenant, obligation or agreement of the Borrower hereunder.

In addition, if an Event of Default referred to in Section 5.01(a) hereof shall have occurred and be continuing, the Trust shall, to the extent allowed by applicable law and to the extent and in the manner set forth in the Bond Resolution, have the right to declare, or to direct the Trustee to declare, all Loan Repayments and all other amounts due hereunder (including, without limitation, payments under the Borrower Bond) together with the prepayment premium, if any, calculated pursuant to Section 3.07 hereof to be immediately due and payable, and upon notice to the Borrower the same shall become due and payable without further notice or demand.

SECTION 5.04. Attorneys’ Fees and Other Expenses. The Borrower shall on demand pay to the Trust or the Trustee the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred by either of them in the collection of Trust Bond Loan Repayments or any other sum due hereunder or in the enforcement of the observation or performance of any other duties, covenants, obligations or agreements of the Borrower upon an Event of Default.

SECTION 5.05. Application of Moneys. Any moneys collected by the Trust or the Trustee pursuant to Section 5.03 hereof shall be applied (a) first, to pay any attorneys’ fees or other fees and expenses owed by the Borrower pursuant to Section 5.04 hereof, (b) second, to the extent available, to pay the Interest Portion then due and payable, (c) third, to the extent available, to pay the principal due and payable on the Loan, (d) fourth, to the extent available, to pay the Administrative Fee, any late charges incurred hereunder or any other amounts due and payable under this Loan Agreement, and (e) fifth, to the extent available, to pay the Interest Portion and the principal on the Loan and other amounts payable hereunder as such amounts become due and payable.
SECTION 5.06. **No Remedy Exclusive; Waiver; Notice.** No remedy herein conferred upon or reserved to the Trust or the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trust or the Trustee to exercise any remedy reserved to it in this Article V, it shall not be necessary to give any notice other than such notice as may be required in this Article V.

SECTION 5.07. **Retention of Trust’s Rights.** Notwithstanding any assignment or transfer of this Loan Agreement pursuant to the provisions hereof or of the Bond Resolution, or anything else to the contrary contained herein, the Trust shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Borrower at law or in equity, as the Trust may, in its discretion, deem necessary to enforce the obligations of the Borrower to the Trust pursuant to Section 5.03 hereof.
ARTICLE VI

MISCELLANEOUS

SECTION 6.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address specified in Exhibit A-1 attached hereto and made a part hereof and to the Trust and the Trustee at the following addresses:

(a) Trust:

New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 4, Suite 216
Lawrenceville, New Jersey 08648-2201
Attention: Executive Director

(b) Trustee:

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey 07960
Attention: Corporate Trust Department

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by notice in writing given to the others.

SECTION 6.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Trust and the Borrower and their respective successors and assigns.

SECTION 6.03. Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

SECTION 6.04. Amendments, Supplements and Modifications. Except as otherwise provided in this Section 6.04, this Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Trust and the Borrower and without the satisfaction of all conditions set forth in Section 11.12 of the Bond Resolution. Notwithstanding the conditions set forth in Section 11.12 of the Bond Resolution, (i) Section 2.02(p) hereof may be amended, supplemented or modified upon the written consent of the Trust and the Borrower and without the consent of the Trustee, any Bond Insurer or any holders of the Trust Bonds, and (ii) Exhibit H hereto may be amended, supplemented or modified prior to the execution and delivery thereof as the Trust, in its sole discretion, shall determine to be necessary, desirable or convenient for the purpose of satisfying Rule 15c2-12 and the purpose and intent thereof as Rule 15c2-12, its purpose and intent may hereafter be interpreted from time to time by
the SEC or any court of competent jurisdiction, and such amendment, supplement or modification shall not require the consent of the Borrower, the Trustee, any Bond Insurer or any holders of the Trust Bonds.

SECTION 6.05. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.06. Applicable Law and Regulations. This Loan Agreement shall be governed by and construed in accordance with the laws of the State, including the Act and the Regulations, which Regulations are, by this reference thereto, incorporated herein as part of this Loan Agreement.

SECTION 6.07. Consents and Approvals. Whenever the written consent or approval of the Trust shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by the Trust unless otherwise provided by law or by rules, regulations or resolutions of the Trust or unless expressly delegated to the Trustee and except as otherwise provided in Section 6.09 hereof.

SECTION 6.08. Captions. The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

SECTION 6.09. Benefit of Loan Agreement; Compliance with Bond Resolution. This Loan Agreement is executed, among other reasons, to induce the purchase of the Trust Bonds. Accordingly, all duties, covenants, obligations and agreements of the Borrower herein contained are hereby declared to be for the benefit of and are enforceable by the Trust, the holders of the Trust Bonds and the Trustee. The Borrower covenants and agrees to observe and comply with, and to enable the Trust to observe and comply with, all duties, covenants, obligations and agreements contained in the Bond Resolution.

SECTION 6.10. Further Assurances. The Borrower shall, at the request of the Trust, authorize, execute, attest, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement and the Borrower Bond.
IN WITNESS WHEREOF, the Trust and the Borrower have caused this Loan Agreement to be executed, sealed and delivered as of the date first above written.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

By: ______________________________
Warren H. Victor
Chairman

ATTEST:

David E. Zimmer
Assistant Secretary

[NAME OF BORROWER]

[SEAL]

By: ______________________________
Authorized Officer

ATTEST:

Authorized Officer

[signature page]
SCHEDULE A

Certain Additional Loan Agreement Provisions
EXHIBIT A-1

Description of Project and Environmental Infrastructure System
EXHIBIT A-2

Description of Loan
EXHIBIT B

Basis for Determination of Allowable Project Costs
EXHIBIT C

Estimated Disbursement Schedule
EXHIBIT D

Specimen Borrower Bond
FOR VALUE RECEIVED, the [NAME OF BORROWER], a [municipal corporation] [political subdivision] duly created and validly existing under the Constitution and laws of the State (the “Borrower”), hereby promises to pay to the order of the New Jersey Environmental Infrastructure Trust (the “Trust”) (i) the principal amount of __________________________ Dollars ($__________), or such lesser amount as shall be determined in accordance with Section 3.01 of the Loan Agreement (as hereinafter defined), at the times and in the amounts determined as provided in the Loan Agreement, together with (ii) Interest on the Loan constituting the Interest Portion, the Administrative Fee and any late charges incurred under the Loan Agreement (as such terms are defined in the Loan Agreement) in the amount calculated as provided in the Loan Agreement, payable on the days and in the amounts and as provided in the Loan Agreement, which principal amount and Interest Portion of the Interest on the Loan shall, unless otherwise provided in the Loan Agreement, be payable on the days and in the amounts as also set forth in Exhibit A attached hereto under the column headings respectively entitled “Principal” and “Interest”, plus (iii) any other amounts due and owing under the Loan Agreement at the times and in the amounts as provided therein. The Borrower irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal of and the Interest on this Borrower Bond (as defined in the Loan Agreement) and for the punctual payment of all other amounts due under this Borrower Bond and the Loan Agreement according to their respective terms.

This Borrower Bond is issued pursuant to the “Local Bond Law”, P.L. 1960, c. 169, as amended (N.J.S.A. 40A:2-1 et seq.), [the “Municipal Qualified Bond Act”, P.L. 1976, c. 38, as amended (N.J.S.A. 40A:3-1 et seq.)] other applicable law and the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”). This Borrower Bond is issued in consideration of the loan made under the Loan Agreement (the “Loan”) to evidence the payment obligations of the Borrower set forth therein. [As a qualified bond issued under Title 40A of the New Jersey Statutes, this Borrower Bond is entitled to the benefits of the provisions of the Municipal Qualified Bond Act, codified at N.J.S.A. 40A:3-1 et seq.] This Borrower Bond has been assigned to U.S. Bank National Association, as trustee (the “Trustee”) under the “Environmental Infrastructure Bond Resolution, Series 2015[___]”, adopted by the Trust on April __, 2015, as the same may be amended and supplemented in accordance with the terms thereof (the “Bond Resolution”), and payments thereunder shall, except as otherwise provided in the Loan Agreement, be made directly to the Trustee for the account of the Trust pursuant to such assignment. Such assignment has been made as security for the payment of the Trust Bonds (as defined in the Loan Agreement) issued to finance or refinance the Loan and as otherwise described in the Loan Agreement. This Borrower Bond is subject to further assignment or endorsement in accordance with the terms of the Bond Resolution and the Loan Agreement. All of the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as part of this Borrower Bond.

Pursuant to the Loan Agreement, disbursements shall be made by the Trustee to the Borrower, in accordance with written instructions of the Trust, upon receipt by the Trust and the Trustee of requisitions from the Borrower executed and delivered in accordance with the requirements set forth in Section 3.02 of the Loan Agreement.
This Borrower Bond is entitled to the benefits and is subject to the conditions of the Loan Agreement. The obligations of the Borrower to make the payments required hereunder shall be absolute and unconditional, without any defense or right of set-off, counterclaim or recoupment by reason of any default by the Trust under the Loan Agreement or under any other agreement between the Borrower and the Trust or out of any indebtedness or liability at any time owing to the Borrower by the Trust or for any other reason.

This Borrower Bond is subject to optional prepayment under the terms and conditions, and in the amounts, provided in Section 3.07 of the Loan Agreement. To the extent allowed by applicable law, this Borrower Bond may be subject to acceleration under the terms and conditions, and in the amounts, provided in Section 5.03 of the Loan Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Borrower Bond to be duly executed, sealed and delivered as of May 21, 2015.

[SEAL]

[NAME OF BORROWER]

By: ______________________________
    Mayor

ATTEST:

______________________________
    Clerk

By: ______________________________
    [Treasurer] [Chief Financial Officer]
New Jersey Environmental Infrastructure Trust hereby assigns the foregoing Borrower Bond to U.S. Bank National Association, as the Trust’s Trustee under the “Environmental Infrastructure Bond Resolution, Series 2015[___]”, adopted on April __, 2015, as amended and supplemented, all as of the date of this Borrower Bond, as security for the Trust Bonds issued or to be issued under the Bond Resolution to finance or refinance the Project Fund (as defined in the Bond Resolution).

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

ATTEST:

____________________________
Warren H. Victor
Chairman

____________________________
David E. Zimmer
Assistant Secretary
EXHIBIT E

Opinions of Borrower’s Bond Counsel and General Counsel

See Closing Item ___
May 21, 2015

New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 4, Suite 216
Lawrenceville, New Jersey 08648-2201

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey 07960
Attention: Corporate Trust Department

Ladies and Gentlemen:

We have acted as counsel to the [Name of Borrower], a [municipal corporation] [political subdivision] of the State (the “Borrower”), which has entered into a Loan Agreement (as hereinafter defined) with the New Jersey Environmental Infrastructure Trust (the “Trust”), and have acted as such in connection with the authorization, execution, attestation and delivery by the Borrower of its Loan Agreement and Borrower Bond (as hereinafter defined). All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

In so acting, we have examined the Constitution and laws of the State of New Jersey, including, without limitation, the “Local Bond Law”, P.L. 1960, c. 169, as amended (N.J.S.A. 40A:2-1 et seq.), the “Municipal Qualified Bond Act”, P.L. 1976, c. 38, as amended (N.J.S.A. 40A:3-1 et seq.), and the various ordinances and resolutions of the Borrower identified herein. We have also examined originals, or copies certified or otherwise identified to our satisfaction, of the following:

(a) the Trust's “Environmental Infrastructure Bond Resolution, Series 2015[ ]”, adopted by the Board of Directors of the Trust on April __, 2015;

(b) the Loan Agreement dated as of May 1, 2015 (the “Loan Agreement”) by and between the Trust and the Borrower;

(c) the proceedings of the governing body of the Borrower relating to the approval of the Loan Agreement and the execution, attestation and delivery thereof on behalf of the Borrower and the authorization of the undertaking and completion of the Project;

(d) the Borrower Bond dated May 21, 2015 (the “Borrower Bond”) issued by the Borrower to the Trust to evidence the Loan; and

(e) the proceedings (together with the proceedings referred to in clause (c) above and Section 5 below, the “Proceedings”) of the governing body of the Borrower, including, without...
limitation, [a] bond ordinance[s] of the Borrower finally adopted on […………] [and […], respectively,] and [respectively] entitled “[TITLE OF ORDINANCE]” [and “[TITLE OF ORDINANCE]”], and [a] resolution[s] of the Borrower adopted pursuant to the provisions of N.J.S.A. [40A:2-26 (f) and] 40A:2-27 on [……] [and [……], respectively,] and [respectively] entitled “[TITLE OF RESOLUTION]” [and “[TITLE OF RESOLUTION]”] (collectively, the “Borrower Bond Proceedings”), all relating to the authorization of the Borrower Bond and the sale, execution, attestation and delivery thereof to the Trust (the Loan Agreement and the Borrower Bond are referred to herein collectively as the “Loan Documents”).

We have also examined and relied upon originals, or copies certified or otherwise authenticated to our satisfaction, of such other records, documents, certificates and other instruments, and have made such investigation of law as in our judgment we have deemed necessary or appropriate, to enable us to render the opinions expressed below.

We are of the opinion that:

1. The Borrower is a [municipal corporation] [political subdivision] duly created and validly existing under and pursuant to the Constitution and statutes of the State of New Jersey, with the legal right to carry on the business of its Environmental Infrastructure System as currently being conducted and as proposed to be conducted.

2. The Borrower has full legal right and authority to execute, attest and deliver the Loan Documents, to sell the Borrower Bond to the Trust, to observe and perform its duties, covenants, obligations and agreements under the Loan Documents and to undertake and complete the Project.

3. The acting officials of the Borrower who are contemporaneously herewith performing or have previously performed any action contemplated in the Loan Agreement are, and at the time any such action was performed were, the duly appointed or elected officials of the Borrower empowered by applicable New Jersey law and authorized by ordinance or resolution of the Borrower to perform such actions.

4. The Borrower has unconditionally and irrevocably pledged its full faith and credit and covenanted to exercise its unlimited taxing powers for the punctual payment of the principal and redemption premium, if any, of the Borrower Bond, Interest on the Borrower Bond and all other amounts due under the Borrower Bond, which Borrower Bond secures the Loan Repayments and all other amounts due under the Loan Documents according to their respective terms. [The Borrower Bond is entitled to the benefits of the Municipal Qualified Bond Act.]

5. The proceedings of the Borrower's governing body (i) approving the Loan Documents, (ii) authorizing their execution, attestation and delivery on behalf of the Borrower, (iii) with respect to the Borrower Bond only, authorizing its sale by the Borrower to the Trust, (iv) authorizing the Borrower to consummate the transactions contemplated by the Loan Documents, (v) authorizing the Borrower to undertake and complete the Project, and (vi) authorizing the execution and delivery of all other certificates, agreements, documents and
instruments in connection with the execution, attestation and delivery of the Loan Documents, have each been duly and lawfully adopted and authorized in accordance with applicable law and applicable ordinances or resolutions of the Borrower, including, without limitation and where applicable, the Local Bond Law [and the Municipal Qualified Bond Act], the Borrower Bond Proceedings and the other Proceedings, which Proceedings constitute all of the actions necessary to be taken by the Borrower to authorize its actions contemplated by clauses (i) through (vi) above and which Proceedings were duly approved and published, where necessary, in accordance with applicable New Jersey law at a meeting or meetings duly called pursuant to necessary public notice and held in accordance with applicable New Jersey law and at which quorums were present and acting throughout.

6. The Loan Documents have been duly authorized, executed, attested and delivered by the Authorized Officers of the Borrower and the Borrower Bond has been duly sold by the Borrower to the Trust; and assuming in the case of the Loan Agreement that the Trust has the requisite power and authority to authorize, execute, attest and deliver, and has duly authorized, executed, attested and delivered, the Loan Agreement, the Loan Documents constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, subject, however, to the effect of, and to restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally. No opinion is rendered as to the availability of any particular remedy.

7. The authorization, execution, attestation and delivery of the Loan Documents by the Borrower and the sale of the Borrower Bond to the Trust, the observation and performance by the Borrower of its duties, covenants, obligations and agreements thereunder, the consummation of the transactions contemplated therein, and the undertaking and completion of the Project do not and will not (i) result in any breach of any of the terms, conditions or provisions of, or (ii) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations is subject.

8. All approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on the part of the Borrower in connection with the authorization, execution, attestation, delivery and performance of the Loan Documents, the sale of the Borrower Bond and the undertaking and completion of the Project have been obtained or made.

9. There is no litigation or other proceeding pending or, to our knowledge, after due inquiry, threatened in any court or other tribunal of competent jurisdiction (either state or
federal) (i) questioning the creation, organization or existence of the Borrower, (ii) questioning the validity, legality or enforceability of the Loan or the Loan Documents, (iii) questioning the undertaking or completion of the Project, (iv) otherwise challenging the Borrower's ability to consummate the transactions contemplated by the Loan or the Loan Documents, or (v) that, if adversely decided, would have a materially adverse impact on the financial condition of the Borrower.

10. The Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to the Borrower Bond as to lien on, and source and security for payment thereof from, the general tax revenues of the Borrower.

11. To the best of our knowledge, upon due inquiry, (i) all representations made by the Borrower contained within subsections (e) and (g) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement are true, accurate and complete, and (ii) all expectations contained therein are reasonable, and we know of no reason why the Borrower would be unable to comply on a continuing basis with the covenants contained within subsections (e) and (g) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement.

12. Assuming that (i) the Borrower complies on a continuing basis with the covenants contained in subsections (e) and (g) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement, (ii) interest on the Trust Bonds is otherwise excluded from gross income of the holders thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and (iii) the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds, the application of the proceeds of the Loan for their intended purposes will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds and no portion of the Trust Bonds will be used in a private use, within the meaning of Section 141 of the Code.

We hereby authorize McCarter & English, LLP, acting as bond counsel to the Trust, and the Attorney General of the State of New Jersey, acting as general counsel to the Trust, to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,
EXHIBIT F

Additional Covenants and Requirements
EXHIBIT G

General Administrative Requirements for the
State Environmental Infrastructure Financing Program
EXHIBIT H

Form of Continuing Disclosure Agreement
[MASTER TRUST LOAN AGREEMENT - AUTHORITY FORM]

LOAN AGREEMENT

BY AND BETWEEN

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

AND

[NAME OF BORROWER]

DATED AS OF MAY 1, 2015
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NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into as of May 1, 2015, by and between the NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession, and the Borrower (capitalized terms used in this Loan Agreement shall have, unless the context otherwise requires, the meanings ascribed thereto in Section 1.01 hereof);

WITNESSETH THAT:

WHEREAS, the Trust, in accordance with the Act, the Bond Resolution and a financial plan approved by the State Legislature in accordance with Sections 22 and 22.1 of the Act, will issue its Trust Bonds on or prior to the Loan Closing for the purpose of making the Loan to the Borrower and the Loans to the Borrowers from the proceeds of the Trust Bonds to finance a portion of the Costs of Environmental Infrastructure Facilities;

WHEREAS, the Borrower has, in accordance with the Act and the Regulations, made timely application to the Trust for a Loan to finance a portion of the Costs of the Project;

WHEREAS, the State Legislature, in accordance with Sections 20 and 20.1 of the Act, has in the form of an appropriations act approved a project priority list that includes the Project and that authorizes an expenditure of proceeds of the Trust Bonds to finance a portion of the Costs of the Project;

WHEREAS, the Trust has approved the Borrower’s application for a Loan from available proceeds of the Trust Bonds to finance a portion of the Costs of the Project;

WHEREAS, in accordance with the applicable Bond Act (as defined in the Fund Loan Agreement), and the Regulations, the Borrower has been awarded a Fund Loan for a portion of the Costs of the Project; and

WHEREAS, the Borrower, in accordance with the Act, the Regulations, the Borrower Enabling Act and the Local Authorities Fiscal Control Law, will issue a Borrower Bond to the Trust evidencing said Loan at the Loan Closing.

NOW, THEREFORE, for and in consideration of the award of the Loan by the Trust, the Borrower agrees to complete the Project and to perform under this Loan Agreement in accordance with the conditions, covenants and procedures set forth herein and attached hereto as part hereof, as follows:
ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions.

(a) The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meanings:

“Act” means the “New Jersey Environmental Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 et seq.), as the same may from time to time be amended and supplemented.

“Administrative Fee” means that portion of Interest on the Loan or Interest on the Borrower Bond payable hereunder as an annual fee of up to four-tenths of one percent (.40%) of the initial principal amount of the Loan or such lesser amount, if any, as may be authorized by any act of the State Legislature and as the Trust may approve from time to time.

“Authorized Officer” means, in the case of the Borrower, any person or persons authorized pursuant to a resolution of the governing body of the Borrower to perform any act or execute any document relating to the Loan, the Borrower Bond or this Loan Agreement.

“Bond Counsel” means a law firm appointed or approved by the Trust, as the case may be, having a reputation in the field of municipal law whose opinions are generally acceptable by purchasers of municipal bonds.

“Borrower Bond” means the revenue bond authorized, executed, attested and delivered by the Borrower to the Trust and authenticated on behalf of the Borrower to evidence the Loan, a specimen of which is attached hereto as Exhibit D and made a part hereof.

“Borrowers” means any other Local Government Unit or Private Entity (as such terms are defined in the Regulations) authorized to construct, operate and maintain Environmental Infrastructure Facilities that have entered into Loan Agreements with the Trust pursuant to which the Trust will make Loans to such recipients from moneys on deposit in the Project Fund, excluding the Project Loan Account.

“Code” means the Internal Revenue Code of 1986, as the same may from time to time be amended and supplemented, including any regulations promulgated thereunder, any successor code thereto and any administrative or judicial interpretations thereof.

“Costs” means those costs that are eligible, reasonable, necessary, allocable to the Project and permitted by generally accepted accounting principles, including Allowances and Building Costs (as defined in the Regulations), as shall be determined on a project-specific basis in accordance with the Regulations as set forth in Exhibit B hereto, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an authorized officer of the Trust.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund, if any, as defined in the Bond Resolution.
“Department” means the New Jersey Department of Environmental Protection.

“Environmental Infrastructure Facilities” means Wastewater Treatment Facilities, Stormwater Management Facilities or Water Supply Facilities (as such terms are defined in the Regulations).

“Environmental Infrastructure System” means the Environmental Infrastructure Facilities of the Borrower, including the Project, described in Exhibit A-1 attached hereto and made a part hereof for which the Borrower is borrowing the Loan under this Loan Agreement.

“Event of Default” means any occurrence or event specified in Section 5.01 hereof.

“Excess Project Funds” shall have the meaning set forth in Section 3.03A hereof.

“Fund Loan” means the loan made to the Borrower by the State, acting by and through the Department, pursuant to the Fund Loan Agreement dated as of May 1, 2015 by and between the Borrower and the State, acting by and through the Department, to finance or refinance a portion of the Costs of the Project.

“Fund Loan Agreement” means the loan agreement dated as of May 1, 2015 by and between the Borrower and the State, acting by and through the Department, regarding the terms and conditions of the Fund Loan.

“Interest on the Loan” or “Interest on the Borrower Bond” means the sum of (i) the Interest Portion, (ii) the Administrative Fee, and (iii) any late charges incurred hereunder.

“Interest Portion” means that portion of Interest on the Loan or Interest on the Borrower Bond payable hereunder that is necessary to pay the Borrower’s proportionate share of interest on the Trust Bonds (i) as set forth in Exhibit A-2 hereof under the column heading entitled “Interest”, or (ii) with respect to any prepayment of Trust Bond Loan Repayments in accordance with Section 3.07 or 5.03 hereof, to accrue on any principal amount of Trust Bond Loan Repayments to the date of the optional redemption or acceleration, as the case may be, of the Trust Bonds allocable to such prepaid or accelerated Trust Bond Loan Repayment.

“Loan” means the loan made by the Trust to the Borrower to finance or refinance a portion of the Costs of the Project pursuant to this Loan Agreement, as further described in Schedule A attached hereto.

“Loan Agreement” means this Loan Agreement, including Schedule A and the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof and of the Bond Resolution.

“Loan Agreements” means any other loan agreements entered into by and between the Trust and one or more of the Borrowers pursuant to which the Trust will make Loans to such Borrowers from moneys on deposit in the Project Fund, excluding the Project Loan Account, financed with the proceeds of the Trust Bonds.
“Loan Closing” means the date upon which the Trust shall issue and deliver the Trust Bonds and the Borrower shall deliver its Borrower Bond, as previously authorized, executed, attested and authenticated, to the Trust.

“Loan Repayments” means the sum of (i) Trust Bond Loan Repayments, (ii) the Administrative Fee, and (iii) any late charges incurred hereunder.

“Loan Term” means the term of this Loan Agreement provided in Sections 3.01 and 3.03 hereof and in Exhibit A-2 attached hereto and made a part hereof.

“Loans” means the loans made by the Trust to the Borrowers under the Loan Agreements from moneys on deposit in the Project Fund, excluding the Project Loan Account.

“Local Authorities Fiscal Control Law” means the “Local Authorities Fiscal Control Law”, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State (codified at N.J.S.A. 40A:5A-1 et seq.), as the same may from time to time be amended and supplemented.

“Master Program Trust Agreement” means that certain Master Program Trust Agreement, dated as of November 1, 1995, by and among the Trust, the State, United States Trust Company of New York, as Master Program Trustee thereunder, The Bank of New York (NJ), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to Wachovia Bank, National Association), in several capacities thereunder, as supplemented by that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement, dated as of November 1, 2001, by and among United States Trust Company of New York, as Outgoing Master Program Trustee, State Street Bank and Trust Company, N.A. (predecessor to U.S. Bank Trust National Association), as Successor Master Program Trustee, and the Trust, as the same may be amended and supplemented from time to time in accordance with its terms.

“Official Statement” means the Official Statement relating to the issuance of the Trust Bonds.

“Preliminary Official Statement” means the Preliminary Official Statement relating to the issuance of the Trust Bonds.

“Prime Rate” means the prevailing commercial interest rate announced by the Trustee from time to time in the State as its prime lending rate.

“Project” means the Environmental Infrastructure Facilities of the Borrower described in Exhibit A-1 attached hereto and made a part hereof, which constitutes a project for which the Trust is permitted to make a loan to the Borrower pursuant to the Act, the Regulations and the Bond Resolution, all or a portion of the Costs of which is financed or refinanced by the Trust through the making of the Loan under this Loan Agreement and which may be identified under either the Drinking Water or Clean Water Project Lists with the Project Number specified in Exhibit A-1 attached hereto.

“Project Fund” means the Project Fund as defined in the Bond Resolution.
“Project Loan Account” means the project loan account established on behalf of the Borrower in the Project Fund in accordance with the Bond Resolution to finance all or a portion of the Costs of the Project.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated under N.J.A.C. 7:22-3 et seq., 7:22-4 et seq., 7:22-5 et seq., 7:22-6 et seq., 7:22-7 et seq., 7:22-8 et seq., 7:22-9 et seq. and 7:22-10 et seq., as the same may from time to time be amended and supplemented.

“State” means the State of New Jersey.

“Trust” means the New Jersey Environmental Infrastructure Trust, a public body corporate and politic with corporate succession duly created and validly existing under and by virtue of the Act.

“Trust Bond Loan Repayments” means the repayments of the principal amount of the Loan plus the payment of any premium associated with prepaying the principal amount of the Loan in accordance with Section 3.07 hereof plus the Interest Portion.

“Trust Bonds” means bonds authorized by Section 2.03 of the Bond Resolution, together with any refunding bonds authenticated and delivered pursuant to Section 2.04 of the Bond Resolution, in each case issued in order to finance (i) the portion of the Loan deposited in the Project Loan Account, (ii) the portion of the Loans deposited in the balance of the Project Fund, (iii) any capitalized interest related to such bonds, (iv) a portion of the costs of issuance related to such bonds, and (v) that portion of the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution), if any, allocable to the Loan or Loans, as the case may be, a portion of which includes the funding of reserve capacity, if applicable, for the Environmental Infrastructure Facilities of the Borrower or Borrowers, as the case may be, or to refinance any or all of the above.

“Trustee” means, initially, U.S. Bank National Association, the Trustee appointed by the Trust and its successors as Trustee under the Bond Resolution, as provided in Article X of the Bond Resolution.

(b) In addition to the capitalized terms defined in subsection (a) of this Section 1.01, certain additional capitalized terms used in this Loan Agreement shall, unless the context clearly requires otherwise, have the meanings ascribed to such additional capitalized terms in Schedule A attached hereto and made a part hereof.

(c) Except as otherwise defined herein or where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, agencies and districts. Words importing one gender shall include the other gender.
ARTICLE II 

REPRESENTATIONS AND COVENANTS OF BORROWER

SECTION 2.01. Representations of Borrower. The Borrower represents for the benefit of the Trust, the Trustee and the holders of the Trust Bonds as follows:

(a) Organization and Authority.

(i) The Borrower is an Entity duly created and validly existing under and pursuant to the Constitution and statutes of the State, including the Borrower Enabling Act, and is subject to the Local Authorities Fiscal Control Law.

(ii) The acting officials of the Borrower who are contemporaneously herewith performing or have previously performed any action contemplated in this Loan Agreement either are or, at the time any such action was performed, were the duly appointed or elected officials of such Borrower empowered by applicable State law and, if applicable, authorized by resolution of the Borrower to perform such actions. To the extent any such action was performed by an official no longer the duly acting official of such Borrower, all such actions previously taken by such official are still in full force and effect.

(iii) The Borrower has full legal right and authority and all necessary licenses and permits required as of the date hereof to own, operate and maintain its Environmental Infrastructure System, to carry on its activities relating thereto, to execute, attest and deliver this Loan Agreement and the Borrower Bond, to authorize the authentication of the Borrower Bond, to sell the Borrower Bond to the Trust, to undertake and complete the Project and to carry out and consummate all transactions contemplated by this Loan Agreement.

(iv) The proceedings of the Borrower’s governing body approving this Loan Agreement and the Borrower Bond, authorizing the execution, attestation and delivery of this Loan Agreement and the Borrower Bond, authorizing the sale of the Borrower Bond to the Trust, authorizing the authentication of the Borrower Bond on behalf of the Borrower and authorizing the Borrower to undertake and complete the Project, including, without limitation, the Borrower Bond Resolution (collectively, the “Proceedings”), were duly published in accordance with applicable State law, and have been duly and lawfully adopted in accordance with the Borrower Enabling Act, the Local Authorities Fiscal Control Law and other applicable State law at a meeting or meetings that were duly called pursuant to necessary public notice and held in accordance with applicable State law and at which quorums were present and acting throughout.

(v) By official action of the Borrower taken prior to or concurrent with the execution and delivery hereof, including, without limitation, the Proceedings, the Borrower has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the execution, attestation, delivery and performance of this Loan Agreement and the transactions contemplated hereby; (B) the issuance of the
Borrower Bond and the sale thereof to the Trust upon the terms set forth herein; (C) the approval of the inclusion, if such inclusion is deemed necessary in the sole discretion of the Trust, in the Preliminary Official Statement and the Official Statement of all statements and information relating to the Borrower set forth in “APPENDIX B” thereto (the “Borrower Appendices”) and any amendment thereof or supplement thereto; and (D) the execution, delivery and due performance of any and all other certificates, agreements and instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out, give effect to and consummate the transactions contemplated by this Loan Agreement, including, without limitation, the designation of the Borrower Appendices portion of the Preliminary Official Statement, if any, as “deemed final” for the purposes and within the meaning of Rule 15c2-12 (“Rule 15c2-12”) of the Securities and Exchange Commission (“SEC”) promulgated under the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto.

(vi) See Section 2.01(a)(vi) as set forth in Schedule A attached hereto, made a part hereof and incorporated in this Section 2.01(a) by reference as if set forth in full herein.

(b) Full Disclosure. There is no fact that the Borrower has not disclosed to the Trust in writing on the Borrower’s application for the Loan or otherwise that materially adversely affects or (so far as the Borrower can now foresee) that will materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, or the ability of the Borrower to make all Loan Repayments and any other payments required under this Loan Agreement or otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect (i) the undertaking or completion of the Project, (ii) the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, (iii) the ability of the Borrower to make all Loan Repayments or any other payments required under this Loan Agreement, (iv) the authorization, execution, attestation or delivery of this Loan Agreement or the Borrower Bond, (v) the issuance of the Borrower Bond and the sale thereof to the Trust, (vi) the adoption of the Borrower Bond Resolution, or (vii) the Borrower’s ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond, which proceedings have not been previously disclosed in writing to the Trust either in the Borrower’s application for the Loan or otherwise.

(d) Compliance with Existing Laws and Agreements. (i) The authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond by the Borrower, (ii) the authentication of the Borrower Bond by the trustee or paying agent under the Borrower Bond Resolution, as the case may be, and the sale of the Borrower Bond to the Trust, (iii) the adoption of the Borrower Bond Resolution, (iv) the observation and performance by the
Borrower of its duties, covenants, obligations and agreements hereunder and thereunder, (v) the consummation of the transactions provided for in this Loan Agreement, the Borrower Bond Resolution and the Borrower Bond, and (vi) the undertaking and completion of the Project will not (A) other than the lien, charge or encumbrance created hereby, by the Borrower Bond, by the Borrower Bond Resolution and by any other outstanding debt obligations of the Borrower that are at parity with the Borrower Bond as to lien on, and source and security for payment thereon from, the Revenues of the Borrower’s Environmental Infrastructure System, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations is subject.

(e) **No Defaults.** No event has occurred and no condition exists that, upon the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, the issuance of the Borrower Bond and the sale thereof to the Trust, the adoption of the Borrower Bond Resolution or the receipt of the amount of the Loan, would constitute an Event of Default hereunder. The Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it, its Environmental Infrastructure System or its properties may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System or the ability of the Borrower to make all Loan Repayments, to pay all other amounts due hereunder or otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

(f) **Governmental Consent.** The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, for the issuance of the Borrower Bond and the sale thereof to the Trust, for the adoption of the Borrower Bond Resolution, for the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond and for the undertaking or completion of the Project and the financing or refinancing thereof, including, but not limited to, the approval by the Local Finance Board in the Division of Local Government Services in the New Jersey Department of Community Affairs (the “Local Finance Board”) of the issuance by the Borrower of the Borrower Bond to the Trust, as required by Section 9a of the Act, and any other approvals required therefor by the Local Finance Board; and the Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond or with the undertaking or completion of the Project.
and the financing or refinancing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer that has not been obtained is required on the part of the Borrower as a condition to the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, the issuance of the Borrower Bond and the sale thereof to the Trust, the undertaking or completion of the Project or the consummation of any transaction herein contemplated.

(g) **Compliance with Law.** The Borrower:

(i) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, the failure to comply with which would materially adversely affect (A) the ability of the Borrower to conduct its activities or to undertake or complete the Project, (B) the ability of the Borrower to make the Loan Repayments and to pay all other amounts due hereunder, or (C) the condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System; and

(ii) has obtained all licenses, permits, franchises or other governmental authorizations presently necessary for the ownership of its properties or for the conduct of its activities that, if not obtained, would materially adversely affect (A) the ability of the Borrower to conduct its activities or to undertake or complete the Project, (B) the ability of the Borrower to make the Loan Repayments and to pay all other amounts due hereunder, or (C) the condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System.

(h) **Use of Proceeds.** The Borrower will apply the proceeds of the Loan from the Trust as described in Exhibit B attached hereto and made a part hereof (i) to finance or refinance a portion of the Costs of the Borrower’s Project; and (ii) where applicable, to reimburse the Borrower for a portion of the Costs of the Borrower’s Project, which portion was paid or incurred in anticipation of reimbursement by the Trust and is eligible for such reimbursement under and pursuant to the Regulations, the Code and any other applicable law. All of such costs constitute Costs for which the Trust is authorized to make Loans to the Borrower pursuant to the Act and the Regulations.

(i) **Official Statement.** The descriptions and information set forth in the Borrower Appendices, if any, contained in the Official Statement relating to the Borrower, its operations and the transactions contemplated hereby, as of the date of the Official Statement, were and, as of the date of delivery hereof, are true and correct in all material respects, and did not and do not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(j) **Preliminary Official Statement.** As of the date of the Preliminary Official Statement, the descriptions and information set forth in the Borrower Appendices, if any, contained in the Preliminary Official Statement relating to the Borrower, its operations and the transactions contemplated hereby (i) were “deemed final” by the Borrower for the purposes and within the meaning of Rule 15c2-12 and (ii) were true and correct in all material respects, and did not contain any untrue statement of a material fact or omit to state a material fact necessary
to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

SECTION 2.02. Particular Covenants of Borrower.

(a) Revenue Pledge. (i) The Borrower unconditionally and irrevocably pledges the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution, including, without limitation, moneys payable pursuant to the Service Agreement, if applicable, in respect of debt service on the Borrower Bond, for the punctual payment of the principal and redemption premium, if any, of the Loan and the Borrower Bond, the Interest on the Loan, the Interest on the Borrower Bond and all other amounts due under this Loan Agreement and the Borrower Bond according to their respective terms. (ii) See Section 2.02(a)(ii) as set forth in Schedule A attached hereto, made a part hereof and incorporated in this Section 2.02(a) by reference as if set forth in full herein.

(b) Performance Under Loan Agreement; Rates. The Borrower covenants and agrees (i) to comply with all applicable state and federal laws, rules and regulations in the performance of this Loan Agreement; (ii) to maintain its Environmental Infrastructure System in good repair and operating condition; (iii) to cooperate with the Trust in the observance and performance of the respective duties, covenants, obligations and agreements of the Borrower and the Trust under this Loan Agreement; and (iv) to establish, levy and collect rents, rates and other charges for the products and services provided by its Environmental Infrastructure System, which rents, rates and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of its Environmental Infrastructure System, (B) to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond resolution, trust indenture or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower, including without limitation rents, rates and other charges, together with other available moneys, sufficient to pay the principal of and Interest on the Borrower Bond, plus all other amounts due hereunder, to pay the debt service requirements on any such bonds, notes or other evidences of indebtedness, whether now outstanding or incurred in the future, secured by such Revenues and issued to finance improvements to the Environmental Infrastructure System and to make any other payments required by the laws of the State, (C) to generate funds sufficient to fulfill the terms of all other contracts and agreements made by the Borrower, including, without limitation, this Loan Agreement and the Borrower Bond, and (D) to pay all other amounts payable from or constituting a lien or charge on the Revenues of its Environmental Infrastructure System.

(c) Revenue Obligation; No Prior Pledges. The Borrower shall not be required to make payments under this Loan Agreement except from the Revenues of its Environmental Infrastructure System and from such other funds of such Environmental Infrastructure System legally available therefor and from any other sources pledged to such payment pursuant to subsection (a) of this Section 2.02. In no event shall the Borrower be required to make payments under this Loan Agreement from any revenues or receipts not derived from its Environmental Infrastructure System or pledged pursuant to subsection (a) of this Section 2.02. Except for the Permitted Pledges, the Revenues derived by the Borrower from its Environmental Infrastructure System, after the payment of all costs of operating and maintaining the Environmental Infrastructure System, are and will be free and clear of any pledge, lien, charge or encumbrance
thereon or with respect thereto prior to, or of equal rank with, the obligation of the Borrower to make Loan Repayments under this Loan Agreement and the Borrower Bond, and all corporate or other action on the part of the Borrower to that end has been and will be duly and validly taken. See Section 2.02(c) as set forth in Schedule A attached hereto, made a part hereof and incorporated in this Section 2.02(c) by reference as if set forth in full herein.

(d) Completion of Project and Provision of Moneys Therefor. The Borrower covenants and agrees (i) to exercise its best efforts in accordance with prudent environmental infrastructure utility practice to complete the Project and to accomplish such completion on or before the estimated Project completion date set forth in Exhibit G hereeto and made a part hereof; (ii) to comply with the terms and provisions contained in Exhibit G hereeto; and (iii) to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives under the Loan and Fund Loan, required to complete the Project.

(e) Disposition of Environmental Infrastructure System. The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System except on ninety (90) days’ prior written notice to the Trust, and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless the following conditions are met: (i) the Borrower shall, in accordance with Section 4.02 hereof, assign this Loan Agreement and the Borrower Bond and its rights and interests hereunder and thereunder to the purchaser or lessee of the Environmental Infrastructure System, and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under this Loan Agreement and the Borrower Bond; and (ii) the Trust shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not materially adversely affect (A) the Trust’s ability to meet its duties, covenants, obligations and agreements under the Bond Resolution, (B) the value of this Loan Agreement or the Borrower Bond as security for the payment of Trust Bonds and the interest thereon, or (C) the excludability from gross income for federal income tax purposes of the interest on Trust Bonds then outstanding or that could be issued in the future.

(f) Exclusion of Interest from Federal Gross Income and Compliance with Code.

(i) The Borrower covenants and agrees that it shall not take any action or omit to take any action that would result in the loss of the exclusion of the interest on any Trust Bonds now or hereafter issued from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.

(ii) The Borrower shall not take any action or omit to take any action that would cause its Borrower Bond or the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) to be “private activity bonds” within the meaning of Section 141(a) of the Code. Accordingly, unless the Borrower receives the prior written approval of the Trust, the Borrower shall not (A) permit any of the proceeds of the Trust Bonds loaned to the Borrower or the Project financed or refinanced with the proceeds of the Trust Bonds loaned to the Borrower to be used (directly or indirectly) in any manner that would constitute “private business use” within the meaning of Section 141(b)(6) of the Code, (B) use (directly or indirectly) any of the proceeds of the Trust Bonds loaned to the
Borrower to make or finance loans to persons other than “governmental units” (as such term is used in Section 141(c) of the Code), or (C) use (directly or indirectly) any of the proceeds of the Trust Bonds loaned to the Borrower to acquire any “nongovernmental output property” within the meaning of Section 141(d)(2) of the Code.

(iii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action that would cause the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(iv) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay the principal of or the interest or redemption premium on or any other amount in connection with the retirement or redemption of any issue of state or local governmental obligations (“refinancing of indebtedness”), unless the Borrower shall (A) establish to the satisfaction of the Trust, prior to the issuance of the Trust Bonds, that such refinancing of indebtedness will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds, and (B) provide to the Trust an opinion of Bond Counsel to that effect in form and substance satisfactory to the Trust.

(v) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to reimburse the Borrower for an expenditure with respect to a Costs of the Borrower’s Project paid by the Borrower prior to the issuance of the Trust Bonds, unless (A) the allocation by the Borrower of the proceeds of the Trust Bonds to reimburse such expenditure complies with the requirements of Treasury Regulations §1.150-2 necessary to enable the reimbursement allocation to be treated as an expenditure of the proceeds of the Trust Bonds for purposes of applying Sections 103 and 141-150, inclusive, of the Code, or (B) such proceeds of the Trust Bonds will be used for refinancing of indebtedness that was used to pay Costs of the Borrower’s Project or to reimburse the Borrower for expenditures with respect to Costs of the Borrower’s Project paid by the Borrower prior to the issuance of such indebtedness in accordance with a reimbursement allocation for such expenditures that complies with the requirements of Treasury Regulations §1.150-2.

(vi) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay any costs which are not Costs of the Borrower’s Project that constitute (A) a “capital expenditure,” within the meaning of Treasury Regulations §1.150-1, or (B) interest on the Trust Bonds accruing during a period commencing on the date of issuance of the Trust Bonds and ending on the date that is the later of (I) three years from the date of issuance of the Trust Bonds or (II) one year after the completion date with respect to the Project, as set forth in Exhibit G hereto.

(vii) The Borrower shall not use the proceeds of the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) in any manner that would cause the
Trust Bonds to be considered “federally guaranteed” within the meaning of Section 149(b) of the Code or “hedge bonds” within the meaning of Section 149(g) of the Code.

(viii) The Borrower shall not issue any debt obligations that (A) are sold at substantially the same time as the Trust Bonds and finance or refinance the Loan made to the Borrower, (B) are sold pursuant to the same plan of financing as the Trust Bonds and finance or refinance the Loan made to the Borrower, and (C) are reasonably expected to be paid out of substantially the same source of funds as the Trust Bonds and finance or refinance the Loan made to the Borrower.

(ix) Neither the Borrower nor any “related party” (within the meaning of Treasury Regulations §1.150-1) shall purchase Trust Bonds in an amount related to the amount of the Loan.

(x) The Borrower will not issue or permit to be issued obligations that will constitute an “advance refunding” of the Borrower Bond within the meaning of Section 149(d)(5) of the Code without the express written consent of the Trust, which consent may only be delivered by the Trust after the Trust has received notice from the Borrower of such contemplated action no later than sixty (60) days prior to any such contemplated action, and which consent is in the sole discretion of the Trust.

(xi) See Section 2.02(f)(xi) as set forth in Schedule A attached hereto, made a part hereof and incorporated in this Section 2.02(f)(xi) by reference as if set forth in full herein.

(xii) No “gross proceeds” of the Trust Bonds held by the Borrower (other than amounts in a “bona fide debt service fund”) will be held in a “commingled fund” (as such terms are defined in Treasury Regulations §1.148-1(b)).

(xiii) Based upon all of the objective facts and circumstances in existence on the date of issuance of the Trust Bonds used to finance the Project, (A) within six months of the date of issuance of the Trust Bonds used to finance the Project, the Borrower will incur a substantial binding obligation to a third party to expend on the Project at least five percent (5%) of the “net sale proceeds” (within the meaning of Treasury Regulations §1.148-1) of the Loan used to finance the Project (treating an obligation as not being binding if it is subject to contingencies within the control of the Borrower, the Trust or a “related party” (within the meaning of Treasury Regulations §1.150-1)), (B) completion of the Project and the allocation to expenditures of the “net sale proceeds” of the Loan used to finance the Project will proceed with due diligence, and (C) all of the proceeds of the Loan used to finance the Project (other than amounts deposited into the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution) allocable to that portion of the Loan used to finance reserve capacity, if any) and investment earnings thereon will be spent prior to the period ending three (3) years subsequent to the date of issuance of the Trust Bonds used to finance the Project. Accordingly, the proceeds of the Loan deposited in the Project Loan Account used to finance the Project will be eligible for the 3-year arbitrage temporary period since
the expenditure test, time test and due diligence test, as set forth in Treasury Regulations §1.148-2(e)(2), will be satisfied.

(xiv) The weighted average maturity of the Loan does not exceed 120% of the average reasonably expected economic life of the Project financed or refinanced with the Loan, determined in the same manner as under Section 147(b) of the Code. Accordingly, the term of the Loan will not be longer than is reasonably necessary for the governmental purposes of the Loan within the meaning of Treasury Regulations §1.148-1(c)(4).

(xv) The Borrower shall only enter into service contracts (including management contracts), with respect to any portion of the Project financed by the Trust Bonds, with a “governmental unit” (within the meaning of Section 141 of the Code) or only when such contracts comply with Rev. Proc. 97-13, 1997-1 C.B. 632, or successor provisions applicable to the Trust Bonds; provided, that the Borrower delivers an opinion of Bond Counsel, in form and substance satisfactory to the Trust, to the effect that the entering into of such contracts by the Borrower will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds.

(xvi) The Borrower shall, within 30 days of date the Borrower concludes that no additional proceeds of the Loan will be required to pay costs of the Project, provide to the Trust a certificate of the Borrower evidencing such conclusion.

For purposes of this subsection and subsection (h) of this Section 2.02, quoted terms shall have the meanings given thereto by Section 148 of the Code, including, particularly, Treasury Regulations §§1.148-1 through 1.148-11, inclusive, as supplemented or amended, to the extent applicable to the Trust Bonds, and any successor Treasury Regulations applicable to the Trust Bonds.

(g) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall, in accordance with prudent environmental infrastructure utility practice, (i) at all times operate the properties of its Environmental Infrastructure System and any business in connection therewith in an efficient manner, (ii) maintain its Environmental Infrastructure System in good repair, working order and operating condition, and (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its Environmental Infrastructure System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(h) Records and Accounts.

(i) The Borrower shall keep accurate records and accounts for its Environmental Infrastructure System (the “System Records”) separate and distinct from its other records and accounts (the “General Records”). Such System Records shall be audited annually by an independent registered municipal accountant or certified public accountant, which may be part of the annual audit of the General Records of the Borrower. Such System Records and General Records shall be made available for inspection by the Trust at any reasonable time upon prior written notice, and a copy of
such annual audit(s) therefor, including all written comments and recommendations of such accountant, shall be furnished to the Trust within 150 days of the close of the fiscal year being so audited or, with the consent of the Trust, such additional period as may be provided by law.

(ii) Within 30 days following receipt of any Loan proceeds, including without limitation the “Allowance for Administrative Costs” or the “Allowance for Planning and Design” set forth in Exhibit B hereto, the Borrower shall allocate such proceeds to expenditures in a manner that satisfies the requirements of Treasury Regulation §1.148-6(d) and transmit a copy of each such allocation to the Trust. No portion of the Allowance for Administrative Costs will be allocated to a cost other than a cost described in N.J.A.C. 7:22-5.11(a) 3, 4, 5 or 6. No portion of the Allowance for Planning and Design will be allocated to a cost other than a cost described N.J.A.C. 7:22-5.12, or other costs of the Borrower’s Environmental Infrastructure System which are “capital expenditures,” within the meaning of Treasury Regulations §1.150-1. The Borrower shall retain records of such allocations for at least until the date that is three years after the scheduled maturity date of the Trust Bonds. The Borrower shall make such records available to the Trust within 15 days of any request by the Trust.

(iii) Unless otherwise advised in writing by the Trust, in furtherance of the covenant of the Borrower contained in subsection (f) of this Section 2.02 not to cause the Trust Bonds to be arbitrage bonds, the Borrower shall keep, or cause to be kept, accurate records of each investment it makes in any “nonpurpose investment” acquired with, or otherwise allocated to, “gross proceeds” of the Trust Bonds not held by the Trustee and each “expenditure” it makes allocated to “gross proceeds” of the Trust Bonds. Such records shall include the purchase price, including any constructive “payments” (or in the case of a “payment” constituting a deemed acquisition of a “nonpurpose investment” (e.g., a “nonpurpose investment” first allocated to “gross proceeds” of the Trust Bonds after it is actually acquired because it is deposited in a sinking fund for the Trust Bonds)), the “fair market value” of the “nonpurpose investment” on the date first allocated to the “gross proceeds” of the Trust Bonds, nominal interest rate, dated date, maturity date, type of property, frequency of periodic payments, period of compounding, yield to maturity, amount actually or constructively received on disposition (or in the case of a “receipt” constituting a deemed disposition of a “nonpurpose investment” (e.g., a “nonpurpose investment” that ceases to be allocated to the “gross proceeds” of the Trust Bonds because it is removed from a sinking fund for the Trust Bonds)), the “fair market value” of the “nonpurpose investment” on the date it ceases to be allocated to the “gross proceeds” of the Trust Bonds, the purchase date and disposition date of the “nonpurpose investment” and evidence of the “fair market value” of such property on the purchase date and disposition date (or deemed purchase or disposition date) for each such “nonpurpose investment”. The purchase date, disposition date and the date of determination of “fair market value” shall be the date on which a contract to purchase or sell the “nonpurpose investment” becomes binding, i.e., the trade date rather than the settlement date. For purposes of the calculation of purchase price and disposition price, brokerage or selling commissions, administrative expenses or similar expenses shall not increase the purchase price of an item and shall not reduce the amount actually or
constructively received upon disposition of an item, except to the extent such costs constitute “qualified administrative costs”.

(iv) Within thirty (30) days of the last day of the fifth and each succeeding fifth “bond year” (which, unless otherwise advised by the Trust, shall be the five-year period ending on the date five years subsequent to the date immediately preceding the date of issuance of the Trust Bonds and each succeeding fifth “bond year”) and within thirty (30) days of the date the last bond that is part of the Trust Bonds is discharged (or on any other periodic basis requested in writing by the Trust), the Borrower shall (A) calculate, or cause to be calculated, the “rebate amount” as of the “computation date” or “final computation date” attributable to any “nonpurpose investment” made by the Borrower and (B) remit the following to the Trust: (1) an amount of money that when added to the “future value” as of the “computation date” of any previous payments made to the Trust on account of rebate equals the “rebate amount”, (2) the calculations supporting the “rebate amount” attributable to any “nonpurpose investment” made by the Borrower allocated to “gross proceeds” of the Trust Bonds, and (3) any other information requested by the Trust relating to compliance with Section 148 of the Code (e.g., information related to any “nonpurpose investment” of the Borrower for purposes of application of the “universal cap”).

(v) The Borrower covenants and agrees that it will account for “gross proceeds” of the Trust Bonds, investments allocable to the Trust Bonds and expenditures of “gross proceeds” of the Trust Bonds in accordance with Treasury Regulations §1.148-6. All allocations of “gross proceeds” of the Trust Bonds to expenditures will be recorded on the books of the Borrower kept in connection with the Trust Bonds no later than 18 months after the later of the date the particular Costs of the Borrower’s Project is paid or the date the portion of the project financed by the Trust Bonds is placed in service. All allocations of proceeds of the Trust Bonds to expenditures will be made no later than the date that is 60 days after the fifth anniversary of the date the Trust Bonds are issued or the date 60 days after the retirement of the Trust Bonds, if earlier. Such records and accounts will include the particular Costs paid, the date of the payment and the party to whom the payment was made.

(vi) From time to time as directed by the Trust, the Borrower shall provide to the Trust a written report demonstrating compliance by the Borrower with the provisions of Section 2.02(f) of this Loan Agreement, each such written report to be submitted by the Borrower to the Trust in the form of a full and complete written response to a questionnaire provided by the Trust to the Borrower. Each such questionnaire shall be provided by the Trust to the Borrower not less than fourteen (14) days prior to the date established by the Trust for receipt from the Borrower of the full and complete written response to the questionnaire.

(i) Inspections; Information. The Borrower shall permit the Trust and the Trustee and any party designated by any of such parties, at any and all reasonable times during construction of the Project and thereafter upon prior written notice, to examine, visit and inspect the property, if any, constituting the Project and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements,
contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Trust and the Trustee may reasonably require in connection therewith.

(j) **Insurance.** The Borrower shall maintain or cause to be maintained, in force, insurance policies with responsible insurers or self-insurance programs providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining Environmental Infrastructure Facilities of the nature of the Borrower’s Environmental Infrastructure System, including liability coverage, all to the extent available at reasonable cost but in no case less than will satisfy all applicable regulatory requirements.

(k) **Costs of Project.** The Borrower certifies that the building cost of the Project, as listed in Exhibit B hereto and made a part hereof, is a reasonable and accurate estimation thereof, and it will supply to the Trust a certificate from a licensed professional engineer authorized to practice in the State stating that such building cost is a reasonable and accurate estimation and that the useful life of the Project exceeds the maturity date of the Borrower Bond.

(l) **Delivery of Documents.** Concurrently with the delivery of this Loan Agreement (as previously authorized, executed and attested) at the Loan Closing, the Borrower will cause to be delivered to the Trust and the Trustee each of the following items:

(i) an opinion of the Borrower’s bond counsel substantially in the form of Exhibit E hereto; provided, however, that the Trust may permit portions of such opinion to be rendered by general counsel to the Borrower and may permit variances in such opinion from the form set forth in Exhibit E if, in the opinion of the Trust, such variances are not to the material detriment of the interests of the holders of the Trust Bonds;

(ii) counterparts of this Loan Agreement as previously executed and attested by the parties hereto;

(iii) copies of those resolutions finally adopted by the governing body of the Borrower and requested by the Trust, including, without limitation, (A) the resolution of the Borrower authorizing the execution, attestation and delivery of this Loan Agreement, (B) the Borrower Bond Resolution, as amended and supplemented as of the date of the Loan Closing, authorizing the execution, attestation, authentication, sale and delivery of the Borrower Bond to the Trust, (C) the resolution of the Borrower, if any, confirming the details of the sale of the Borrower Bond to the Trust, (D) the resolution of the Borrower, if any, declaring its official intent to reimburse expenditures for the Costs of the Project from the proceeds of the Trust Bonds, each of said resolutions of the Borrower being certified by an Authorized Officer of the Borrower as of the date of the Loan Closing, (E) the resolution of the Local Finance Board approving the issuance by the Borrower of the Borrower Bond to the Trust and setting forth any other approvals required therefor by the Local Finance Board, and (F) any other Proceedings;

(iv) if the Loan is being made to reimburse the Borrower for all or a portion of the Costs of the Borrower’s Project or to refinance indebtedness or reimburse the
Borrower for the repayment of indebtedness previously incurred by the Borrower to
finance all or a portion of the Costs of the Borrower’s Project, an opinion of Bond
Counsel, in form and substance satisfactory to the Trust, to the effect that such
reimbursement or refinancing will not adversely affect the exclusion from gross income
for federal income tax purposes of the interest on the Trust Bonds;

(v) the certificates of insurance coverage as required pursuant to the terms of
Section 3.06(d) hereof and such other certificates, documents, opinions and information
as the Trust may require in Exhibit F hereto, if any; and

(vi) See Section 2.02(l)(vi) as set forth in Schedule A attached hereto, made a
part hereof and incorporated herein by reference as if set forth in full herein.

(m) Execution and Delivery of Borrower Bond. Concurrently with the delivery of this
Loan Agreement at the Loan Closing, the Borrower shall also deliver to the Trust the Borrower
Bond, as previously executed, attested and authenticated, upon the receipt of a written
certification of the Trust that a portion of the net proceeds of the Trust Bonds shall be deposited
in the Project Loan Account simultaneously with the delivery of the Borrower Bond.

(n) Notice of Material Adverse Change. The Borrower shall promptly notify the
Trust of any material adverse change in the properties, activities, prospects or condition
(financial or otherwise) of the Borrower or its Environmental Infrastructure System, or in the
ability of the Borrower to make all Loan Repayments and otherwise to observe and perform its
duties, covenants, obligations and agreements under this Loan Agreement and the Borrower
Bond.

(o) Continuing Representations. The representations of the Borrower contained
herein shall be true at the time of the execution of this Loan Agreement and at all times during
the term of this Loan Agreement.

(p) Continuing Disclosure Covenant. To the extent that the Trust, in its sole
discretion, determines, at any time prior to the termination of the Loan Term, that the Borrower
is a material “obligated person”, as the term “obligated person” is defined in Rule 15c2-12, with
materiality being determined by the Trust pursuant to criteria established, from time to time, by
the Trust in its sole discretion and set forth in a bond resolution or official statement of the Trust,
the Borrower hereby covenants that it will authorize and provide to the Trust, for inclusion in
any preliminary official statement or official statement of the Trust, all statements and
information relating to the Borrower and, if applicable, any Underlying Government Unit and
Indirect Underlying Government Unit, deemed material by the Trust for the purpose of satisfying
Rule 15c2-12 as well as Rule 10b-5 promulgated pursuant to the Securities Exchange Act of
1934, as amended or supplemented, including any successor regulation or statute thereeto (“Rule
10b-5”), including certificates and written representations of the Borrower evidencing its
compliance with Rule 15c2-12 and Rule 10b-5; and the Borrower hereby further covenants that
the Borrower shall execute and deliver the Continuing Disclosure Agreement, in substantially the
form attached hereto as Exhibit H, with such revisions thereto prior to execution and delivery
thereof as the Trust shall determine to be necessary, desirable or convenient, in its sole
discretion, for the purpose of satisfying Rule 15c2-12 and the purposes and intent thereof, as
Rule 15c2-12, its purposes and intent may hereafter be interpreted from time to time by the SEC or any court of competent jurisdiction; and pursuant to the terms and provisions of the Continuing Disclosure Agreement, the Borrower shall thereafter provide on-going disclosure with respect to all statements and information relating to the Borrower and, if applicable, any Underlying Government Unit and Indirect Underlying Government Unit, in satisfaction of the requirements set forth in Rule 15c2-12 and Rule 10b-5, including, without limitation, the provision of certificates and written representations of the Borrower evidencing its compliance with Rule 15c2-12 and Rule 10b-5.

(q) **Additional Covenants and Requirements.** (i) No later than the Loan Closing and, if necessary, in connection with the Trust’s issuance of the Trust Bonds or the making of the Loan, additional covenants and requirements have been included in Exhibit F hereto and made a part hereof. Such covenants and requirements may include, but need not be limited to, the requirement that the Borrower enter into and execute or produce a validly existing Service Agreement, the maintenance of specified levels of Environmental Infrastructure System rates, the issuance of additional debt of the Borrower, the use by or on behalf of the Borrower of certain proceeds of the Trust Bonds as such use relates to the exclusion from gross income for federal income tax purposes of the interest on any Trust Bonds, the transfer of Revenues from the Borrower’s Environmental Infrastructure System, compliance with Rule 15c2-12, Rule 10b-5 and any other applicable federal or state securities laws, and matters in connection with the appointment of the Trustee under the Bond Resolution and any successors thereto. The Borrower hereby agrees to observe and comply with each such additional covenant and requirement, if any, included in Exhibit F hereto as if the same were set forth herein in its entirety. (ii) Additional defined terms, covenants, representations and requirements have been included in Schedule A attached hereto and made a part hereof. Such additional defined terms, covenants, representations and requirements are incorporated in this Loan Agreement by reference thereto as if set forth in full herein and the Borrower hereby agrees to observe and comply with each such additional term, covenant, representation and requirement included in Schedule A as if the same were set forth in its entirety where reference thereto is made in this Loan Agreement.
ARTICLE III

LOAN TO BORROWER; AMOUNTS PAYABLE; GENERAL AGREEMENTS

SECTION 3.01. Loan; Loan Term. The Trust hereby agrees to make the Loan as described in Exhibit A-2 hereof and to disburse proceeds of the Loan to the Borrower in accordance with Section 3.02 and Exhibit C hereof, and the Borrower hereby agrees to borrow and accept the Loan from the Trust upon the terms set forth in Exhibit A-2 attached hereto and made a part hereof; provided, however, that the Trust shall be under no obligation to make the Loan if (a) at the Loan Closing, the Borrower does not deliver to the Trust a Borrower Bond and such other documents required under Section 2.02(l) hereof, or (b) an Event of Default has occurred and is continuing under the Bond Resolution or this Loan Agreement. Although the Trust intends to disburse proceeds of the Loan to the Borrower at the times and up to the amounts set forth in Exhibit C to pay a portion of the Costs of the Project, due to unforeseen circumstances there may not be a sufficient amount on deposit in the Project Fund on any date to make the disbursement in such amount. Nevertheless, the Borrower agrees that the amount actually deposited in the Project Loan Account at the Loan Closing plus the Borrower’s allocable share of (i) certain costs of issuance and underwriter’s discount for all Trust Bonds issued to finance the Loan; (ii) capitalized interest during the Project construction period, if applicable; and (iii) that portion of the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution) attributable to the cost of funding reserve capacity for the Project, if applicable, shall constitute the initial principal amount of the Loan (as the same may be adjusted downward in accordance with the definition thereof), and neither the Trust nor the Trustee shall have any obligation thereafter to loan any additional amounts to the Borrower.

The Borrower shall use the proceeds of the Loan strictly in accordance with Section 2.01(h) hereof.

The payment obligations created under this Loan Agreement and the obligations to pay the principal of the Borrower Bond, Interest on the Borrower Bond and other amounts due under the Borrower Bond are each special obligations of the Borrower payable solely from the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution.

SECTION 3.02. Disbursement of Loan Proceeds.

(a) The Trustee, as the agent of the Trust, shall disburse the amounts on deposit in the Project Loan Account to the Borrower upon receipt of a requisition executed by an Authorized Officer of the Borrower, and approved by the Trust, in a form meeting the requirements of Section 5.02(3) of the Bond Resolution.

(b) The Trust and Trustee shall not be required to disburse any Loan proceeds to the Borrower under this Loan Agreement, unless:

(i) the proceeds of the Trust Bonds shall be available for disbursement, as determined solely by the Trust;
(ii) in accordance with the Bond Act, and the Regulations, the Borrower shall have timely applied for, shall have been awarded and, prior to or simultaneously with the Loan Closing, shall have closed a Fund Loan for a portion of the Allowable Costs (as defined in such Regulations) of the Project in an amount not in excess of the amount of Allowable Costs of the Project financed by the Loan from the Trust;

(iii) the Borrower shall have on hand moneys to pay for the greater of (A) that portion of the total Costs of the Project that is not eligible to be funded from the Fund Loan or the Loan, or (B) that portion of the total Costs of the Project that exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Fund Loan and the Loan; and

(iv) no Event of Default nor any event that, with the passage of time or service of notice or both, would constitute an Event of Default shall have occurred and be continuing hereunder.

SECTION 3.03. Amounts Payable.

(a) The Borrower shall repay the Loan in installments payable to the Trustee as follows:

(i) the principal of the Loan shall be repaid annually on the Principal Payment Dates, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution;

(ii) the Interest Portion described in clause (i) of the definition thereof shall be paid semiannually on the Interest Payment Dates, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution; and

(iii) the Interest Portion described in clause (ii) of the definition thereof shall be paid upon the date of optional redemption or acceleration, as the case may be, of the Trust Bonds allocable to any prepaid or accelerated Trust Bond Loan Repayment.

The obligations of the Borrower under the Borrower Bond shall be deemed to be amounts payable under this Section 3.03. Each Loan Repayment, whether satisfied through a direct payment by the Borrower to the Trustee or (with respect to the Interest Portion) through the use of Trust Bond proceeds and income thereon on deposit in the Interest Account (as defined in the Bond Resolution) to pay interest on the Trust Bonds, shall be deemed to be a credit against the corresponding obligation of the Borrower under this Section 3.03 and shall fulfill the Borrower’s obligation to pay such amount hereunder and under the Borrower Bond. Each payment made to the Trustee pursuant to this Section 3.03 shall be applied first to the Interest Portion then due and payable, second to the principal of the Loan then due and payable, third to the payment of the Administrative Fee, and finally to the payment of any late charges hereunder.
(b) The Interest on the Loan described in clause (iii) of the definition thereof shall (i) consist of a late charge for any Trust Bond Loan Repayment that is received by the Trustee later than the tenth (10th) day following its due date and (ii) be payable immediately thereafter in an amount equal to the greater of twelve percent (12%) per annum or the Prime Rate plus one half of one percent per annum on such late payment from its due date to the date it is actually paid; provided, however, that the rate of Interest on the Loan, including, without limitation, any late payment charges incurred hereunder, shall not exceed the maximum interest rate permitted by law.

(c) The Borrower shall receive, as a credit against its semiannual payment obligations of the Interest Portion, the amounts, if any, certified by the Trust pursuant to Section 5.10 of the Bond Resolution. Such amounts shall represent the Borrower’s allocable share of the interest earnings on certain funds and accounts established under the Bond Resolution, as calculated and determined in accordance with Section 5.10 of the Bond Resolution.

(d) In accordance with the provisions of the Bond Resolution, the Borrower shall receive, as a credit against its Trust Bond Loan Repayments, the amounts, if any, set forth in the certificate of the Trust filed with the Trustee pursuant to Section 5.02(4) of the Bond Resolution.

(e) The Interest on the Loan described in clause (ii) of the definition thereof shall be paid by the Borrower in the amount of one-half of the Administrative Fee, if any, to the Trustee semiannually on each February 1 and August 1, commencing August 1, 2015.

(f) See Section 3.03(f) as set forth in Schedule A attached hereto, made a part hereof and incorporated herein by reference as if set forth in full herein.

(g) Upon thirty (30) days prior written notice to the Borrower, an Authorized Officer of the Trust may, in the sole discretion of such Authorized Officer, prescribe the particular method by which payments pursuant to, and in satisfaction of, this Section 3.03 shall be made by the Borrower. Such method as prescribed by an Authorized Officer of the Trust may include, without limitation, the automatic debit by the Trust or the Trustee of the respective amounts of such payments, as required by this Section 3.03, from an account that shall be identified by the Borrower in writing and recorded on file with the Trust and the Trustee. In the absence of any such written notice to the Borrower by an Authorized Officer of the Trust pursuant to this subsection (g), the Borrower shall implement the payments required pursuant to, and in satisfaction of, this Section 3.03 either via electronic transfer of immediately available funds or via check.

SECTION 3.03A. Amounts on Deposit in Project Loan Account After Completion of Project Draws.

(a) If, on the date which is one hundred eighty (180) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to the original draw schedule contained in Exhibit C hereto, any amounts remain on deposit in the Borrower’s Project Loan Account, the Borrower shall provide to the Trust and the Department a certificate of an Authorized Officer of the Borrower (i) stating that the Borrower has not yet completed the Project, (ii) stating that the Borrower intends to complete the Project, (iii) setting forth the
amount of remaining Loan Proceeds required to complete the Project, and (iv) providing a revised draw schedule, in a form similar to Exhibit C hereto and approved by the Department.

(b) If, on the date which is one hundred eighty (180) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to the revised draw schedule certified to the Trust and the Department in accordance with Section 3.03A(a) hereof, any amounts remain on deposit in the Borrower’s Project Loan Account, the Borrower shall provide to the Trust and the Department a certificate of an Authorized Officer of the Borrower (i) stating that the Borrower has not yet completed the Project, (ii) stating that the Borrower intends to complete the Project, (iii) setting forth the amount of remaining Loan Proceeds required to complete the Project, and (iv) providing a further revised draw schedule, in a form similar to Exhibit C hereto and approved by the Department.

(c) If (i) the Borrower fails to provide the certificate described in paragraphs (a) or (b) of this Section 3.03A, when due, or (ii) a certificate provided pursuant to paragraphs (a) or (b) of this Section 3.03A states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account for completion of the Project, or (iii) on the date which is one hundred eighty (180) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to a further revised draw schedule certified to the Trust and the Department in accordance with Section 3.03A(b) hereof, any amounts remain on deposit in the Borrower’s Project Loan Account, or (iv) a certificate provided pursuant to Section 2.02(e)(xvi) hereof states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account for completion of the Project, then such amounts on deposit in the Project Loan Account, which are amounts that have not been certified by an Authorized Officer of the Borrower as being required to complete the Project (“Excess Project Funds”), shall be applied as follows:

(A) If the Excess Project Funds are less than or equal to the greater of (1) $250,000 or (2) the amount of Loan Repayments due from the Borrower to the Trust in the next succeeding calendar year, the Excess Project Funds shall be applied by the Trust toward the Borrower’s obligation to make the Loan Repayments next coming due; or

(B) If the Excess Project Funds are greater than the greater of (1) $250,000 or (2) the amount of Loan Repayments due from the Borrower to the Trust in the next succeeding calendar year, the Excess Project Funds shall be applied by the Trust as a prepayment of the Borrower’s Loan Repayments, and shall be applied to the principal payments (including the premium, if any, associated with any optional or mandatory redemption of Trust Bonds) on the Loan in inverse order of their maturity.

SECTION 3.04. Unconditional Obligations. The obligation of the Borrower to make the Loan Repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever while any Trust Bonds remain outstanding or any Loan Repayments remain unpaid, for any reason, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute
failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project, this Loan Agreement or the Bond Resolution, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Trust, the Trustee or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights. The Borrower shall not be obligated to make any payments required to be made by any other Borrowers under separate Loan Agreements or the Bond Resolution.

The Borrower acknowledges that payment of the Trust Bonds by the Trust, including payment from moneys drawn by the Trustee from the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution), does not constitute payment of the amounts due under this Loan Agreement and the Borrower Bond. If at any time the amount in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement as the result of any transfer of moneys from the Debt Service Reserve Fund to the Debt Service Fund (as all such terms are defined in the Bond Resolution) as the result of a failure by the Borrower to make any Trust Bond Loan Repayments required hereunder, the Borrower agrees to replenish (i) such moneys so transferred and (ii) any deficiency arising from losses incurred in making such transfer as the result of the liquidation by the Trust of Investment Securities (as defined in the Bond Resolution) acquired as an investment of moneys in the Debt Service Reserve Fund, by making payments to the Trust in equal monthly installments for the lesser of six (6) months or the remaining term of the Loan at an interest rate to be determined by the Trust necessary to make up any loss caused by such deficiency.

The Borrower acknowledges that payment of the Trust Bonds from moneys that were originally received by the Trustee pursuant to Section 5.04(1) of the Bond Resolution from repayments by the Borrowers of loans made to the Borrowers by the State, acting by and through the Department, pursuant to loan agreements dated as of May 1, 2015 by and between the Borrowers and the State, acting by and through the Department, to finance or refinance a portion of the Costs of the Environmental Infrastructure Facilities of the Borrowers, does not constitute payment of the amounts due under this Loan Agreement and the Borrower Bond.

**SECTION 3.05. Loan Agreement to Survive Bond Resolution and Trust Bonds.**

The Borrower acknowledges that its duties, covenants, obligations and agreements hereunder shall survive the discharge of the Bond Resolution applicable to the Trust Bonds and shall survive the payment of the principal and redemption premium, if any, of and the interest on the Trust Bonds until the Borrower can take no action or fail to take any action that could adversely affect the exclusion from gross income of the interest on the Trust Bonds for purposes of federal income taxation, at which time such duties, covenants, obligations and agreements hereunder shall, except for those set forth in Sections 3.06(a) and (b) hereof, terminate.
SECTION 3.06. Disclaimer of Warranties and Indemnification.

(a) The Borrower acknowledges and agrees that (i) neither the Trust nor the Trustee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the Environmental Infrastructure System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Trust or the Trustee or their respective agents be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the Environmental Infrastructure System or the Project or any item or products or services provided for in this Loan Agreement; and (iii) to the fullest extent permitted by law, the Borrower shall indemnify and hold the Trust and the Trustee harmless against, and the Borrower shall pay any and all, liability, loss, cost, damage, claim, judgment or expense of any and all kinds or nature and however arising and imposed by law, which the Trust and the Trustee may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death or damage to property, whether real, personal or mixed, or upon or arising out of contracts entered into by the Borrower, the Borrower’s ownership of the Environmental Infrastructure System or the Project, or the acquisition, construction or installation of the Project.

(b) It is mutually agreed by the Borrower, the Trust and the Trustee that the Trust and its officers, agents, servants or employees shall not be liable for, and shall be indemnified and saved harmless by the Borrower in any event from, any action performed under this Loan Agreement and any claim or suit of whatsoever nature, except in the event of loss or damage resulting from their own negligence or willful misconduct. It is further agreed that the Trustee and its directors, officers, agents, servants or employees shall not be liable for, and shall be indemnified and saved harmless by the Borrower in any event from, any action performed pursuant to this Loan Agreement, except in the event of loss or damage resulting from their own negligence or willful misconduct.

(c) The Borrower and the Trust agree that all claims shall be subject to and governed by the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. (except for N.J.S.A. 59:13-9 thereof), although such Act by its express terms does not apply to claims arising under contract with the Trust.

(d) In connection with its obligation to provide the insurance required under Section 2.02(j) hereof: (i) the Borrower shall include, or cause to be included, the Trust and its directors, employees and officers as additional “named insureds” on (A) any certificate of liability insurance procured by the Borrower (or other similar document evidencing the liability insurance coverage procured by the Borrower) and (B) any certificate of liability insurance procured by any contractor or subcontractor for the Project, and from the later of the date of the Loan Closing or the date of the initiation of construction of the Project until the date the Borrower receives the written certificate of Project completion from the Trust, the Borrower shall maintain said liability insurance covering the Trust and said directors, employees and officers in good standing; and (ii) the Borrower shall include the Trust as an additional “named insured” on any certificate of insurance providing against risk of direct physical loss, damage or destruction of the...
Environmental Infrastructure System, and during the Loan Term the Borrower shall maintain said insurance covering the Trust in good standing.

The Borrower shall provide the Trust with a copy of each of any such original, supplemental, amendatory or reissued certificates of insurance (or other similar documents evidencing the insurance coverage) required pursuant to this Section 3.06(d).

SECTION 3.07. Option to Prepay Loan Repayments. The Borrower may prepay the Trust Bond Loan Repayments, in whole or in part (but if in part, in the amount of $100,000 or any integral multiple thereof), upon prior written notice to the Trust and the Trustee not less than ninety (90) days in addition to the number of days’ advance notice to the Trustee required for any optional redemption of the Trust Bonds, and upon payment by the Borrower to the Trustee of amounts that, together with investment earnings thereon, will be sufficient to pay the principal amount of the Trust Bond Loan Repayments to be prepaid plus the Interest Portion described in clause (ii) of the definition thereof on any such date of redemption; provided, however, that, with respect to any prepayment other than those required by Section 3.03A hereof, any such full or partial prepayment may only be made (i) if the Borrower is not then in arrears on its Fund Loan, (ii) if the Borrower is contemporaneously making a full or partial prepayment of the Fund Loan such that, after the prepayment of the Loan and the Fund Loan, the Trust, in its sole discretion, determines that the interests of the owners of the Trust Bonds are not adversely affected by such prepayments, (iii) upon the prior written approval of the Trust, and (iv) provided that the Borrower shall agree to pay all costs and expenses of the Trust in connection with such prepayment, including, without limitation, the fees of Bond Counsel to the Trust and any other professional advisors to the Trust. In addition, if at the time of such prepayment the Trust Bonds may only be redeemed at the option of the Trust upon payment of a premium, the Borrower shall add to its prepayment of Trust Bond Loan Repayments an amount, as determined by the Trust, equal to such premium allocable to the Trust Bonds to be redeemed as a result of the Borrower’s prepayment. Prepayments shall be applied first to the Interest Portion that accrues on the portion of the Loan to be prepaid until such prepayment date as described in clause (ii) of the definition thereof and then to principal payments (including premium, if any) on the Loan in inverse order of their maturity.

SECTION 3.08. Priority of Loan and Fund Loan.

(a) The Borrower hereby acknowledges that, to the extent allowed by law, any Loan Repayments then due and payable on the Loan shall be satisfied by the Trustee before any loan repayments on the Borrower’s Fund Loan shall be satisfied by the Trustee. The Borrower agrees not to interfere with any such action by the Trustee.

(b) The Borrower hereby acknowledges that in the event the Borrower fails or is unable to pay promptly to the Trust in full any Trust Bond Loan Repayments under this Loan Agreement when due, then any (i) Administrative Fee paid hereunder, (ii) late charges paid hereunder, and (iii) loan repayments paid by the Borrower on its Fund Loan under the related loan agreement therefor, any of which payments shall be received by the Trustee during the time of any such Trust Bond Loan Repayment deficiency, shall be applied by the Trustee first to satisfy such Trust Bond Loan Repayment deficiency as a credit against the obligations of the Borrower to make payments of the Interest Portion under the Loan and the Borrower Bond,
second, to the extent available, to make Trust Bond Loan Repayments of principal hereunder and payments of principal under the Borrower Bond, third, to the extent available, to pay the Administrative Fee, fourth, to the extent available, to pay any late charges hereunder, fifth, to the extent available, to satisfy the repayment of the Borrower’s Fund Loan under its related loan agreement therefor, and finally, to the extent available, to satisfy the repayment of the administrative fee under any such related loan agreement.

(c) The Borrower hereby further acknowledges that any loan repayments paid by the Borrower on its Fund Loan under the related loan agreement therefor shall be applied according to the provisions of the Master Program Trust Agreement.

SECTION 3.09. Approval of the New Jersey State Treasurer. The Borrower and the Trust hereby acknowledge that prior to or simultaneously with the Loan Closing the New Jersey State Treasurer, in satisfaction of the requirements of Section 9a of the Act, issued the “Certificate of the New Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” (the “Treasurer’s Certificate”). Pursuant to the terms of the Treasurer’s Certificate, the New Jersey State Treasurer approved the Loan and the terms and conditions thereof as established by the provisions of this Loan Agreement.
ARTICLE IV

ASSIGNMENT OF LOAN AGREEMENT AND BORROWER BOND

SECTION 4.01. Assignment and Transfer by Trust.

(a) The Borrower hereby expressly acknowledges that, other than the provisions of Section 2.02(d)(ii) hereof, the Trust’s right, title and interest in, to and under this Loan Agreement and the Borrower Bond have been assigned to the Trustee as security for the Trust Bonds as provided in the Bond Resolution, and that if any Event of Default shall occur, the Trustee or any Bond Insurer (as such term may be defined in the Bond Resolution), if applicable, pursuant to the Bond Resolution, shall be entitled to act hereunder in the place and stead of the Trust. The Borrower hereby acknowledges the requirements of the Bond Resolution applicable to the Trust Bonds and consents to such assignment and appointment. This Loan Agreement and the Borrower Bond, including, without limitation, the right to receive payments required to be made by the Borrower hereunder and to compel or otherwise enforce observance and performance by the Borrower of its other duties, covenants, obligations and agreements hereunder, may be further transferred, assigned and reassigned in whole or in part to one or more assignees or subassignees by the Trustee at any time subsequent to their execution without the necessity of obtaining the consent of, but after giving prior written notice to, the Borrower.

The Trust shall retain the right to compel or otherwise enforce observance and performance by the Borrower of its duties, covenants, obligations and agreements under Section 2.02(d)(ii) hereof; provided, however, that in no event shall the Trust have the right to accelerate the Borrower Bond in connection with the enforcement of Section 2.02(d)(ii) hereof.

(b) The Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement and the Borrower Bond that the Trust deems to be necessary in connection with any refunding of the Trust Bonds or the issuance of additional bonds under the Bond Resolution or otherwise, all in connection with the pooled loan program of the Trust.

SECTION 4.02. Assignment by Borrower. Neither this Loan Agreement nor the Borrower Bond may be assigned by the Borrower for any reason, unless the following conditions shall be satisfied: (i) the Trust and the Trustee shall have approved said assignment in writing; (ii) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower’s duties, covenants, obligations and agreements under this Loan Agreement and, to the extent permitted under applicable law, the Borrower Bond; (iii) immediately after such assignment, the assignee shall not be in default in the observance or performance of any duties, covenants, obligations or agreements of the Borrower under this Loan Agreement or the Borrower Bond; and (iv) the Trust shall have received an opinion of Bond Counsel to the effect that such assignment will not adversely affect the security of the holders of the Trust Bonds or the exclusion of the interest on the Trust Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code.
ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.01. Events of Default. If any of the following events occur, it is hereby defined as and declared to be and to constitute an “Event of Default”:

(a) failure by the Borrower to pay, or cause to be paid, any Trust Bond Loan Repayment required to be paid hereunder when due, which failure shall continue for a period of fifteen (15) days;

(b) failure by the Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Borrower (other than the Loan and the Borrower Bond), after giving effect to the applicable grace period, the payments of which are secured by the Revenues of the Environmental Infrastructure System;

(c) failure by the Borrower to pay, or cause to be paid, the Administrative Fee or any late charges incurred hereunder or any portion thereof when due or to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in subsection (a) of this Section 5.01 or other than the obligations of the Borrower contained in Section 2.02(d)(ii) hereof and in Exhibit F hereto, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Trustee may not unreasonably withhold its consent to an extension of such time up to 120 days from the delivery of the written notice referred to above if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Event of Default is corrected;

(d) any representation made by or on behalf of the Borrower contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement or the Loan, is false or misleading in any material respect;

(e) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, and/or any proceeding with respect to such petition and/or pursuant to any such law shall occur or be pending (including, without limitation, the operation and administration of the Borrower pursuant to any plan of reorganization approved and implemented under any such law), unless in the case of any such petition filed against the Borrower or any such proceeding such petition and such proceeding shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal or the further jurisdiction of any court; or the Borrower shall become insolvent or bankrupt or shall make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee, but not including a takeover by the Division of Local Government Services in the New Jersey Department of Community Affairs) of the Borrower or any of its property shall be appointed by
court order or take possession of the Borrower or its property or assets if such order remains in
effect or such possession continues for more than thirty (30) days;

(f) the Borrower shall generally fail to pay its debts as such debts become due; and

(g) failure of the Borrower to observe or perform such additional duties, covenants,
obligations, agreements or conditions as are required by the Trust and specified in Exhibit F
attached hereto and made a part hereof.

SECTION 5.02. Notice of Default. The Borrower shall give the Trustee and the
Trust prompt telephonic notice of the occurrence of any Event of Default referred to in Section
5.01(e) or (f) hereof and of the occurrence of any other event or condition that constitutes an
Event of Default at such time as any senior administrative or financial officer of the Borrower
becomes aware of the existence thereof.

SECTION 5.03. Remedies on Default. Whenever an Event of Default referred to
in Section 5.01 hereof shall have occurred and be continuing, the Borrower acknowledges the
rights of the Trustee and of any Bond Insurer to direct any and all remedies in accordance with
the terms of the Bond Resolution, and the Borrower also acknowledges that the Trust shall have
the right to take, or to direct the Trustee to take, any action permitted or required pursuant to the
Bond Resolution and to take whatever other action at law or in equity may appear necessary or
desirable to collect the amounts then due and thereafter to become due hereunder or to enforce
the observance and performance of any duty, covenant, obligation or agreement of the Borrower
hereunder.

In addition, if an Event of Default referred to in Section 5.01(a) hereof shall have
occurred and be continuing, the Trust shall, to the extent allowed by applicable law and to the
extent and in the manner set forth in the Bond Resolution, have the right to declare, or to direct
the Trustee to declare, all Loan Repayments and all other amounts due hereunder (including,
without limitation, payments under the Borrower Bond) together with the prepayment premium,
if any, calculated pursuant to Section 3.07 hereof to be immediately due and payable, and upon
notice to the Borrower the same shall become due and payable without further notice or demand.

SECTION 5.04. Attorneys’ Fees and Other Expenses. The Borrower shall on
demand pay to the Trust or the Trustee the reasonable fees and expenses of attorneys and other
reasonable expenses (including, without limitation, the reasonably allocated costs of in-house
counsel and legal staff) incurred by either of them in the collection of Trust Bond Loan
Repayments or any other sum due hereunder or in the enforcement of the observance or
performance of any other duties, covenants, obligations or agreements of the Borrower upon an
Event of Default.

SECTION 5.05. Application of Moneys. Any moneys collected by the Trust or the
Trustee pursuant to Section 5.03 hereof shall be applied (a) first to pay any attorneys’ fees or
other fees and expenses owed by the Borrower pursuant to Section 5.04 hereof, (b) second, to the
extent available, to pay the Interest Portion then due and payable, (c) third, to the extent
available, to pay the principal due and payable on the Loan, (d) fourth, to the extent available, to
pay the Administrative Fee, any late charges incurred hereunder or any other amounts due and

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payable under this Loan Agreement, and (e) *fifth*, to the extent available, to pay the Interest Portion and the principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

**SECTION 5.06. No Remedy Exclusive; Waiver; Notice.** No remedy herein conferred upon or reserved to the Trust or the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trust or the Trustee to exercise any remedy reserved to it in this Article V, it shall not be necessary to give any notice other than such notice as may be required in this Article V.

**SECTION 5.07. Retention of Trust’s Rights.** Notwithstanding any assignment or transfer of this Loan Agreement pursuant to the provisions hereof or of the Bond Resolution, or anything else to the contrary contained herein, the Trust shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Borrower at law or in equity, as the Trust may, in its discretion, deem necessary to enforce the obligations of the Borrower to the Trust pursuant to Section 5.03 hereof.
ARTICLE VI

MISCELLANEOUS

SECTION 6.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address specified in Exhibit A-1 attached hereto and made a part hereof and to the Trust and the Trustee at the following addresses:

(a) Trust:

New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 4, Suite 216
Lawrenceville, New Jersey 08648-2201
Attention: Executive Director

(b) Trustee:

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey 07960
Attention: Corporate Trust Department

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by notice in writing given to the others.

SECTION 6.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Trust and the Borrower and their respective successors and assigns.

SECTION 6.03. Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

SECTION 6.04. Amendments, Supplements and Modifications.

(a) Except as otherwise provided in this Section 6.04, this Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Trust and the Borrower and without the satisfaction of all conditions set forth in Section 11.12 of the Bond Resolution. Notwithstanding the conditions set forth in Section 11.12 of the Bond Resolution, (i) Section 2.02(p) hereof may be amended, supplemented or modified upon the written consent of the Trust and the Borrower and without the consent of the Trustee, any Bond Insurer or any holders of the Trust Bonds, and (ii) Exhibit H hereto may be amended, supplemented or modified prior to the execution and delivery thereof as the Trust, in its sole discretion, shall determine to be necessary, desirable or convenient for the purpose of satisfying Rule 15c2-12.
and the purpose and intent thereof as Rule 15c2-12, its purpose and intent may hereafter be interpreted from time to time by the SEC or any court of competent jurisdiction, and such amendment, supplement or modification shall not require the consent of the Borrower, the Trustee, any Bond Insurer or any holders of the Trust Bonds.

(b) Notwithstanding any provision of the Service Agreement to the contrary, the Service Agreement may not be amended, supplemented or modified by the Borrower and the Underlying Government Unit without the prior written consent of an Authorized Officer (as defined in the Bond Resolution) of the Trust.

SECTION 6.05. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.06. Applicable Law and Regulations. This Loan Agreement shall be governed by and construed in accordance with the laws of the State, including the Act and the Regulations, which Regulations are, by this reference thereto, incorporated herein as part of this Loan Agreement.

SECTION 6.07. Consents and Approvals. Whenever the written consent or approval of the Trust shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by the Trust unless otherwise provided by law or by rules, regulations or resolutions of the Trust or unless expressly delegated to the Trustee and except as otherwise provided in Section 6.09 hereof.

SECTION 6.08. Captions. The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

SECTION 6.09. Benefit of Loan Agreement; Compliance with Bond Resolution. This Loan Agreement is executed, among other reasons, to induce the purchase of the Trust Bonds. Accordingly, all duties, covenants, obligations and agreements of the Borrower herein contained are hereby declared to be for the benefit of and are enforceable by the Trust, the holders of the Trust Bonds and the Trustee. The Borrower covenants and agrees to observe and comply with, and to enable the Trust to observe and comply with, all duties, covenants, obligations and agreements contained in the Bond Resolution.

SECTION 6.10. Further Assurances. The Borrower shall, at the request of the Trust, authorize, execute, attest, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement and the Borrower Bond.
IN WITNESS WHEREOF, the Trust and the Borrower have caused this Loan Agreement to be executed, sealed and delivered as of the date first above written.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

By: __________________________
    Warren H. Victor
    Chairman

ATTEST:

______________________________
David E. Zimmer
Assistant Secretary

[NAME OF BORROWER]

[SEAL]

By: __________________________
    Authorized Officer

ATTEST:

______________________________
Authorized Officer

[signature page]
SCHEDULE A

Certain Additional Loan Agreement Provisions
EXHIBIT A-1

Description of Project and Environmental Infrastructure System
EXHIBIT A-2

Description of Loan
EXHIBIT B

Basis for Determination of Allowable Project Costs
EXHIBIT C

Estimated Disbursement Schedule
EXHIBIT D

Specimen Borrower Bond
(Except for assignment page, to be supplied by Borrower’s bond counsel in substantially the following form)

IMPORTANT NOTE: The next three pages set forth the form of the Borrower Bond prepared by the Trust’s Bond Counsel for municipal/county Borrowers. Although the Trust recognizes that each authority Borrower has its own bond form as required pursuant to its Borrower Bond Resolution, please incorporate in the authority bond form the pertinent information from this municipal/county bond form (e.g., amounts payable under the Borrower Bond set forth in the first paragraph, assignment in the second paragraph, disbursement language in the third paragraph, unconditional obligation in the fourth paragraph, optional prepayment provisions in the fifth paragraph and the date of the Borrower Bond).
FOR VALUE RECEIVED, [the] [NAME OF BORROWER], a [municipal/county utilities authority] [sewerage authority] [political subdivision] duly created and validly existing under the Constitution and laws of the State (the “Borrower”), hereby promises to pay to the order of the New Jersey Environmental Infrastructure Trust (the “Trust”) (i) the principal amount of __________________________ Dollars ($__________), or such lesser amount as shall be determined in accordance with Section 3.01 of the Loan Agreement (as hereinafter defined), at the times and in the amounts determined as provided in the Loan Agreement, together with (ii) Interest on the Loan constituting the Interest Portion, the Administrative Fee and any late charges incurred under the Loan Agreement (as such terms are defined in the Loan Agreement) in the amount calculated as provided in the Loan Agreement, payable on the days and in the amounts as provided in the Loan Agreement, which principal amount and Interest Portion of the Interest on the Loan shall, unless otherwise provided in the Loan Agreement, be payable on the days and in the amounts as also set forth in Exhibit A attached hereto under the column headings respectively entitled “Principal” and “Interest”, plus (iii) any other amounts due and owing under the Loan Agreement at the times and in the amounts as provided therein. The Borrower irrevocably pledges its Revenues (as defined in the Loan Agreement) for the punctual payment of the principal of and the Interest on this Borrower Bond (as defined in the Loan Agreement) and for the punctual payment of all other amounts due under this Borrower Bond and the Loan Agreement according to their respective terms.

This Borrower Bond is issued pursuant to the [“Municipal and County Utilities Authorities Law”, P.L. 1957, c. 183, (N.J.S.A. 40:14B-1 et seq.),] [the “Sewerage Authorities Law”, P.L. 1946 c. 138 (N.J.S.A. 40:14A-1 et seq.),] [“the Local Authorities Fiscal Control Law”, P.L. 1983 c. 313 (N.J.S.A. 40A:5A-1 et seq.),] [the “Borrower Enabling Act” means the “[TITLE OF ACT]”, P.L. ___ c. ___ (N.J.S.A. _______ et seq.),] other applicable law and the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”). This Borrower Bond is issued in consideration of the loan made under the Loan Agreement (the “Loan”) to evidence the payment obligations of the Borrower set forth in the Loan Agreement. This Borrower Bond has been assigned to U.S. Bank National Association, as trustee (the “Trust’s Trustee”) under the “Environmental Infrastructure Bond Resolution, Series 2015[____]”, adopted by the Trust on April __, 2015, as the same may be amended and supplemented in accordance with the terms thereof (the “Bond Resolution”), and payments hereunder shall, except as otherwise provided in the Loan Agreement, be made directly to the Trust’s Trustee for the account of the Trust pursuant to such assignment. Such assignment has been made as security for the payment of the Trust Bonds (as defined in the Loan Agreement) issued to finance or refinance the Loan and as otherwise described in the Loan Agreement. This Borrower Bond is subject to further assignment or endorsement in accordance with the terms of the Bond Resolution and the Loan Agreement. All of the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as part of this Borrower Bond.

Pursuant to the Loan Agreement, disbursements shall be made by the Trustee to the Borrower, in accordance with written instructions of the Trust, upon receipt by the Trust and the
Trust’s Trustee of requisitions from the Borrower executed and delivered in accordance with the requirements set forth in Section 3.02 of the Loan Agreement.

This Borrower Bond is entitled to the benefits and is subject to the conditions of the Loan Agreement. The obligations of the Borrower to make the payments required hereunder shall be absolute and unconditional, without any defense or right of set-off, counterclaim or recoupment by reason of any default by the Trust under the Loan Agreement or under any other agreement between the Borrower and the Trust or out of any indebtedness or liability at any time owing to the Borrower by the Trust or for any other reason.

This Borrower Bond is subject to optional prepayment under the terms and conditions, and in the amounts, provided in Section 3.07 of the Loan Agreement. To the extent allowed by applicable law, this Borrower Bond may be subject to acceleration under the terms and conditions, and in the amounts, provided in Section 5.03 of the Loan Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Borrower Bond to be duly executed, sealed and delivered as of May 21, 2015.

[NAME OF BORROWER]

[SEAL]

By:________________________

ATTEST:

____________________________

____________________________
New Jersey Environmental Infrastructure Trust hereby assigns the foregoing Borrower Bond to U.S. Bank National Association, as the Trust’s Trustee under the “Environmental Infrastructure Bond Resolution, Series 2015[____]”, adopted on April ___, 2015, as amended and supplemented, all as of the date of this Borrower Bond, as security for the Trust Bonds issued or to be issued under the Bond Resolution to finance or refinance the Project Fund (as defined in the Bond Resolution).

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

ATTEST:

By:________________________

Warren H. Victor
Chairman

David E. Zimmer
Assistant Secretary
EXHIBIT E

Opinions of Borrower’s Bond Counsel and General Counsel

See Closing Item ______
May 21, 2015

New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 4, Suite 216
Lawrenceville, New Jersey  08648-2201

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey  07960
Attention: Corporate Trust Department

Ladies and Gentlemen:

We have acted as counsel to [the] [Name of Borrower], a [municipal/county utilities authority] [sewerage authority] [political subdivision] of the State of New Jersey (the “Borrower”), which has entered into a Loan Agreement (as hereinafter defined) with the New Jersey Environmental Infrastructure Trust (the “Trust”), and have acted as such in connection with the authorization, execution, attestation and delivery by the Borrower of its Loan Agreement and Borrower Bond (as hereinafter defined) pursuant to the [“Municipal and County Utilities Authorities Law”, P.L. 1957, c. 183, (N.J.S.A. 40:14B-1 et seq.),] [the “Sewerage Authorities Law”, P.L. 1946 c. 138 (N.J.S.A. 40:14A-1 et seq.),] [“the Local Authorities Fiscal Control Law”, P.L. 1983 c. 313 (N.J.S.A. 40A:5A-1 et seq.),] [the “Borrower Enabling Act” means the “[TITLE OF ACT]”, P.L. ____ c. ____ (N.J.S.A. _______ et seq.),] and a bond resolution of the Borrower adopted on [DATE] and entitled “[TITLE]”, as amended and supplemented, including by a supplemental resolution adopted on [DATE] and entitled “[TITLE]” (such resolutions shall be collectively referred to herein as the “Resolution”). All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

In so acting, we have examined the Constitution and laws of the State of New Jersey, including, without limitation, the Borrower Enabling Act and the ordinance(s) of [_________] creating the Borrower and the by-laws of the Borrower. We have also examined originals, or copies certified or otherwise identified to our satisfaction, of the following:

(a) the Trust’s “Environmental Infrastructure Bond Resolution, Series 2015[____]” adopted by the Board of Directors of the Trust on April ____, 2015;

(b) the Loan Agreement dated as of May 1, 2015 (the “Loan Agreement”) by and between the Trust and the Borrower;

(c) the proceedings of the governing body of the Borrower relating to the approval of the Loan Agreement and the execution, attestation and delivery thereof on behalf of the Borrower and the authorization of the undertaking and completion of the Project;
(d) the Borrower Bond dated May 21, 2015 (the “Borrower Bond”) issued by the Borrower to the Trust to evidence the Loan; [and]

(e) the proceedings (together with the proceedings referred to in clause (e) above and Section 5 below, the “Proceedings”) of the governing body of the Borrower, including, without limitation, the Resolution, relating to the authorization of the Borrower Bond and the sale, execution, attestation, authentication and delivery thereof to the Trust (the Loan Agreement and the Borrower Bond are referred to herein collectively as the “Loan Documents”); [and]

[(f) the service agreement dated as of __________ (the “Service Agreement”) between the Borrower and __________ (the “Underlying Government Unit”), as amended.]

[(f) the service agreement dated as of __________ (the “Municipal Service Agreement”) between the Borrower and __________ (the “Municipal Underlying Government Unit”), as amended;]

[(f) the service agreement dated as of __________ (the “Authority Service Agreement”, and together with the Municipal Service Agreement, the “Service Agreement”) between the Borrower and __________ (the “Authority Underlying Government Unit”, and together with the Municipal Underlying Government Unit, the “Underlying Government Unit”), as amended; and]

[(g) the service agreement dated as of __________ (the “Indirect Service Agreement”) between the Authority Underlying Government Unit and __________ (the “Indirect Underlying Government Unit”), as amended.]

[(IF JUNIOR LIEN BOND RESOLUTION) [(f)] [(g)] [(i)] the bond resolution of the Borrower (the “Senior Lien Bond Resolution”) authorizing the issuance of bonds, notes or other debt obligations outstanding that are superior or senior to the Borrower Bond as to lien on, and source and security for payment thereof from, the Revenues (the “Senior Lien Bonds”).]

We have also examined and relied upon originals, or copies certified or otherwise authenticated to our satisfaction, of such other records, documents, certificates and other instruments, and have made such investigation of law as in our judgment we have deemed necessary or appropriate, to enable us to render the opinions expressed below.

We are of the opinion that:

1. The Borrower is a [municipal/counties utilities authority] [sewerage authority] [political subdivision] duly created and validly existing under and pursuant to the Constitution and statutes of the State of New Jersey, including the Borrower Enabling Act, with the legal right to carry on the business of its Environmental Infrastructure System as currently being conducted and as proposed to be conducted.

2. The Borrower has full legal right and authority to execute, attest and deliver the Loan Documents, to sell the Borrower Bond to the Trust, to cause the authentication of the
Borrower Bond, to observe and perform its duties, covenants, obligations and agreements under the Loan Documents and to undertake and complete the Project.

3. The acting officials of the Borrower who are contemporaneously herewith performing or have previously performed any action contemplated in the Loan Agreement are, and at the time any such action was performed were, the duly appointed or elected officials of the Borrower empowered by applicable New Jersey law and authorized by ordinance or resolution of the Borrower to perform such actions.

4. In accordance with the terms of the Resolution and to the extent provided therein, the Borrower has unconditionally and irrevocably pledged the Revenues of its Environmental Infrastructure System for the punctual payment of the Loan Repayments and all other amounts due under the Loan Documents according to their respective terms.

5. The proceedings of the Borrower’s governing body (i) approving the Loan Documents, (ii) authorizing their execution, attestation and delivery on behalf of the Borrower, (iii) with respect to the Borrower Bond only, authorizing its sale by the Borrower to the Trust and authorizing its authentication on behalf of the Borrower, (iv) authorizing the Borrower to consummate the transactions contemplated by the Loan Documents, (v) authorizing the Borrower to undertake and complete the Project, [(vi) authorizing the approval of the inclusion in the Official Statement of the Borrower Appendices,] and (vi) [((vii)] authorizing the execution and delivery of all other certificates, agreements, documents and instruments in connection with the execution, attestation and delivery of the Loan Documents, [including, without limitation, the designation of the Borrower Appendices portion of the Preliminary Official Statement as “deemed final” for the purposes and within the meaning of Rule 15c2-12(b)(1) of the Securities Exchange Act of 1934, as amended, as promulgated by the Securities and Exchange Commission,] have each been duly and lawfully adopted and authorized in accordance with applicable law and applicable resolutions of the Borrower, including, without limitation, the Resolution, the other Proceedings, the Borrower Enabling Act and the Local Authorities Fiscal Control Law, which Proceedings constitute all of the actions necessary to be taken by the Borrower to authorize its actions contemplated by clauses (i) through (vi) [(vii)] above and which Proceedings, including, without limitation, the Resolution, were duly adopted and published, where necessary, in accordance with applicable New Jersey law at a meeting or meetings duly called pursuant to necessary public notice and held in accordance with applicable New Jersey law and at which quorums were present and acting throughout.

6. The Loan Documents have been duly authorized, executed, attested and delivered by the Authorized Officers of the Borrower, the Borrower Bond has been duly sold by the Borrower to the Trust, and the Borrower Bond has been duly authenticated by the trustee or paying agent under the Resolution; and assuming in the case of the Loan Agreement that the Trust has the requisite power and authority to authorize, execute, attest and deliver, and has duly authorized, executed, attested and delivered, the Loan Agreement, the Loan Documents constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, subject, however, to the effect of, and to restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, moratorium,
reorganization or other similar laws affecting creditors’ rights generally. No opinion is rendered as to the availability of any particular remedy.

7. The authorization, execution, attestation and delivery of the Loan Documents by the Borrower and, in the case of the Borrower Bond only, the authentication thereof by the trustee or paying agent under the Resolution and the sale thereof to the Trust, the observation and performance by the Borrower of its duties, covenants, obligations and agreements thereunder, the consummation of the transactions contemplated therein, and the undertaking and completion of the Project do not and will not (i) result in any breach of any of the terms, conditions or provisions of, or (ii) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations is subject.

8. All approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on the part of the Borrower in connection with the authorization, execution, attestation, delivery and performance of the Loan Documents, the sale of the Borrower Bond and the undertaking and completion of the Project have been obtained or made.

[9. The Borrower and the Underlying Government Unit had and have the right and power under the Constitution and statutes of the State of New Jersey to enter into and execute the Service Agreement and to observe and perform all of their respective duties, covenants, obligations and agreements thereunder, and the Service Agreement has been duly executed and delivered by the Borrower and the Underlying Government Unit and constitutes a valid and legally binding obligation of each of them, enforceable against each of them in accordance with its terms, and obligates the Underlying Government Unit to make payment to the Borrower of Annual Charges as defined in and when due under the Service Agreement.]
their respective duties, covenants, obligations and agreements thereunder, and the Indirect Service Agreement has been duly executed and delivered by the Authority Underlying Government Unit and the Indirect Underlying Government Unit and constitutes a valid and legally binding obligation of each of them, enforceable against each of them in accordance with its terms, and obligates the Indirect Underlying Government Unit to make payment to the Authority Underlying Government Unit of Annual Charges (the “Indirect Annual Charges”) as defined in and when due under the Indirect Service Agreement.

10. The Annual Charges payable by the Underlying Government Unit under the Service Agreement constitute valid, binding, direct and general obligations of the Underlying Government Unit [in accordance with the Borrower Enabling Act], and the Underlying Government Unit has the power and is obligated, if necessary, to levy \textit{ad valorem} taxes upon all the taxable property located in the Underlying Government Unit for the payment of such Annual Charges as the same become due, without limitation as to rate or amount.

10. The Annual Charges payable by the Underlying Government Unit under the Service Agreement constitute valid, binding, direct and general obligations of the Municipal Underlying Government Unit and valid, binding and direct obligations of the Authority Underlying Government Unit, and the Municipal Underlying Government Unit has the power and is obligated, if necessary, to levy \textit{ad valorem} taxes upon all the taxable property located in the Municipal Underlying Government Unit for the payment of such Annual Charges as the same become due, without limitation as to rate or amount.

The Indirect Annual Charges payable by the Indirect Underlying Government Unit under the Indirect Service Agreement constitute valid, binding, direct and general obligations of the Indirect Underlying Government Unit, and the Indirect Underlying Government Unit has the power and is obligated, if necessary, to levy \textit{ad valorem} taxes upon all the taxable property located in the Indirect Underlying Government Unit for the payment of such Indirect Annual Charges as the same become due, without limitation as to rate or amount.

11.] [9.] There is no litigation or other proceeding pending or, to our knowledge, after due inquiry, threatened in any court or other tribunal of competent jurisdiction (either state or federal) (i) questioning the creation, organization or existence of the Borrower[,] [or] [the Underlying Government Unit] [or the Indirect Underlying Government Unit], (ii) questioning the validity, legality or enforceability of the Resolution, the Loan[,] [or] the Loan Documents[,] [or] [the Service Agreement] [or the Indirect Service Agreement], (iii) questioning the undertaking or completion of the Project, (iv) otherwise challenging the Borrower’s ability to consummate the transactions contemplated by the Loan[,] [or] the Loan Documents[,] [or] [the Service Agreement] [or the Indirect Service Agreement], [(v) questioning the imposition or collection of the Annual Charges [or the Indirect Annual Charges],] or [(v)] [(vi)] that, if adversely decided, would have a materially adverse impact on the financial condition of the Borrower.

12.] [10.] [(IF JUNIOR LIEN BONDS) Other than any Senior Lien Bonds,] [T]he Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to the Borrower Bond as to lien on, and source and security for payment thereof from, the Revenues.
To the best of our knowledge, upon due inquiry, (i) all representations made by the Borrower contained within subsections (f) and (h) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement are true, accurate and complete, and (ii) all expectations contained therein are reasonable, and we know of no reason why the Borrower would be unable to comply on a continuing basis with the covenants contained within subsections (f) and (h) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement.

Assuming that (i) the Borrower complies on a continuing basis with the covenants contained in subsections (f) and (h) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement, (ii) interest on the Trust Bonds is otherwise excluded from gross income of the holders thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and (iii) the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Loan for their intended purposes will not adversely affect the exclusion from gross income of the interest on the Trust Bonds and no portion of the Trust Bonds will be used in a private use, within the meaning of Section 141 of the Code.

We hereby authorize McCarter & English, LLP, acting as bond counsel to the Trust, and the Attorney General of the State of New Jersey, acting as general counsel to the Trust, to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,
EXHIBIT F

Additional Covenants and Requirements
EXHIBIT F-2

Service Agreement
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General Administrative Requirements for the
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Form of Continuing Disclosure Agreement
LOAN AGREEMENT
BY AND BETWEEN
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
AND
[NAME OF BORROWER]

DATED AS OF MAY 1, 2015
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NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into as of May 1, 2015, by and between the NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession, and the Borrower (capitalized terms used in this Loan Agreement shall have, unless the context otherwise requires, the meanings ascribed thereto in Section 1.01 hereof);

WITNESSETH THAT:

WHEREAS, the Trust, in accordance with the Act, the Bond Resolution and a financial plan approved by the State Legislature in accordance with Sections 22 and 22.1 of the Act, will issue its Trust Bonds on or prior to the Loan Closing for the purpose of making the Loan to the Borrower and the Loans to the Borrowers from the proceeds of the Trust Bonds to finance a portion of the Costs of Environmental Infrastructure Facilities;

WHEREAS, the Borrower has, in accordance with the Act and the Regulations, made timely application to the Trust for a Loan to finance a portion of the Costs of the Project;

WHEREAS, the State Legislature, in accordance with Sections 20 and 20.1 of the Act, has in the form of an appropriations act approved a project priority list that includes the Project and that authorizes an expenditure of proceeds of the Trust Bonds to finance a portion of the Costs of the Project;

WHEREAS, the Trust has approved the Borrower’s application for a Loan from available proceeds of the Trust Bonds to finance a portion of the Costs of the Project;

WHEREAS, in accordance with the applicable Bond Act (as defined in the Fund Loan Agreement), and the Regulations, the Borrower has been awarded a Fund Loan for a portion of the Costs of the Project; and

WHEREAS, the Borrower, in accordance with the Act, the Regulations, the Business Corporation Law and all other applicable law, will issue a Borrower Bond to the Trust evidencing said Loan at the Loan Closing.

NOW, THEREFORE, for and in consideration of the award of the Loan by the Trust, the Borrower agrees to complete the Project and to perform under this Loan Agreement in accordance with the conditions, covenants and procedures set forth herein and attached hereto as part hereof, as follows:
ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

(a) The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meanings:

“Act” means the “New Jersey Environmental Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 et seq.), as the same may from time to time be amended and supplemented.

“Administrative Fee” means that portion of Interest on the Loan or Interest on the Borrower Bond payable hereunder as an annual fee of up to four-tenths of one percent (.40%) of the initial principal amount of the Loan or such lesser amount, if any, as may be authorized by any act of the State Legislature and as the Trust may approve from time to time.

“Authorized Officer” means, in the case of the Borrower, any person or persons authorized pursuant to a resolution of the board of directors of the Borrower to perform any act or execute any document relating to the Loan, the Borrower Bond or this Loan Agreement.

“Bond Counsel” means a law firm appointed or approved by the Trust, as the case may be, having a reputation in the field of municipal law whose opinions are generally acceptable by purchasers of municipal bonds.

"Borrower" means the corporation that is a party to and is described in Schedule A to this Loan Agreement, and its successors and assigns.

“Borrower Bond” means the general obligation bond, note, debenture or other evidence of indebtedness, authorized, executed, attested and delivered by the Borrower to the Trust and, if applicable, authenticated on behalf of the Borrower to evidence the Loan, a specimen of which is attached hereto as Exhibit D and made a part hereof.

“Borrowers” means any other Local Government Unit or Private Entity (as such terms are defined in the Regulations) authorized to construct, operate and maintain Environmental Infrastructure Facilities that have entered into Loan Agreements with the Trust pursuant to which the Trust will make Loans to such recipients from moneys on deposit in the Project Fund, excluding the Project Loan Account.


“Code” means the Internal Revenue Code of 1986, as the same may from time to time be amended and supplemented, including any regulations promulgated thereunder, any successor code thereto and any administrative or judicial interpretations thereof.
“Costs” means those costs that are eligible, reasonable, necessary, allocable to the Project and permitted by generally accepted accounting principles, including Allowances and Building Costs (as defined in the Regulations), as shall be determined on a project-specific basis in accordance with the Regulations as set forth in Exhibit B hereto, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an authorized officer of the Trust.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund, if any, as defined in the Bond Resolution.

“Department” means the New Jersey Department of Environmental Protection

“Environmental Infrastructure Facilities” means Water Supply Facilities (as such terms are defined in the Regulations).

“Environmental Infrastructure System” means the Environmental Infrastructure Facilities of the Borrower, including the Project, described in Exhibit A-1 attached hereto and made a part hereof for which the Borrower is borrowing the Loan under this Loan Agreement.

“Event of Default” means any occurrence or event specified in Section 5.01 hereof.

“Excess Project Funds” shall have the meaning set forth in Section 3.03A hereof.

“Fund Loan” means the loan made to the Borrower by the State, acting by and through the Department, pursuant to the Fund Loan Agreement dated as of May 1, 2015 by and between the Borrower and the State, acting by and through the Department, to finance or refinance a portion of the Costs of the Project.

“Fund Loan Agreement” means the loan agreement dated as of May 1, 2015 by and between the Borrower and the State, acting by and through the Department, regarding the terms and conditions of the Fund Loan.

“Interest on the Loan” or “Interest on the Borrower Bond” means the sum of (i) the Interest Portion, (ii) the Administrative Fee, and (iii) any late charges incurred hereunder.

“Interest Portion” means that portion of Interest on the Loan or Interest on the Borrower Bond payable hereunder that is necessary to pay the Borrower’s proportionate share of interest on the Trust Bonds (i) as set forth in Exhibit A-2 hereof under the column heading entitled “Interest”, or (ii) with respect to any prepayment of Trust Bond Loan Repayments in accordance with Section 3.07 or 5.03 hereof, to accrue on any principal amount of Trust Bond Loan Repayments to the date of the optional redemption or acceleration, as the case may be, of the Trust Bonds allocable to such prepaid or accelerated Trust Bond Loan Repayment.

“Loan” means the loan made by the Trust to the Borrower to finance or refinance a portion of the Costs of the Project pursuant to this Loan Agreement, as further described in Schedule A attached hereto.
“Loan Agreement” means this Loan Agreement, including Schedule A and the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof and of the Bond Resolution.

“Loan Agreements” means any other loan agreements entered into by and between the Trust and one or more of the Borrowers pursuant to which the Trust will make Loans to such Borrowers from moneys on deposit in the Project Fund, excluding the Project Loan Account, financed with the proceeds of the Trust Bonds.

“Loan Closing” means the date upon which the Trust shall issue and deliver the Trust Bonds and the Borrower shall deliver its Borrower Bond, as previously authorized, executed, attested and, if applicable, authenticated, to the Trust.

“Loan Repayments” means the sum of (i) Trust Bond Loan Repayments, (ii) the Administrative Fee, and (iii) any late charges incurred hereunder.

“Loan Term” means the term of this Loan Agreement provided in Sections 3.01 and 3.03 hereof and in Exhibit A-2 attached hereto and made a part hereof.

“Loans” means the loans made by the Trust to the Borrowers under the Loan Agreements from moneys on deposit in the Project Fund, excluding the Project Loan Account.

“Master Program Trust Agreement” means that certain Master Program Trust Agreement, dated as of November 1, 1995, by and among the Trust, the State, United States Trust Company of New York, as Master Program Trustee thereunder, The Bank of New York (NJ), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to Wachovia Bank, National Association), in several capacities thereunder, as supplemented by that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement, dated as of November 1, 2001, by and among United States Trust Company of New York, as Outgoing Master Program Trustee, State Street Bank and Trust Company, N.A. (predecessor to U.S. Bank Trust National Association), as Successor Master Program Trustee, and the Trust, as the same may be amended and supplemented from time to time in accordance with its terms.

“Official Statement” means the Official Statement relating to the issuance of the Trust Bonds.

“Preliminary Official Statement” means the Preliminary Official Statement relating to the issuance of the Trust Bonds.

“Prime Rate” means the prevailing commercial interest rate announced by the Trustee from time to time in the State as its prime lending rate.

“Project” means the Environmental Infrastructure Facilities of the Borrower described in Exhibit A-1 attached hereto and made a part hereof, which constitutes a project for which the Trust is permitted to make a loan to the Borrower pursuant to the Act, the Regulations and the Bond Resolution, all or a portion of the Costs of which is financed or refinanced by the Trust through the making of the Loan under this Loan Agreement and which may be identified under
either the Drinking Water or Clean Water Project Lists with the Project Number specified in Exhibit A-1 attached hereto.

“Project Fund” means the Project Fund as defined in the Bond Resolution.

“Project Loan Account” means the project loan account established on behalf of the Borrower in the Project Fund in accordance with the Bond Resolution to finance all or a portion of the Costs of the Project.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated under N.J.A.C. 7:22-3 et seq., 7:22-4 et seq., 7:22-5 et seq., 7:22-6 et seq., 7:22-7 et seq., 7:22-8 et seq., 7:22-9 et seq. and 7:22-10 et seq., as the same may from time to time be amended and supplemented.

“State” means the State of New Jersey.

“Trust” means the New Jersey Environmental Infrastructure Trust, a public body corporate and politic with corporate succession duly created and validly existing under and by virtue of the Act.

“Trust Bond Loan Repayments” means the repayments of the principal amount of the Loan plus the payment of any premium associated with prepaying the principal amount of the Loan in accordance with Section 3.07 hereof plus the Interest Portion.

“Trust Bonds” means bonds authorized by Section 2.03 of the Bond Resolution, together with any refunding bonds authenticated, if applicable, and delivered pursuant to Section 2.04 of the Bond Resolution, in each case issued in order to finance (i) the portion of the Loan deposited in the Project Loan Account, (ii) the portion of the Loans deposited in the balance of the Project Fund, (iii) any capitalized interest related to such bonds, (iv) a portion of the costs of issuance related to such bonds, and (v) that portion of the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution), if any, allocable to the Loan or Loans, as the case may be, a portion of which includes the funding of reserve capacity, if applicable, for the Environmental Infrastructure Facilities of the Borrower or Borrowers, as the case may be, or to refinance any or all of the above.

“Trustee” means, initially, U.S. Bank National Association, the Trustee appointed by the Trust and its successors as Trustee under the Bond Resolution, as provided in Article X of the Bond Resolution.

(b) In addition to the capitalized terms defined in subsection (a) of this Section 1.01, certain additional capitalized terms used in this Loan Agreement shall, unless the context clearly requires otherwise, have the meanings ascribed to such additional capitalized terms in Schedule A attached hereto and made a part hereof.

(c) Except as otherwise defined herein or where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, agencies and districts. Words importing one gender shall include the other gender.
ARTICLE II

REPRESENTATIONS AND COVENANTS OF BORROWER

SECTION 2.01. Representations of Borrower. The Borrower represents for the benefit of the Trust, the Trustee and the holders of the Trust Bonds as follows:

(a) Organization and Authority.

(i) The Borrower is a corporation duly created and validly existing under and pursuant to the Constitution and statutes of the State, including the Business Corporation Law.

(ii) The acting officers of the Borrower who are contemporaneously herewith performing or have previously performed any action contemplated in this Loan Agreement either are or, at the time any such action was performed, were the duly appointed or elected officers of such Borrower empowered by applicable State law and, if applicable, authorized by resolution of the Borrower to perform such actions. To the extent any such action was performed by an officer no longer the duly acting officer of such Borrower, all such actions previously taken by such officer are still in full force and effect.

(iii) The Borrower has full legal right and authority and all necessary licenses and permits required as of the date hereof to own, operate and maintain its Environmental Infrastructure System, to carry on its activities relating thereto, to execute, attest and deliver this Loan Agreement and the Borrower Bond, to authorize the authentication of the Borrower Bond, to sell the Borrower Bond to the Trust, to undertake and complete the Project and to carry out and consummate all transactions contemplated by this Loan Agreement.

(iv) The proceedings of the Borrower’s board of directors approving this Loan Agreement and the Borrower Bond, authorizing the execution, attestation and delivery of this Loan Agreement and the Borrower Bond, authorizing the sale of the Borrower Bond to the Trust, authorizing the authentication of the Borrower Bond on behalf of the Borrower and authorizing the Borrower to undertake and complete the Project, including, without limitation, the Borrower Bond Resolution (collectively, the “Proceedings”), have been duly and lawfully adopted in accordance with the Business Corporation Law and other applicable State law at a meeting or meetings that were duly called and held in accordance with the Borrower By-Laws and at which quorums were present and acting throughout.

(v) By official action of the Borrower taken prior to or concurrent with the execution and delivery hereof, including, without limitation, the Proceedings, the Borrower has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the execution, attestation, delivery and performance of this Loan Agreement and the transactions contemplated hereby; (B) the issuance of the Borrower Bond and the sale thereof to the Trust upon the terms set forth herein; (C) the
approval of the inclusion, if such inclusion is deemed necessary in the sole discretion of the Trust, in the Preliminary Official Statement and the Official Statement of all statements and information relating to the Borrower set forth in “APPENDIX B” thereto (the “Borrower Appendices”) and any amendment thereof or supplement thereto; and (D) the execution, delivery and due performance of any and all other certificates, agreements and instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out, give effect to and consummate the transactions contemplated by this Loan Agreement, including, without limitation, the designation of the Borrower Appendices portion of the Preliminary Official Statement, if any, as “deemed final” for the purposes and within the meaning of Rule 15c2-12 (“Rule 15c2-12”) of the Securities and Exchange Commission ("SEC") promulgated under the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto.

(vi) This Loan Agreement and the Borrower Bond have each been duly authorized by the Borrower and duly executed, attested and delivered by Authorized Officers of the Borrower, and the Borrower Bond has been duly sold by the Borrower to the Trust, duly authenticated by the trustee or paying agent, if applicable, under the Borrower Bond Resolution and duly issued by the Borrower in accordance with the terms of the Borrower Bond Resolution; and assuming that the Trust has all the requisite power and authority to authorize, execute, attest and deliver, and has duly authorized, executed, attested and delivered, this Loan Agreement, and assuming further that this Loan Agreement is the legal, valid and binding obligation of the Trust, enforceable against the Trust in accordance with its terms, each of this Loan Agreement and the Borrower Bond constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights; and the information contained under “Description of Loan” in Exhibit A-2 attached hereto and made a part hereof is true and accurate in all respects.

(b) Full Disclosure. There is no fact that the Borrower has not disclosed to the Trust in writing on the Borrower’s application for the Loan or otherwise that materially adversely affects or (so far as the Borrower can now foresee) that will materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, or the ability of the Borrower to make all Loan Repayments and any other payments required under this Loan Agreement or otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect (i) the undertaking or completion of the Project, (ii) the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System, (iii) the ability of the Borrower to make all Loan Repayments or any other payments required under this Loan Agreement, (iv) the authorization, execution, attestation or
delivery of this Loan Agreement or the Borrower Bond, (v) the issuance of the Borrower Bond and the sale thereof to the Trust, (vi) the adoption of the Borrower Bond Resolution, or (vii) the Borrower’s ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond, which proceedings have not been previously disclosed in writing to the Trust either in the Borrower’s application for the Loan or otherwise.

(d) Compliance with Existing Laws and Agreements. (i) The authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond by the Borrower, (ii) the authentication of the Borrower Bond by the trustee or paying agent under the Borrower Bond Resolution, as the case may be, and the sale of the Borrower Bond to the Trust, (iii) the adoption of the Borrower Bond Resolution, (iv) the observation and performance by the Borrower of its duties, covenants, obligations and agreements hereunder and thereunder, (v) the consummation of the transactions provided for in this Loan Agreement, the Borrower Bond Resolution and the Borrower Bond, and (vi) the undertaking and completion of the Project will not (A) other than the lien, charge or encumbrance created hereby, by the Borrower Bond, by the Borrower Bond Resolution and by any other outstanding debt obligations of the Borrower that are at parity with the Borrower Bond as to lien on, and source and security for payment thereon from, the revenues of the Borrower’s Environmental Infrastructure System, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations is subject.

(e) No Defaults. No event has occurred and no condition exists that, upon the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, the issuance of the Borrower Bond and the sale thereof to the Trust, the adoption of the Borrower Bond Resolution or the receipt of the amount of the Loan, would constitute an Event of Default hereunder. The Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it, its Environmental Infrastructure System or its properties may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System or the ability of the Borrower to make all Loan Repayments, to pay all other amounts due hereunder or otherwise to observe and perform its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond.

(f) Governmental Consent. The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, for the issuance of the Borrower Bond and the sale thereof to the Trust, for the adoption of the Borrower Bond Resolution, for the
making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond and for the undertaking or completion of the Project and the financing or refinancing thereof, including, but not limited to, if required, the approval by the New Jersey Board of Public Utilities (the “BPU”) of the issuance by the Borrower of the Borrower Bond to the Trust, as required by Section 9a of the Act, and any other approvals required therefor by the BPU; and the Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement and the Borrower Bond or with the undertaking or completion of the Project and the financing or refinancing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer that has not been obtained is required on the part of the Borrower as a condition to the authorization, execution, attestation and delivery of this Loan Agreement and the Borrower Bond, the issuance of the Borrower Bond and the sale thereof to the Trust, the undertaking or completion of the Project or the consummation of any transaction herein contemplated.

(g) **Compliance with Law.** The Borrower:

(i) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, the failure to comply with which would materially adversely affect (A) the ability of the Borrower to conduct its activities or to undertake or complete the Project, (B) the ability of the Borrower to make the Loan Repayments and to pay all other amounts due hereunder, or (C) the condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System; and

(ii) has obtained all licenses, permits, franchises or other governmental authorizations presently necessary for the ownership of its properties or for the conduct of its activities that, if not obtained, would materially adversely affect (A) the ability of the Borrower to conduct its activities or to undertake or complete the Project, (B) the ability of the Borrower to make the Loan Repayments and to pay all other amounts due hereunder, or (C) the condition (financial or otherwise) of the Borrower or its Environmental Infrastructure System.

(h) **Use of Proceeds.** The Borrower will apply the proceeds of the Loan from the Trust as described in Exhibit B attached hereto and made a part hereof (i) to finance or refinance a portion of the Costs of the Borrower’s Project; and (ii) where applicable, to reimburse the Borrower for a portion of the Costs of the Borrower’s Project, which portion was paid or incurred in anticipation of reimbursement by the Trust and is eligible for such reimbursement under and pursuant to the Regulations, the Code and any other applicable law. All of such costs constitute Costs for which the Trust is authorized to make Loans to the Borrower pursuant to the Act and the Regulations.

(i) **Official Statement.** The descriptions and information set forth in the Borrower Appendices, if any, contained in the Official Statement relating to the Borrower, its operations and the transactions contemplated hereby, as of the date of the Official Statement, were and, as of the date of delivery hereof, are true and correct in all material respects, and did not and do not
contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(j) Preliminary Official Statement. As of the date of the Preliminary Official Statement, the descriptions and information set forth in the Borrower Appendices, if any, contained in the Preliminary Official Statement relating to the Borrower, its operations and the transactions contemplated hereby (i) were “deemed final” by the Borrower for the purposes and within the meaning of Rule 15c2-12 and (ii) were true and correct in all material respects, and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

SECTION 2.02. Particular Covenants of Borrower.

(a) Promise to Pay. The Borrower unconditionally and irrevocably promises in accordance with the terms of and to the extent provided in the Borrower Bond Resolution, to make punctual payment of the principal and redemption premium, if any, of the Loan and the Borrower Bond, the Interest on the Loan, the Interest on the Borrower Bond and all other amounts due under this Loan Agreement and the Borrower Bond according to their respective terms.

(b) Performance Under Loan Agreement; Rates. The Borrower covenants and agrees (i) to comply with all applicable state and federal laws, rules and regulations in the performance of this Loan Agreement; (ii) to maintain its Environmental Infrastructure System in good repair and operating condition; (iii) to cooperate with the Trust in the observance and performance of the respective duties, covenants, obligations and agreements of the Borrower and the Trust under this Loan Agreement; and (iv) to establish, levy and collect rents, rates and other charges for the products and services provided by its Environmental Infrastructure System, which rents, rates and other charges shall be at least sufficient to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond resolution, trust indenture or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower, including without limitation rents, rates and other charges, together with other available moneys, sufficient to pay the principal of and Interest on the Borrower Bond, plus all other amounts due hereunder.

(c) Borrower Bond; No Prior Liens. Except for (i) the Borrower Bond, (ii) any bonds or notes at parity with the Borrower Bond and currently outstanding or issued on the date hereof, (iii) any future bonds or notes of the Borrower issued under the Borrower Bond Resolution at parity with the Borrower Bond, and (iv) any Permitted Encumbrances (as defined in the Borrower Bond Resolution), the assets of the Borrower that are subject to the Borrower Bond Resolution are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the Borrower Bond, and all corporate or other action on the part of the Borrower to that end has been and will be duly and validly taken.

(d) Completion of Project and Provision of Moneys Therefor. The Borrower covenants and agrees (i) to exercise its best efforts in accordance with prudent environmental
infrastructure utility practice to complete the Project and to accomplish such completion on or before the estimated Project completion date set forth in Exhibit G hereto and made a part hereof; (ii) to comply with the terms and provisions contained in Exhibit G hereto; and (iii) to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives under the Loan and Fund Loan, required to complete the Project.

(e) See Section 2.02(e) as set forth in Schedule A attached hereto, made a part hereof and incorporated in this Section 2.02(e) by reference as if set forth in full herein.

(f) Exclusion of Interest from Federal Gross Income and Compliance with Code.

(i) The Borrower covenants and agrees that it shall not take any action or omit to take any action that would result in the loss of the exclusion of the interest on any Trust Bonds now or hereafter issued from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.

(ii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action that would cause the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(iii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay the principal of or the interest or redemption premium on or any other amount in connection with the retirement or redemption of any issue of state or local governmental obligations (“refinancing of indebtedness”), unless the Borrower shall (A) establish to the satisfaction of the Trust, prior to the issuance of the Trust Bonds, that such refinancing of indebtedness will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds, and (B) provide to the Trust an opinion of Bond Counsel to that effect in form and substance satisfactory to the Trust.

(iv) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to reimburse the Borrower for an expenditure with respect to Costs of the Borrower’s Project paid by the Borrower prior to the issuance of the Trust Bonds, unless (A) the allocation by the Borrower of the proceeds of the Trust Bonds to reimburse such expenditure complies with the requirements of Treasury Regulations §1.150-2 necessary to enable the reimbursement allocation to be treated as an expenditure of the proceeds of the Trust Bonds for purposes of applying Sections 103 and 141-150, inclusive, of the Code, or (B) such proceeds of the Trust Bonds will be used for refinancing of indebtedness that was used to pay Costs of the Borrower’s Project or to reimburse the Borrower for expenditures with respect to Costs of the Borrower’s Project paid by the Borrower prior to the issuance of such indebtedness in accordance with a reimbursement allocation for such expenditures that complies with the requirements of Treasury Regulations §1.150-2.
(v) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay any costs which are not Costs of the Borrower’s Project that constitute a “capital expenditure” within the meaning of Treasury Regulations §1.150-1.

(vi) The Borrower shall not use the proceeds of the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) in any manner that would cause the Trust Bonds to be considered “federally guaranteed” within the meaning of Section 149(b) of the Code or “hedge bonds” within the meaning of Section 149(g) of the Code.

(vii) The Borrower shall not issue any debt obligations that (A) are sold at substantially the same time as the Trust Bonds and finance or refinance the Loan made to the Borrower, (B) are sold pursuant to the same plan of financing as the Trust Bonds and finance or refinance the Loan made to the Borrower, and (C) are reasonably expected to be paid out of substantially the same source of funds as the Trust Bonds and finance or refinance the Loan made to the Borrower.

(viii) Neither the Borrower nor any “related party” (within the meaning of Treasury Regulations §1.150-1) shall purchase Trust Bonds in an amount related to the amount of the Loan.

(ix) The Borrower will not issue or permit to be issued obligations that will constitute an “advance refunding” of the Borrower Bond within the meaning of Section 149(d)(5) of the Code without the express written consent of the Trust, which consent may only be delivered by the Trust after the Trust has received notice from the Borrower of such contemplated action no later than sixty (60) days prior to any such contemplated action, and which consent is in the sole discretion of the Trust.

(x) See Section 2.02(f)(xi) as set forth in Schedule A attached hereto, made a part hereof and incorporated in this Section 2.02(f)(xi) by reference as if set forth in full herein.

(xi) No “gross proceeds” of the Trust Bonds held by the Borrower (other than amounts in a “bona fide debt service fund”) will be held in a “commingled fund” (as such terms are defined in Treasury Regulations §1.148-1(b)).

(xii) Based upon all of the objective facts and circumstances in existence on the date of issuance of the Trust Bonds used to finance the Project, (A) within six months of the date of issuance of the Trust Bonds used to finance the Project, the Borrower will incur a substantial binding obligation to a third party to expend on the Project at least five percent (5%) of the “net sale proceeds” (within the meaning of Treasury Regulations §1.148-1) of the Loan used to finance the Project (treating an obligation as not being binding if it is subject to contingencies within the control of the Borrower, the Trust or a “related party” (within the meaning of Treasury Regulations §1.150-1)), (B) completion of the Project and the allocation to expenditures of the “net sale proceeds” of the Loan used to finance the Project will proceed with due diligence, and (C) all of the proceeds of
the Loan used to finance the Project (other than amounts deposited into the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution) allocable to that portion of the Loan used to finance reserve capacity, if any) and investment earnings thereon will be spent prior to the period ending three (3) years subsequent to the date of issuance of the Trust Bonds used to finance the Project. Accordingly, the proceeds of the Loan deposited in the Project Loan Account used to finance the Project will be eligible for the 3-year arbitrage temporary period since the expenditure test, time test and due diligence test, as set forth in Treasury Regulations §1.148-2(e)(2), will be satisfied.

(xiii) The weighted average maturity of the Loan does not exceed 120% of the average reasonably expected economic life of the Project financed or refinanced with the Loan, determined in the same manner as under Section 147(b) of the Code. Accordingly, the term of the Loan will not be longer than is reasonably necessary for the governmental purposes of the Loan within the meaning of Treasury Regulations §1.148-1(c)(4).

(xiv) The Borrower shall, within 30 days of date the Borrower concludes that no additional proceeds of the Loan will be required to pay costs of the Project, provide to the Trust a certificate of the Borrower evidencing such conclusion.

For purposes of this subsection and subsection (h) of this Section 2.02, quoted terms shall have the meanings given thereto by Section 148 of the Code, including, particularly, Treasury Regulations §§1.148-1 through 1.148-11, inclusive, as supplemented or amended, to the extent applicable to the Trust Bonds, and any successor Treasury Regulations applicable to the Trust Bonds.

(g) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall, in accordance with prudent environmental infrastructure utility practice, (i) at all times operate the properties of its Environmental Infrastructure System and any business in connection therewith in an efficient manner, (ii) maintain its Environmental Infrastructure System in good repair, working order and operating condition, and (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its Environmental Infrastructure System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

(h) Records and Accounts.

(i) The Borrower shall keep accurate records and accounts for its Environmental Infrastructure System (the “System Records”) separate and distinct from its other records and accounts (the “General Records”). Such System Records shall be audited annually by an independent certified public accountant, which may be part of the annual audit of the General Records of the Borrower. Such System Records and General Records shall be made available for inspection by the Trust at any reasonable time upon prior written notice, and a copy of such annual audit(s) therefor, including all written comments and recommendations of such accountant, shall be furnished to the Trust.
within 150 days of the close of the fiscal year being so audited or, with the consent of the Trust, such additional period as may be provided by law.

(ii) Within 30 days following receipt of any Loan proceeds, including without limitation the “Allowance for Administrative Costs” or the “Allowance for Planning and Design” set forth in Exhibit B hereto, the Borrower shall allocate such proceeds to expenditures in a manner that satisfies the requirements of Treasury Regulation §1.148-6(d) and transmit a copy of each such allocation to the Trust. No portion of the Allowance for Administrative Costs will be allocated to a cost other than a cost described in N.J.A.C. 7:22-5.11(a) 3, 4 or 6. No portion of the Allowance for Planning and Design will be allocated to a cost other than a cost described N.J.A.C. 7:22-5.12, or other costs of the Borrower’s Environmental Infrastructure System which are “capital expenditures,” within the meaning of Treasury Regulations §1.150-1. The Borrower shall retain records of such allocations for at least until the date that is three years after the scheduled maturity date of the Trust Bonds. The Borrower shall make such records available to the Trust within 15 days of any request by the Trust.

(iii) Unless otherwise advised in writing by the Trust, in furtherance of the covenant of the Borrower contained in subsection (f) of this Section 2.02 not to cause the Trust Bonds to be arbitrage bonds, the Borrower shall keep, or cause to be kept, accurate records of each investment it makes in any “nonpurpose investment” acquired with, or otherwise allocated to, “gross proceeds” of the Trust Bonds not held by the Trustee and each “expenditure” it makes allocated to “gross proceeds” of the Trust Bonds. Such records shall include the purchase price, including any constructive “payments” (or in the case of a “payment” constituting a deemed acquisition of a “nonpurpose investment” (e.g., a “nonpurpose investment” first allocated to “gross proceeds” of the Trust Bonds after it is actually acquired because it is deposited in a sinking fund for the Trust Bonds)), the “fair market value” of the “nonpurpose investment” on the date first allocated to the “gross proceeds” of the Trust Bonds, nominal interest rate, dated date, maturity date, type of property, frequency of periodic payments, period of compounding, yield to maturity, amount actually or constructively received on disposition (or in the case of a “receipt” constituting a deemed disposition of a “nonpurpose investment” (e.g., a “nonpurpose investment” that ceases to be allocated to the “gross proceeds” of the Trust Bonds because it is removed from a sinking fund for the Trust Bonds)), the “fair market value” of the “nonpurpose investment” on the date it ceases to be allocated to the “gross proceeds” of the Trust Bonds, the purchase date and disposition date of the “nonpurpose investment” and evidence of the “fair market value” of such property on the purchase date and disposition date (or deemed purchase or disposition date) for each such “nonpurpose investment”. The purchase date, disposition date and the date of determination of “fair market value” shall be the date on which a contract to purchase or sell the “nonpurpose investment” becomes binding, i.e., the trade date rather than the settlement date. For purposes of the calculation of purchase price and disposition price, brokerage or selling commissions, administrative expenses or similar expenses shall not increase the purchase price of an item and shall not reduce the amount actually or constructively received upon disposition of an item, except to the extent such costs constitute “qualified administrative costs”.

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(iv) Within thirty (30) days of the last day of the fifth and each succeeding fifth “bond year” (which, unless otherwise advised by the Trust, shall be the five-year period ending on the date five years subsequent to the date immediately preceding the date of issuance of the Trust Bonds and each succeeding fifth “bond year”) and within thirty (30) days of the date the last bond that is part of the Trust Bonds is discharged (or on any other periodic basis requested in writing by the Trust), the Borrower shall (A) calculate, or cause to be calculated, the “rebate amount” as of the “computation date” or “final computation date” attributable to any “nonpurpose investment” made by the Borrower and (B) remit the following to the Trust: (1) an amount of money that when added to the “future value” as of the “computation date” of any previous payments made to the Trust on account of rebate equals the “rebate amount”, (2) the calculations supporting the “rebate amount” attributable to any “nonpurpose investment” made by the Borrower allocated to “gross proceeds” of the Trust Bonds, and (3) any other information requested by the Trust relating to compliance with Section 148 of the Code (e.g., information related to any “nonpurpose investment” of the Borrower for purposes of application of the “universal cap”).

(v) The Borrower covenants and agrees that it will account for “gross proceeds” of the Trust Bonds, investments allocable to the Trust Bonds and expenditures of “gross proceeds” of the Trust Bonds in accordance with Treasury Regulations §1.148-6. All allocations of “gross proceeds” of the Trust Bonds to expenditures will be recorded on the books of the Borrower kept in connection with the Trust Bonds no later than 18 months after the later of the date the particular Costs of the Borrower’s Project is paid or the date the portion of the project financed by the Trust Bonds is placed in service. All allocations of proceeds of the Trust Bonds to expenditures will be made no later than the date that is 60 days after the fifth anniversary of the date the Trust Bonds are issued or the date 60 days after the retirement of the Trust Bonds, if earlier. Such records and accounts will include the particular Costs paid, the date of the payment and the party to whom the payment was made.

(vi) From time to time as directed by the Trust, the Borrower shall provide to the Trust a written report demonstrating compliance by the Borrower with the provisions of Section 2.02(f) of this Loan Agreement, each such written report to be submitted by the Borrower to the Trust in the form of a full and complete written response to a questionnaire provided by the Trust to the Borrower. Each such questionnaire shall be provided by the Trust to the Borrower not less than fourteen (14) days prior to the date established by the Trust for receipt from the Borrower of the full and complete written response to the questionnaire.

(i) Inspections; Information. The Borrower shall permit the Trust and the Trustee and any party designated by any of such parties, at any and all reasonable times during construction of the Project and thereafter upon prior written notice, to examine, visit and inspect the property, if any, constituting the Project and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Trust and the Trustee may reasonably require in connection therewith.
(j) **Insurance.** The Borrower shall maintain or cause to be maintained, in force, insurance policies with responsible insurers or self-insurance programs providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining Environmental Infrastructure Facilities of the nature of the Borrower’s Environmental Infrastructure System, including liability coverage, all to the extent available at reasonable cost but in no case less than will satisfy all applicable regulatory requirements.

(k) **Costs of Project.** The Borrower certifies that the building cost of the Project, as listed in Exhibit B hereto and made a part hereof, is a reasonable and accurate estimation thereof, and it will supply to the Trust a certificate from a licensed professional engineer authorized to practice in the State stating that such building cost is a reasonable and accurate estimation and that the useful life of the Project exceeds the maturity date of the Borrower Bond.

(l) **Delivery of Documents.** Concurrently with the delivery of this Loan Agreement (as previously authorized, executed and attested) at the Loan Closing, the Borrower will cause to be delivered to the Trust and the Trustee each of the following items:

(i) an opinion of the Borrower’s bond counsel substantially in the form of Exhibit E hereto; provided, however, that the Trust may permit portions of such opinion to be rendered by general counsel to the Borrower and may permit variances in such opinion from the form set forth in Exhibit E if, in the opinion of the Trust, such variances are not to the material detriment of the interests of the holders of the Trust Bonds;

(ii) counterparts of this Loan Agreement as previously executed and attested by the parties hereto;

(iii) copies of those resolutions finally adopted by the board of directors of the Borrower and requested by the Trust, including, without limitation, (A) the resolution of the Borrower authorizing the execution, attestation and delivery of this Loan Agreement, (B) the Borrower Bond Resolution, as amended and supplemented as of the date of the Loan Closing, authorizing the execution, attestation, authentication, sale and delivery of the Borrower Bond to the Trust, (C) the resolution of the Borrower, if any, confirming the details of the sale of the Borrower Bond to the Trust, (D) the resolution of the Borrower, if any, declaring its official intent to reimburse expenditures for the Costs of the Project from the proceeds of the Trust Bonds, each of said resolutions of the Borrower being certified by an Authorized Officer of the Borrower as of the date of the Loan Closing, (E) the resolution of the BPU approving the issuance by the Borrower of the Borrower Bond to the Trust and setting forth any other approvals required therefor by the BPU, if applicable, and (F) any other Proceedings;

(iv) if the Loan is being made to reimburse the Borrower for all or a portion of the Costs of the Borrower’s Project or to refinance indebtedness or reimburse the Borrower for the repayment of indebtedness previously incurred by the Borrower to finance all or a portion of the Costs of the Borrower’s Project, an opinion of Bond Counsel, in form and substance satisfactory to the Trust, to the effect that such
reimbursement or refinancing will not adversely affect the exclusion from gross income
for federal income tax purposes of the interest on the Trust Bonds; and

(v) the certificates of insurance coverage as required pursuant to the terms of
Section 3.06(d) hereof and such other certificates, documents, opinions and information
as the Trust may require in Exhibit F hereto, if any.

(m) Execution and Delivery of Borrower Bond. Concurrently with the delivery of this
Loan Agreement at the Loan Closing, the Borrower shall also deliver to the Trust the Borrower
Bond, as previously executed, attested and, if applicable, authenticated, upon the receipt of a
written certification of the Trust that a portion of the net proceeds of the Trust Bonds shall be
deposited in the Project Loan Account simultaneously with the delivery of the Borrower Bond.

(n) Notice of Material Adverse Change. The Borrower shall promptly notify the
Trust of any material adverse change in the properties, activities, prospects or condition
(financial or otherwise) of the Borrower or its Environmental Infrastructure System, or in the
ability of the Borrower to make all Loan Repayments and otherwise to observe and perform its
duties, covenants, obligations and agreements under this Loan Agreement and the Borrower
Bond.

(o) Continuing Representations. The representations of the Borrower contained
herein shall be true at the time of the execution of this Loan Agreement and at all times during
the term of this Loan Agreement.

(p) Continuing Disclosure Covenant. To the extent that the Trust, in its sole
discretion, determines, at any time prior to the termination of the Loan Term, that the Borrower
is a material “obligated person”, as the term “obligated person” is defined in Rule 15c2-12, with
materiality being determined by the Trust pursuant to criteria established, from time to time, by
the Trust in its sole discretion and set forth in a bond resolution or official statement of the Trust,
the Borrower hereby covenants that it will authorize and provide to the Trust, for inclusion in
any preliminary official statement or official statement of the Trust, all statements and
information relating to the Borrower deemed material by the Trust for the purpose of satisfying
Rule 15c2-12 as well as Rule 10b-5 promulgated pursuant to the Securities Exchange Act of
1934, as amended or supplemented, including any successor regulation or statute thereto (“Rule
10b-5”), including certificates and written representations of the Borrower evidencing its
compliance with Rule 15c2-12 and Rule 10b-5; and the Borrower hereby further covenants that
the Borrower shall execute and deliver the Continuing Disclosure Agreement, in substantially the
form attached hereto as Exhibit H, with such revisions thereto prior to execution and delivery
thereof as the Trust shall determine to be necessary, desirable or convenient, in its sole
discretion, for the purpose of satisfying Rule 15c2-12 and the purposes and intent thereof, as
Rule 15c2-12, its purposes and intent may hereafter be interpreted from time to time by the SEC
or any court of competent jurisdiction; and pursuant to the terms and provisions of the
Continuing Disclosure Agreement, the Borrower shall thereafter provide on-going disclosure
with respect to all statements and information relating to the Borrower in satisfaction of the
requirements set forth in Rule 15c2-12 and Rule 10b-5, including, without limitation, the
provision of certificates and written representations of the Borrower evidencing its compliance
with Rule 15c2-12 and Rule 10b-5.
(q) **Additional Covenants and Requirements.** (i) No later than the Loan Closing and, if necessary, in connection with the Trust’s issuance of the Trust Bonds or the making of the Loan, additional covenants and requirements have been included in Exhibit F hereto and made a part hereof. Such covenants and requirements may include, but need not be limited to the maintenance of specified levels of Environmental Infrastructure System rates, the issuance of additional debt of the Borrower, the use by or on behalf of the Borrower of certain proceeds of the Trust Bonds as such use relates to the exclusion from gross income for federal income tax purposes of the interest on any Trust Bonds, the transfer of revenues and receipts from the Borrower’s Environmental Infrastructure System, compliance with Rule 15c2-12, Rule 10b-5 and any other applicable federal or state securities laws, and matters in connection with the appointment of the Trustee under the Bond Resolution and any successors thereto. The Borrower hereby agrees to observe and comply with each such additional covenant and requirement, if any, included in Exhibit F hereto as if the same were set forth herein in its entirety. (ii) Additional defined terms, covenants, representations and requirements have been included in Schedule A attached hereto and made a part hereof. Such additional defined terms, covenants, representations and requirements are incorporated in this Loan Agreement by reference thereto as if set forth in full herein and the Borrower hereby agrees to observe and comply with each such additional term, covenant, representation and requirement included in Schedule A as if the same were set forth in its entirety where reference thereto is made in this Loan Agreement.
ARTICLE III

LOAN TO BORROWER; AMOUNTS PAYABLE; GENERAL AGREEMENTS

SECTION 3.01. Loan; Loan Term. The Trust hereby agrees to make the Loan as described in Exhibit A-2 hereof and to disburse proceeds of the Loan to the Borrower in accordance with Section 3.02 and Exhibit C hereof, and the Borrower hereby agrees to borrow and accept the Loan from the Trust upon the terms set forth in Exhibit A-2 attached hereto and made a part hereof; provided, however, that the Trust shall be under no obligation to make the Loan if (a) at the Loan Closing, the Borrower does not deliver to the Trust a Borrower Bond and such other documents required under Section 2.02(l) hereof, or (b) an Event of Default has occurred and is continuing under the Bond Resolution or this Loan Agreement. Although the Trust intends to disburse proceeds of the Loan to the Borrower at the times and up to the amounts set forth in Exhibit C to pay a portion of the Costs of the Project, due to unforeseen circumstances there may not be a sufficient amount on deposit in the Project Fund on any date to make the disbursement in such amount. Nevertheless, the Borrower agrees that the amount actually deposited in the Project Loan Account at the Loan Closing plus the Borrower’s allocable share of (i) certain costs of issuance and underwriter’s discount for all Trust Bonds issued to finance the Loan; (ii) capitalized interest during the Project construction period, if applicable; and (iii) that portion of the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution) attributable to the cost of funding reserve capacity for the Project, if applicable, shall constitute the initial principal amount of the Loan (as the same may be adjusted downward in accordance with the definition thereof), and neither the Trust nor the Trustee shall have any obligation thereafter to loan any additional amounts to the Borrower.

The Borrower shall use the proceeds of the Loan strictly in accordance with Section 2.01(h) hereof.

The payment obligations created under this Loan Agreement and the obligations to pay the principal of the Borrower Bond, Interest on the Borrower Bond and other amounts due under the Borrower Bond are direct, general irrevocable and unconditional obligations of the Borrower payable from any source legally available to the Borrower in accordance with the terms of and to the extent provided in the Borrower Bond Resolution.

SECTION 3.02. Disbursement of Loan Proceeds.

(a) The Trustee, as the agent of the Trust, shall disburse the amounts on deposit in the Project Loan Account to the Borrower upon receipt of a requisition executed by an Authorized Officer of the Borrower, and approved by the Trust, in a form meeting the requirements of Section 5.02(3) of the Bond Resolution.

(b) The Trust and Trustee shall not be required to disburse any Loan proceeds to the Borrower under this Loan Agreement, unless:

(i) the proceeds of the Trust Bonds shall be available for disbursement, as determined solely by the Trust;
in accordance with the Bond Act, and the Regulations, the Borrower shall have timely applied for, shall have been awarded and, prior to or simultaneously with the Loan Closing, shall have closed a Fund Loan for a portion of the Allowable Costs (as defined in such Regulations) of the Project in an amount not in excess of the amount of Allowable Costs of the Project financed by the Loan from the Trust;

(iii) the Borrower shall have on hand moneys to pay for the greater of (A) that portion of the total Costs of the Project that is not eligible to be funded from the Fund Loan or the Loan, or (B) that portion of the total Costs of the Project that exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Fund Loan and the Loan; and

(iv) no Event of Default nor any event that, with the passage of time or service of notice or both, would constitute an Event of Default shall have occurred and be continuing hereunder.

SECTION 3.03. Amounts Payable.

(a) The Borrower shall repay the Loan in installments payable to the Trustee as follows:

(i) the principal of the Loan shall be repaid annually on the Principal Payment Dates, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution;

(ii) the Interest Portion described in clause (i) of the definition thereof shall be paid semiannually on the Interest Payment Dates, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution; and

(iii) the Interest Portion described in clause (ii) of the definition thereof shall be paid upon the date of optional redemption or acceleration, as the case may be, of the Trust Bonds allocable to any prepaid or accelerated Trust Bond Loan Repayment.

The obligations of the Borrower under the Borrower Bond shall be deemed to be amounts payable under this Section 3.03. Each Loan Repayment, whether satisfied through a direct payment by the Borrower to the Trustee or (with respect to the Interest Portion) through the use of Trust Bond proceeds and income thereon on deposit in the Interest Account (as defined in the Bond Resolution) to pay interest on the Trust Bonds, shall be deemed to be a credit against the corresponding obligation of the Borrower under this Section 3.03 and shall fulfill the Borrower’s obligation to pay such amount hereunder and under the Borrower Bond. Each payment made to the Trustee pursuant to this Section 3.03 shall be applied first to the Interest Portion then due and payable, second to the principal of the Loan then due and payable, third to the payment of the Administrative Fee, and finally to the payment of any late charges hereunder.
(b) The Interest on the Loan described in clause (iii) of the definition thereof shall (i) consist of a late charge for any Trust Bond Loan Repayment that is received by the Trustee later than the tenth (10th) day following its due date and (ii) be payable immediately thereafter in an amount equal to the greater of twelve percent (12%) per annum or the Prime Rate plus one half of one percent per annum on such late payment from its due date to the date it is actually paid; provided, however, that the rate of Interest on the Loan, including, without limitation, any late payment charges incurred hereunder, shall not exceed the maximum interest rate permitted by law.

(c) The Borrower shall receive, as a credit against its semiannual payment obligations of the Interest Portion, the amounts, if any, certified by the Trust pursuant to Section 5.10 of the Bond Resolution. Such amounts shall represent the Borrower’s allocable share of the interest earnings on certain funds and accounts established under the Bond Resolution, as calculated and determined in accordance with Section 5.10 of the Bond Resolution.

(d) In accordance with the provisions of the Bond Resolution, the Borrower shall receive, as a credit against its Trust Bond Loan Repayments, the amounts, if any, set forth in the certificate of the Trust filed with the Trustee pursuant to Section 5.02(4) of the Bond Resolution.

(e) The Interest on the Loan described in clause (ii) of the definition thereof shall be paid by the Borrower in the amount of one-half of the Administrative Fee, if any, to the Trustee semiannually on each February 1 and August 1, commencing August 1, 2015.

(f) The Borrower hereby agrees to pay to the Trust at the Loan Closing a “Security Review Fee” in the amount necessary to reimburse the Trust for all of its costs and expenses incurred in connection with reviewing the additional security securing the Trust Loan as set forth in Exhibit F hereto, if any, including without limitation the fees and expenses of any professional advisers hired by the Trust in connection therewith.

(g) Upon thirty (30) days prior written notice to the Borrower, an Authorized Officer of the Trust may, in the sole discretion of such Authorized Officer, prescribe the particular method by which payments pursuant to, and in satisfaction of, this Section 3.03 shall be made by the Borrower. Such method as prescribed by an Authorized Officer of the Trust may include, without limitation, the automatic debit by the Trust or the Trustee of the respective amounts of such payments, as required by this Section 3.03, from an account that shall be identified by the Borrower in writing and recorded on file with the Trust and the Trustee. In the absence of any such written notice to the Borrower by an Authorized Officer of the Trust pursuant to this subsection (g), the Borrower shall implement the payments required pursuant to, and in satisfaction of, this Section 3.03 either via electronic transfer of immediately available funds or via check.

SECTION 3.03A. Amounts on Deposit in Project Loan Account After Completion of Project Draws.

(a) If, on the date which is thirty (30) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to the original draw schedule contained in Exhibit C hereto, any amounts remain on deposit in the Borrower’s Project Loan
Account, the Borrower shall provide to the Trust and the Department a certificate of an Authorized Officer of the Borrower (i) stating that the Borrower has not yet completed the Project, (ii) stating that the Borrower intends to complete the Project, (iii) setting forth the amount of remaining Loan Proceeds required to complete the Project, and (iv) providing a revised draw schedule, in a form similar to Exhibit C hereto and approved by the Department.

(b) If, on the date which is thirty (30) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to the revised draw schedule certified to the Trust and the Department in accordance with Section 3.03A(a) hereof, any amounts remain on deposit in the Borrower’s Project Loan Account, the Borrower shall provide to the Trust and the Department a certificate of an Authorized Officer of the Borrower (i) stating that the Borrower has not yet completed the Project, (ii) stating that the Borrower intends to complete the Project, (iii) setting forth the amount of remaining Loan Proceeds required to complete the Project, and (iv) providing a further revised draw schedule, in a form similar to Exhibit C hereto and approved by the Department.

(c) If, on the date which the Borrower has completed the Project, any amounts remain on deposit in the Borrower’s Project Loan Account, the Borrower must within thirty (30) days following such date provide to the Trust and the Department a certificate (i) stating that the Project is complete and (ii) setting forth the remaining costs, if any, of the Project for which a disbursement of Loan will be required.

(d) If (i) the Borrower fails to provide the certificate described in paragraphs (a), (b) or (c) of this Section 3.03A, when due, or (ii) a certificate provided pursuant to paragraphs (a), (b) or (c) of this Section 3.03A states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account for completion of the Project, or (iii) on the date which is thirty (30) days following the final date on which a disbursement of Loan proceeds is scheduled to be made pursuant to a further revised draw schedule certified to the Trust and the Department in accordance with Section 3.03A(b) hereof, any amounts remain on deposit in the Borrower’s Project Loan Account, then such amounts on deposit in the Project Loan Account, which are amounts that have not been certified by an Authorized Officer of the Borrower as being required to complete the Project (“Excess Project Funds”), shall be applied as follows:

1. If Trust Bonds can be redeemed within sixty (60) days of the date the Borrower is required to provide the certificate described in paragraphs (a), (b) or (c) of this Section 3.03A, the Excess Project Funds shall be used by the Trust within such sixty (60) day period to redeem Trust Bonds, including payment of the premium, if any, associated with such redemption. The Trust Bonds shall be redeemed in inverse order of their maturity. The amount of any maturity redeemed shall not exceed the same proportion as the Loan bears to all Loans made from proceeds of the Trust Bonds rounded down to whole denominations or any integral multiple. The aggregate amount of Trust Bonds so redeemed shall not be less than the amount of nonqualified bonds allocable to the Borrower under Treasury Regulations §1.142-12. The Excess Project Funds used to redeem Trust Bonds shall be applied by the Trust as a prepayment of the Borrower’s Loan Repayments with respect to the redeemed bonds. Any excess shall be held by Trust invested at a yield which does not exceed the yield on the Trust Bonds.
2. If Trust Bonds cannot be redeemed within sixty (60) days of the date the Borrower is required to provide the certificate described in paragraphs (a), (b) or (c) of this Section 3.03A, the Trust shall, within such sixty (60) day period, (A) deposit all of the Excess Project Funds in a defeasance escrow established to defease Trust Bonds in inverse order of their maturity, in the same proportion as the Loan bears to all Loans made from proceeds of the Trust Bonds, (B) provide the notice to the Internal Revenue Service required pursuant to Treasury Regulations §1.142-2(c)(2), or any successor income tax regulations, and (C) apply the Excess Project Funds as a prepayment of the Borrower’s Loan Repayments (including the premium, if any, associated with any optional or mandatory redemption of Trust Bonds) for the defeased Trust Bonds. The aggregate amount of Trust Bonds so defeased shall not be less than the amount of nonqualified bonds allocable to the Borrower under Treasury Regulations §1.142-12.

SECTION 3.04. Unconditional Obligations. The obligation of the Borrower to make the Loan Repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever while any Trust Bonds remain outstanding or any Loan Repayments remain unpaid, for any reason, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project, this Loan Agreement or the Bond Resolution, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Trust, the Trustee or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights. The Borrower shall not be obligated to make any payments required to be made by any other Borrowers under separate Loan Agreements or the Bond Resolution.

The Borrower acknowledges that payment of the Trust Bonds by the Trust, including payment from moneys drawn by the Trustee from the Debt Service Reserve Fund (to the extent the Trust establishes a Debt Service Reserve Fund pursuant to the Bond Resolution), does not constitute payment of the amounts due under this Loan Agreement and the Borrower Bond. If at any time the amount in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement as the result of any transfer of moneys from the Debt Service Reserve Fund to the Debt Service Fund (as all such terms are defined in the Bond Resolution) as the result of a failure by the Borrower to make any Trust Bond Loan Repayments required hereunder, the Borrower agrees to replenish (i) such moneys so transferred and (ii) any deficiency arising from losses incurred in making such transfer as the result of the liquidation by the Trust of Investment Securities (as defined in the Bond Resolution) acquired as an investment of moneys in the Debt Service Reserve Fund, by making payments to the Trust in equal monthly installments for the lesser of six (6) months or the remaining term of the Loan at an interest rate to be determined by the Trust necessary to make up any loss caused by such deficiency.
The Borrower acknowledges that payment of the Trust Bonds from moneys that were originally received by the Trustee from repayments by the Borrowers of loans made to the Borrowers by the State, acting by and through the Department, pursuant to loan agreements dated as of May 1, 2015 by and between the Borrowers and the State, acting by and through the Department, to finance or refinance a portion of the Costs of the Environmental Infrastructure Facilities of the Borrowers, and which moneys were upon such receipt by the Trustee deposited in the Trust Bonds Security Account (as defined in the Bond Resolution) does not constitute payment of the amounts due under this Loan Agreement and the Borrower Bond.

SECTION 3.05. Loan Agreement to Survive Bond Resolution and Trust Bonds. The Borrower acknowledges that its duties, covenants, obligations and agreements hereunder shall survive the discharge of the Bond Resolution applicable to the Trust Bonds and shall survive the payment of the principal and redemption premium, if any, of and the interest on the Trust Bonds until the Borrower can take no action or fail to take any action that could adversely affect the exclusion from gross income of the interest on the Trust Bonds for purposes of federal income taxation, at which time such duties, covenants, obligations and agreements hereunder shall, except for those set forth in Sections 3.06(a) and (b) hereof, terminate.

SECTION 3.06. Disclaimer of Warranties and Indemnification.

(a) The Borrower acknowledges and agrees that (i) neither the Trust nor the Trustee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the Environmental Infrastructure System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Trust or the Trustee or their respective agents be liable or responsible for any incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the Environmental Infrastructure System or the Project or any item or products or services provided for in this Loan Agreement; and (iii) to the fullest extent permitted by law, the Borrower shall indemnify and hold the Trust and the Trustee harmless against, and the Borrower shall pay any and all, liability, loss, cost, damage, claim, judgment or expense of any and all kinds or nature and however arising and imposed by law, which the Trust and the Trustee may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death or damage to property, whether real, personal or mixed, or upon or arising out of contracts entered into by the Borrower, the Borrower’s ownership of the Environmental Infrastructure System or the Project, or the acquisition, construction or installation of the Project.

(b) It is mutually agreed by the Borrower, the Trust and the Trustee that the Trust and its officers, agents, servants or employees shall not be liable for, and shall be indemnified and saved harmless by the Borrower in any event from, any action performed under this Loan Agreement and any claim or suit of whatsoever nature, except in the event of loss or damage resulting from their own negligence or willful misconduct. It is further agreed that the Trustee and its directors, officers, agents, servants or employees shall not be liable for, and shall be indemnified and saved harmless by the Borrower in any event from, any action performed pursuant to this Loan Agreement, except in the event of loss or damage resulting from their own negligence or willful misconduct.
(c) The Borrower and the Trust agree that all claims shall be subject to and governed by the provisions of the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq. (except for N.J.S.A. 59:13-9 thereof), although such Act by its express terms does not apply to claims arising under contract with the Trust.

(d) In connection with its obligation to provide the insurance required under Section 2.02(j) hereof: (i) the Borrower shall include, or cause to be included, the Trust and its directors, employees and officers as additional “named insureds” on (A) any certificate of liability insurance procured by the Borrower (or other similar document evidencing the liability insurance coverage procured by the Borrower) and (B) any certificate of liability insurance procured by any contractor or subcontractor for the Project, and from the later of the date of the Loan Closing or the date of the initiation of construction of the Project until the date the Borrower receives the written certificate of Project completion from the Trust, the Borrower shall maintain said liability insurance covering the Trust and said directors, employees and officers in good standing; and (ii) the Borrower shall include the Trust as an additional “named insured” on any certificate of insurance providing against risk of direct physical loss, damage or destruction of the Environmental Infrastructure System, and during the Loan Term the Borrower shall maintain said insurance covering the Trust in good standing.

The Borrower shall provide the Trust with a copy of each of any such original, supplemental, amendatory or reissued certificates of insurance (or other similar documents evidencing the insurance coverage) required pursuant to this Section 3.06(d).

SECTION 3.07. Option to Prepay Loan Repayments. The Borrower may prepay the Trust Bond Loan Repayments, in whole or in part (but if in part, in the amount of $100,000 or any integral multiple thereof), upon prior written notice to the Trust and the Trustee not less than ninety (90) days in addition to the number of days’ advance notice to the Trustee required for any optional redemption of the Trust Bonds, and upon payment by the Borrower to the Trustee of amounts that, together with investment earnings thereon, will be sufficient to pay the principal amount of the Trust Bond Loan Repayments to be prepaid plus the Interest Portion described in clause (ii) of the definition thereof on any such date of redemption; provided, however, that, with respect to any prepayment other than those required by Section 3.03A hereof, any such full or partial prepayment may only be made (i) if the Borrower is not then in arrears on its Fund Loan, (ii) if the Borrower is contemporaneously making a full or partial prepayment of the Fund Loan such that, after the prepayment of the Loan and the Fund Loan, the Trust, in its sole discretion, determines that the interests of the owners of the Trust Bonds are not adversely affected by such prepayments, (iii) upon the prior written approval of the Trust, and (iv) provided that the Borrower shall agree to pay all costs and expenses of the Trust in connection with such prepayment, including, without limitation, the fees of Bond Counsel to the Trust and any other professional advisors to the Trust. In addition, if at the time of such prepayment the Trust Bonds may only be redeemed at the option of the Trust upon payment of a premium, the Borrower shall add to its prepayment of Trust Bond Loan Repayments an amount, as determined by the Trust, equal to such premium allocable to the Trust Bonds to be redeemed as a result of the Borrower’s prepayment. Prepayments shall be applied first to the Interest Portion that accrues on the portion of the Loan to be prepaid until such prepayment date as described in clause (ii) of the definition thereof and then to principal payments (including premium, if any) on the Loan in inverse order of their maturity.
SECTION 3.08.  Priority of Loan and Fund Loan.

(a)  The Borrower hereby acknowledges that, to the extent allowed by law or the Borrower Bond Resolution, any Loan Repayments then due and payable on the Loan shall be satisfied by the Trustee before any loan repayments on the Borrower’s Fund Loan shall be satisfied by the Trustee.  The Borrower agrees not to interfere with any such action by the Trustee.

(b)  The Borrower hereby acknowledges that in the event the Borrower fails or is unable to pay promptly to the Trust in full any Trust Bond Loan Repayments under this Loan Agreement when due, then any (i) Administrative Fee paid hereunder, (ii) late charges paid hereunder, and (iii) loan repayments paid by the Borrower on its Fund Loan under the related loan agreement therefor, any of which payments shall be received by the Trustee during the time of any such Trust Bond Loan Repayment deficiency, shall be applied by the Trustee first to satisfy such Trust Bond Loan Repayment deficiency as a credit against the obligations of the Borrower to make payments of the Interest Portion under the Loan and the Borrower Bond, second, to the extent available, to make Trust Bond Loan Repayments of principal hereunder and payments of principal under the Borrower Bond, third, to the extent available, to pay the Administrative Fee, fourth, to the extent available, to pay any late charges hereunder, fifth, to the extent available, to satisfy the repayment of the Borrower’s Fund Loan under its related loan agreement therefor, and finally, to the extent available, to satisfy the repayment of the administrative fee under any such related loan agreement.

(c)  The Borrower hereby further acknowledges that any loan repayments paid by the Borrower on its Fund Loan under the related loan agreement therefor shall be applied according to the provisions of the Master Program Trust Agreement.

SECTION 3.09.  Approval of the New Jersey State Treasurer.  The Borrower and the Trust hereby acknowledge that prior to or simultaneously with the Loan Closing the New Jersey State Treasurer, in satisfaction of the requirements of Section 9a of the Act, issued the “Certificate of the New Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” (the “Treasurer’s Certificate”).  Pursuant to the terms of the Treasurer’s Certificate, the New Jersey State Treasurer approved the Loan and the terms and conditions thereof as established by the provisions of this Loan Agreement.
ARTICLE IV

ASSIGNMENT OF LOAN AGREEMENT AND BORROWER BOND

SECTION 4.01. Assignment and Transfer by Trust.

(a) The Borrower hereby expressly acknowledges that, other than the provisions of Section 2.02(d)(ii) hereof, the Trust’s right, title and interest in, to and under this Loan Agreement and the Borrower Bond have been assigned to the Trustee as security for the Trust Bonds as provided in the Bond Resolution, and that if any Event of Default shall occur, the Trustee or any Bond Insurer (as such term may be defined in the Bond Resolution), if applicable, pursuant to the Bond Resolution, shall be entitled to act hereunder in the place and stead of the Trust. The Borrower hereby acknowledges the requirements of the Bond Resolution applicable to the Trust Bonds and consents to such assignment and appointment. This Loan Agreement and the Borrower Bond, including, without limitation, the right to receive payments required to be made by the Borrower hereunder and to compel or otherwise enforce observance and performance by the Borrower of its other duties, covenants, obligations and agreements hereunder, may be further transferred, assigned and reassigned in whole or in part to one or more assignees or subassignees by the Trustee at any time subsequent to their execution without the necessity of obtaining the consent of, but after giving prior written notice to, the Borrower.

The Trust shall retain the right to compel or otherwise enforce observance and performance by the Borrower of its duties, covenants, obligations and agreements under Section 2.02(d)(ii) hereof; provided, however, that in no event shall the Trust have the right to accelerate the Borrower Bond in connection with the enforcement of Section 2.02(d)(ii) hereof.

(b) The Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement and the Borrower Bond that the Trust deems to be necessary in connection with any refunding of the Trust Bonds or the issuance of additional bonds under the Bond Resolution or otherwise, all in connection with the pooled loan program of the Trust.

SECTION 4.02. Assignment by Borrower. Neither this Loan Agreement nor the Borrower Bond may be assigned by the Borrower for any reason, unless the following conditions shall be satisfied: (i) the Trust and the Trustee shall have approved said assignment in writing; (ii) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower’s duties, covenants, obligations and agreements under this Loan Agreement and, to the extent permitted under applicable law, the Borrower Bond; (iii) immediately after such assignment, the assignee shall not be in default in the observance or performance of any duties, covenants, obligations or agreements of the Borrower under this Loan Agreement or the Borrower Bond; and (iv) the Trust shall have received an opinion of Bond Counsel to the effect that such assignment will not adversely affect the security of the holders of the Trust Bonds or the exclusion of the interest on the Trust Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code.
ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.01. Events of Default. If any of the following events occur, it is hereby defined as and declared to be and to constitute an “Event of Default”:

(a) failure by the Borrower to pay, or cause to be paid, any Trust Bond Loan Repayment required to be paid hereunder when due, which failure shall continue for a period of fifteen (15) days;

(b) failure by the Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Borrower issued under the Borrower Bond Resolution (other than the Loan and the Borrower Bond) or otherwise secured by all or a portion of the property pledged under the Borrower Bond Resolution, after giving effect to the applicable grace period;

(c) failure by the Borrower to pay, or cause to be paid, the Administrative Fee or any late charges incurred hereunder or any portion thereof when due or to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in subsection (a) of this Section 5.01 or other than the obligations of the Borrower contained in Section 2.02(d)(ii) hereof and in Exhibit F hereto, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Trustee may not unreasonably withhold its consent to an extension of such time up to 120 days from the delivery of the written notice referred to above if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Event of Default is corrected;

(d) any representation made by or on behalf of the Borrower contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement or the Loan, is false or misleading in any material respect;

(e) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, and/or any proceeding with respect to such petition and/or pursuant to any such law shall occur or be pending (including, without limitation, the operation and administration of the Borrower pursuant to any plan of reorganization approved and implemented under any such law), unless in the case of any such petition filed against the Borrower or any such proceeding such petition and such proceeding shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal or the further jurisdiction of any court; or the Borrower shall become insolvent or bankrupt or shall make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee of the Borrower or any of its property) shall be appointed by court order or take possession of the
Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days;

(f) the Borrower shall generally fail to pay its debts as such debts become due; and

(g) failure of the Borrower to observe or perform such additional duties, covenants, obligations, agreements or conditions as are required by the Trust and specified in Exhibit F attached hereto and made a part hereof.

SECTION 5.02. Notice of Default. The Borrower shall give the Trustee and the Trust prompt telephonic notice of the occurrence of any Event of Default referred to in Section 5.01(d) or (e) hereof and of the occurrence of any other event or condition that constitutes an Event of Default at such time as any senior administrative or financial officer of the Borrower becomes aware of the existence thereof.

SECTION 5.03. Remedies on Default. Whenever an Event of Default referred to in Section 5.01 hereof shall have occurred and be continuing, the Borrower acknowledges the rights of the Trustee and of any Bond Insurer to direct any and all remedies in accordance with the terms of the Bond Resolution, and the Borrower also acknowledges that the Trust shall have the right to take, or to direct the Trustee to take, any action permitted or required pursuant to the Bond Resolution and to take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the observance and performance of any duty, covenant, obligation or agreement of the Borrower hereunder.

In addition, if an Event of Default referred to in Section 5.01(a) hereof shall have occurred and be continuing, the Trust shall, to the extent allowed by applicable law and to the extent and in the manner set forth in the Bond Resolution, have the right to declare, or to direct the Trustee to declare, all Loan Repayments and all other amounts due hereunder (including, without limitation, payments under the Borrower Bond) together with the prepayment premium, if any, calculated pursuant to Section 3.07 hereof to be immediately due and payable, and upon notice to the Borrower the same shall become due and payable without further notice or demand.

SECTION 5.04. Attorneys’ Fees and Other Expenses. The Borrower shall on demand pay to the Trust or the Trustee the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred by either of them in the collection of Trust Bond Loan Repayments or any other sum due hereunder or in the enforcement of the observation or performance of any other duties, covenants, obligations or agreements of the Borrower upon an Event of Default.

SECTION 5.05. Application of Moneys. Any moneys collected by the Trust or the Trustee pursuant to Section 5.03 hereof shall be applied (a) first to pay any attorneys’ fees or other fees and expenses owed by the Borrower pursuant to Section 5.04 hereof, (b) second, to the extent available, to pay the Interest Portion then due and payable, (c) third, to the extent available, to pay the principal due and payable on the Loan, (d) fourth, to the extent available, to pay the Administrative Fee, any late charges incurred hereunder or any other amounts due and
payable under this Loan Agreement, and (e) \textit{fifth}, to the extent available, to pay the Interest Portion and the principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

SECTION 5.06. **No Remedy Exclusive; Waiver; Notice.** No remedy herein conferred upon or reserved to the Trust or the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trust or the Trustee to exercise any remedy reserved to it in this Article V, it shall not be necessary to give any notice other than such notice as may be required in this Article V.

SECTION 5.07. **Retention of Trust’s Rights.** Notwithstanding any assignment or transfer of this Loan Agreement pursuant to the provisions hereof or of the Bond Resolution, or anything else to the contrary contained herein, the Trust shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Borrower at law or in equity, as the Trust may, in its discretion, deem necessary to enforce the obligations of the Borrower to the Trust pursuant to Section 5.03 hereof.
ARTICLE VI

MISCELLANEOUS

SECTION 6.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address specified in Exhibit A-1 attached hereto and made a part hereof and to the Trust and the Trustee at the following addresses:

(a) Trust:

    New Jersey Environmental Infrastructure Trust
    3131 Princeton Pike
    Building 4, Suite 216
    Lawrenceville, New Jersey  08648-2201
    Attention:  Executive Director

(b) Trustee:

    U.S. Bank National Association
    21 South Street, 3rd Floor
    Morristown, New Jersey  07960
    Attention:  Corporate Trust Department

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by notice in writing given to the others.

SECTION 6.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Trust and the Borrower and their respective successors and assigns.

SECTION 6.03. Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

SECTION 6.04. Amendments, Supplements and Modifications.

(a) Except as otherwise provided in this Section 6.04, this Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Trust and the Borrower and without the satisfaction of all conditions set forth in Section 11.12 of the Bond Resolution. Notwithstanding the conditions set forth in Section 11.12 of the Bond Resolution, (i) Section 2.02(p) hereof may be amended, supplemented or modified upon the written consent of the Trust and the Borrower and without the consent of the Trustee, any Bond Insurer or any holders of the Trust Bonds, and (ii) Exhibit H hereto may be amended, supplemented or modified prior to the execution and delivery thereof as the Trust, in its sole discretion, shall determine to be necessary, desirable or convenient for the purpose of satisfying Rule 15c2-12
and the purpose and intent thereof as Rule 15c2-12, its purpose and intent may hereafter be interpreted from time to time by the SEC or any court of competent jurisdiction, and such amendment, supplement or modification shall not require the consent of the Borrower, the Trustee, any Bond Insurer or any holders of the Trust Bonds.

SECTION 6.05. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.06. Applicable Law and Regulations. This Loan Agreement shall be governed by and construed in accordance with the laws of the State, including the Act and the Regulations, which Regulations are, by this reference thereto, incorporated herein as part of this Loan Agreement.

SECTION 6.07. Consents and Approvals. Whenever the written consent or approval of the Trust shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by the Trust unless otherwise provided by law or by rules, regulations or resolutions of the Trust or unless expressly delegated to the Trustee and except as otherwise provided in Section 6.09 hereof.

SECTION 6.08. Captions. The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

SECTION 6.09. Benefit of Loan Agreement; Compliance with Bond Resolution. This Loan Agreement is executed, among other reasons, to induce the purchase of the Trust Bonds. Accordingly, all duties, covenants, obligations and agreements of the Borrower herein contained are hereby declared to be for the benefit of and are enforceable by the Trust, the holders of the Trust Bonds and the Trustee. The Borrower covenants and agrees to observe and comply with, and to enable the Trust to observe and comply with, all duties, covenants, obligations and agreements contained in the Bond Resolution.

SECTION 6.10. Further Assurances. The Borrower shall, at the request of the Trust, authorize, execute, attest, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement and the Borrower Bond.
IN WITNESS WHEREOF, the Trust and the Borrower have caused this Loan Agreement to be executed, sealed and delivered as of the date first above written.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL] By: ________________________________

Warren H. Victor
Chairman

ATTEST:

David E. Zimmer
Assistant Secretary

[NAME OF BORROWER]

[SEAL] By: ________________________________

Authorized Officer

ATTEST:

Authorized Officer
SCHEDULE A

Certain Additional Loan Agreement Provisions
EXHIBIT A-1

Description of Project and Environmental Infrastructure System
EXHIBIT A-2

Description of Loan
EXHIBIT B

Basis for Determination of Allowable Project Costs
EXHIBIT C

Estimated Disbursement Schedule
EXHIBIT D

Specimen Borrower Bond
(Except for assignment page, to be supplied by Borrower’s bond counsel in substantially the following form)

**IMPORTANT NOTE:** The next three pages set forth the form of the Borrower Bond prepared by the Trust’s Bond Counsel for municipal/county Borrowers. Although the Trust recognizes that each corporate Borrower has its own bond form as required pursuant to its Borrower Bond Resolution, please incorporate in the bond form the pertinent information from this municipal/county bond form (e.g., amounts payable under the Borrower Bond set forth in the first paragraph, assignment in the second paragraph, disbursement language in the third paragraph, unconditional obligation in the fourth paragraph, optional prepayment provisions in the fifth paragraph and the date of the Borrower Bond). To the extent that you do not have an existing Bond Resolution, the pledge under your Bond Resolution should be drafted to constitute a general obligation pledge of (i) all the gross revenues of the company and (ii) any specific property (e.g. mortgage) or other security pledged for this transaction (e.g. letter of credit).
FOR VALUE RECEIVED, [the] [NAME OF BORROWER], a corporation duly created and validly existing under the Constitution and laws of the State (the “Borrower”), hereby promises to pay to the order of the New Jersey Environmental Infrastructure Trust (the “Trust”) (i) the principal amount of __________________________ Dollars ($__________), or such lesser amount as shall be determined in accordance with Section 3.01 of the Loan Agreement (as hereinafter defined), at the times and in the amounts determined as provided in the Loan Agreement, together with (ii) Interest on the Loan constituting the Interest Portion, the Administrative Fee and any late charges incurred under the Loan Agreement (as such terms are defined in the Loan Agreement) in the amount calculated as provided in the Loan Agreement, payable on the days and in the amounts and as provided in the Loan Agreement, which principal amount and Interest Portion of the Interest on the Loan shall, unless otherwise provided in the Loan Agreement, be payable on the days and in the amounts as also set forth in Exhibit A attached hereto under the column headings respectively entitled “Principal” and “Interest”, plus (iii) any other amounts due and owing under the Loan Agreement at the times and in the amounts as provided therein. The Borrower unconditionally and irrevocably promises, in accordance with the terms of and to the extend provided in the Borrower Bond Resolution (as defined in the Loan Agreement) to pay in full and when due the principal of and the Interest on this Borrower Bond (as defined in the Loan Agreement) and all other amounts due under this Borrower Bond and the Loan Agreement according to their respective terms.

This Borrower Bond is issued pursuant to the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”). This Borrower Bond is issued in consideration of the loan made under the Loan Agreement (the “Loan”) to evidence the payment obligations of the Borrower set forth in the Loan Agreement. This Borrower Bond has been assigned to U.S. Bank National Association, as trustee (the “Trust’s Trustee”) under the “Environmental Infrastructure Bond Resolution, Series 2015[__]”, adopted by the Trust on April __, 2015, as the same may be amended and supplemented in accordance with the terms thereof (the “Bond Resolution”), and payments hereunder shall, except as otherwise provided in the Loan Agreement, be made directly to the Trust’s Trustee for the account of the Trust pursuant to such assignment. Such assignment has been made as security for the payment of the Trust Bonds (as defined in the Loan Agreement) issued to finance or refinance the Loan and as otherwise described in the Loan Agreement. This Borrower Bond is subject to further assignment or endorsement in accordance with the terms of the Bond Resolution and the Loan Agreement. All of the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as part of this Borrower Bond.

Pursuant to the Loan Agreement, disbursements shall be made by the Trustee to the Borrower, in accordance with written instructions of the Trust, upon receipt by the Trust and the Trust’s Trustee of requisitions from the Borrower executed and delivered in accordance with the requirements set forth in Section 3.02 of the Loan Agreement.

This Borrower Bond is entitled to the benefits and is subject to the conditions of the Loan Agreement. The obligations of the Borrower to make the payments required hereunder shall be absolute and unconditional, without any defense or right of set-off, counterclaim or recoupment
by reason of any default by the Trust under the Loan Agreement or under any other agreement between the Borrower and the Trust or out of any indebtedness or liability at any time owing to the Borrower by the Trust or for any other reason.

This Borrower Bond is subject to optional prepayment under the terms and conditions, and in the amounts, provided in Section 3.07 of the Loan Agreement. To the extent allowed by applicable law, this Borrower Bond may be subject to acceleration under the terms and conditions, and in the amounts, provided in Section 5.03 of the Loan Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Borrower Bond to be duly executed, sealed and delivered as of May 21, 2015.

[SEAL]

[NAME OF BORROWER]

By:________________________

ATTEST:

By:________________________
New Jersey Environmental Infrastructure Trust hereby assigns the foregoing Borrower Bond to U.S. Bank National Association, as the Trust’s Trustee under the “Environmental Infrastructure Bond Resolution, Series 2015[___]”, adopted on April __, 2015, as amended and supplemented, all as of the date of this Borrower Bond, as security for the Trust Bonds issued or to be issued under the Bond Resolution to finance or refinance the Project Fund (as defined in the Bond Resolution).

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

ATTEST:

By: ______________________
    Warren H. Victor
    Chairman

__________________________
David E. Zimmer
Assistant Secretary
EXHIBIT E

Opinions of Borrower’s Bond Counsel and General Counsel

See Closing Item _____
May 21, 2015

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 4, Suite 216  
Lawrenceville, New Jersey  08648-2201

U.S. Bank National Association  
21 South Street, 3rd Floor  
Morristown, New Jersey  07960  
Attention: Corporate Trust Department

Ladies and Gentlemen:

We have acted as counsel to [the] [Name of Borrower], a corporation duly organized and validly existing under the laws of the State of New Jersey (the “Borrower”), which has entered into a Loan Agreement (as hereinafter defined) with the New Jersey Environmental Infrastructure Trust (the “Trust”), and have acted as such in connection with the authorization, execution, attestation and delivery by the Borrower of its Loan Agreement and Borrower Bond (as hereinafter defined) pursuant to the New Jersey Business Corporation Act, P.L. 1968, c. 263, as amended (the “Business Corporation Law”), and a [bond resolution] [indenture] of the Borrower [adopted on] [dated] [DATE] and entitled “TITLE” as amended and supplemented, including by a supplemental [resolution] [indenture] [adopted on] [dated] [DATE] and entitled “[TITLE]” such [resolutions] [indentures] shall be collectively referred to herein as the “Resolution”). All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

In so acting, we have examined the Constitution and laws of the State of New Jersey, including, without limitation, the Business Corporation Law, and the certificate of incorporation and by-laws of the Borrower. We have also examined originals, or copies certified or otherwise identified to our satisfaction, of the following:

(a) the Trust’s “Environmental Infrastructure Bond Resolution, Series 2015[__]” adopted by the Board of Directors of the Trust on April __, 2015;

(b) the Loan Agreement dated as of May 1, 2015 (the “Loan Agreement”) by and between the Trust and the Borrower;

(c) the proceedings of the board of directors of the Borrower relating to the approval of the Loan Agreement and the execution, attestation and delivery thereof on behalf of the Borrower and the authorization of the undertaking and completion of the Project;

(d) the Borrower Bond dated May 21, 2015 (the “Borrower Bond”) issued by the Borrower to the Trust to evidence the Loan; and
the proceedings (together with the proceedings referred to in clause (c) above and Section 5 below, the “Proceedings”) of the board of directors of the Borrower, including, without limitation, the Resolution, relating to the authorization of the Borrower Bond and the sale, execution, attestation, authentication and delivery thereof to the Trust (the Loan Agreement and the Borrower Bond are referred to herein collectively as the “Loan Documents”).

We have also examined and relied upon originals, or copies certified or otherwise authenticated to our satisfaction, of such other records, documents, certificates and other instruments, and have made such investigation of law as in our judgment we have deemed necessary or appropriate, to enable us to render the opinions expressed below.

We are of the opinion that:

1. The Borrower is a corporation duly created and validly existing under and pursuant to the Constitution and statutes of the State of New Jersey, including the Borrower Enabling Act, with the legal right to carry on the Business Corporation Law, with the legal right to carry on the business of its Environmental Infrastructure System as currently being conducted and as proposed to be conducted.

2. The Borrower has full legal right and authority to execute, attest and deliver the Loan Documents, to sell the Borrower Bond to the Trust, to cause the authentication of the Borrower Bond, to observe and perform its duties, covenants, obligations and agreements under the Loan Documents and to undertake and complete the Project.

3. The acting officers of the Borrower who are contemporaneously herewith performing or have previously performed any action contemplated in the Loan Agreement are, and at the time any such action was performed were, the duly appointed or elected officers of the Borrower empowered by applicable New Jersey law and authorized by resolution of the Borrower to perform such actions.

4. In accordance with the terms of the Resolution and to the extent provided in the Resolution, the Borrower has unconditionally and irrevocably promised to make the Loan Repayments and pay all other amounts due under the Loan Documents.

5. The proceedings of the Borrower’s board of directors (i) approving the Loan Documents, (ii) authorizing their execution, attestation and delivery on behalf of the Borrower, (iii) with respect to the Borrower Bond only, authorizing its sale by the Borrower to the Trust and authorizing its authentication on behalf of the Borrower, (iv) authorizing the Borrower to consummate the transactions contemplated by the Loan Documents, (v) authorizing the Borrower to undertake and complete the Project, [(vi) authorizing the approval of the inclusion in the Official Statement of the Borrower Appendices,] and (vi) [(vii)] authorizing the execution and delivery of all other certificates, agreements, documents and instruments in connection with the execution, attestation and delivery of the Loan Documents, [including, without limitation, the designation of the Borrower Appendices portion of the Preliminary Official Statement as “deemed final” for the purposes and within the meaning of Rule 15c2-12(b)(1) of the Securities
Exchange Act of 1934, as amended, as promulgated by the Securities and Exchange Commission, have each been duly and lawfully adopted and authorized in accordance with applicable law and applicable resolutions of the Borrower, including, without limitation, the Resolution, the other Proceedings, and the Business Corporation Law, which Proceedings constitute all of the actions necessary to be taken by the Borrower to authorize its actions contemplated by clauses (i) through (vi) [(vii)] above and which Proceedings, including, without limitation, the Resolution, were duly adopted in accordance with applicable New Jersey law at a meeting or meetings duly called and held in accordance with applicable New Jersey law and at which quorums were present and acting throughout.

6. The Loan Documents have been duly authorized, executed, attested and delivered by the Authorized Officers of the Borrower, the Borrower Bond has been duly sold by the Borrower to the Trust, and the Borrower Bond has been duly authenticated by the trustee or paying agent under the Resolution, if applicable; and assuming in the case of the Loan Agreement that the Trust has the requisite power and authority to authorize, execute, attest and deliver, and has duly authorized, executed, attested and delivered, the Loan Agreement, the Loan Documents constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, subject, however, to the effect of, and to restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors’ rights generally. No opinion is rendered as to the availability of any particular remedy.

7. The authorization, execution, attestation and delivery of the Loan Documents by the Borrower and, in the case of the Borrower Bond only, the authentication thereof by the trustee or paying agent under the Resolution and the sale thereof to the Trust, the observation and performance by the Borrower of its duties, covenants, obligations and agreements thereunder, the consummation of the transactions contemplated therein, and the undertaking and completion of the Project do not and will not (i) result in any breach of any of the terms, conditions or provisions of, or (ii) constitute a default under, any existing resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations is subject.

8. All approvals, consents or authorizations of, or registrations of or filings with, any governmental or public agency, authority or person required to date on the part of the Borrower in connection with the authorization, execution, attestation, delivery and performance of the Loan Documents, the sale of the Borrower Bond and the undertaking and completion of the Project have been obtained or made.
9. There is no litigation or other proceeding pending or, to our knowledge, after due inquiry, threatened in any court or other tribunal of competent jurisdiction (either state or federal) (i) questioning the creation, organization or existence of the Borrower, (ii) questioning the validity, legality or enforceability of the Resolution, the Loan or the Loan Documents, (iii) questioning the undertaking or completion of the Project, (iv) otherwise challenging the Borrower’s ability to consummate the transactions contemplated by the Loan or the Loan Documents, or (v) that, if adversely decided, would have a materially adverse impact on the financial condition of the Borrower.

10. The Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to the Borrower Bond as to lien on, and source and security for payment thereof from, the revenues of the Borrower.

11. To the best of our knowledge, upon due inquiry, (i) all representations made by the Borrower contained within subsections (f) and (h) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement are true, accurate and complete, and (ii) all expectations contained therein are reasonable, and we know of no reason why the Borrower would be unable to comply on a continuing basis with the covenants contained within subsections (f) and (h) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement.

12. Assuming that (i) the Borrower complies on a continuing basis with the covenants contained in subsections (f) and (h) of Section 2.02 and, if applicable, Exhibit F of the Loan Agreement, (ii) interest on the Trust Bonds is otherwise excluded from gross income of the holders thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended, and (iii) the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Loan for their intended purposes will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds.

We hereby authorize McCarter & English, LLP, acting as bond counsel to the Trust, and the Attorney General of the State of New Jersey, acting as general counsel to the Trust, to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,
EXHIBIT F

Additional Covenants and Requirements
EXHIBIT G

General Administrative Requirements for the
State Environmental Infrastructure Financing Program
EXHIBIT H

Form of Continuing Disclosure Agreement
ESCROW AGREEMENT

by and among

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST,

THE STATE OF NEW JERSEY,
acting by and through the New Jersey Department of Environmental Protection,

[NAME OF BORROWER]

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

DATED: ______________, 2015
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ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the “Escrow Agreement”), made and entered into on the Escrow Closing Date (as hereinafter defined) by and among NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession duly created and validly existing under the laws of the State of New Jersey (the “Trust”), THE STATE OF NEW JERSEY, acting by and through the New Jersey Department of Environmental Protection (the “State”), the BORROWER (as hereinafter defined) and U.S. Bank National Association, a national banking association duly organized and validly existing under the laws of the United States of America, as Escrow Agent (the “Escrow Agent”);

WITNESSETH THAT:

WHEREAS, the Borrower is undertaking to obtain loans from both the Trust and the State (a “Trust Loan” and “Fund Loan,” respectively) under the “State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program”; and

WHEREAS, as one of the preconditions to the making of such Trust Loan and Fund Loan, the Trust and the State are requiring that the Borrower execute and attest the loan agreements required in connection with such loans, and produce validly executed and attested bonds evidencing such loans, prior to the Trust undertaking to publish the notice of sale for the bonds it intends to issue to fund the Trust Loan (the “Trust Bonds”).

NOW, THEREFORE, for and in consideration of the mutual duties, covenants, obligations and agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:
1. **Appointment of Escrow Agent**

For the purposes and subject to the terms and conditions set forth in this Escrow Agreement, the Trust, the State and the Borrower hereby agree to the appointment of U.S. Bank National Association, as Escrow Agent, and the Escrow Agent hereby accepts such appointment. The Escrow Agent agrees to act as agent for the Trust, the State and the Borrower and shall possess and administer the Escrowed Documents (as defined in Section 2 hereof) in accordance with the instructions set forth in this Escrow Agreement. Certain capitalized terms used herein shall have the meanings ascribed to such terms in Schedule A attached hereto and made a part hereof. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in both the Trust Loan Agreement and the Fund Loan Agreement (as hereinafter defined).

2. **Escrowed Documents**

On the date hereof, the Trust, the State and the Borrower have jointly delivered the following documents (together with the Borrower’s counsel opinions referred to in this Section 2, the “Escrowed Documents”) to the Escrow Agent in the respective forms described below:

(a) a fully authorized, executed and attested loan agreement with respect to the Fund Loan by and between the State and the Borrower, which will be dated as of May 1, 2015 (the “Fund Loan Agreement”), which Fund Loan Agreement is true, accurate and complete in all respects, except for (1) Exhibit A-2 thereto with respect to the principal amount of and the semiannual principal repayment schedule for the Fund Loan to be made under the Fund Loan Agreement and (2) to the extent the Borrower requests and the State and the Trust consent to an adjustment to the principal amount of the Fund Loan prior to the bid blackout date, which is the date of Borrower’s escrow closing, then also except for the principal amount of the Fund Loan and the corresponding changes to Exhibits B and C thereto (which Exhibit A-2 and if applicable, which Fund Loan principal amount shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof);

(b) a fully authorized, executed and attested bond of the Borrower to the State (the “Fund Loan Bond”), which will be dated the date of the Trust Loan Bond (as hereinafter defined), evidencing the Fund Loan to be made by the State to the Borrower under the Fund Loan Agreement, which Fund Loan Bond has been so authorized, executed and attested by the Borrower (but not delivered) pursuant to the Borrower’s Bond Resolution, and which Fund Loan Bond is true, accurate and complete in all respects except as to its date and if applicable in accordance with Section 2(a)(2) hereof, except as to its principal amount (which date and if applicable, which Fund Loan principal amount shall be provided to the Escrow Agent by the Trust and placed on the Fund Loan Bond by a representative of the Borrower in the presence of the Escrow Agent and the State pursuant to Section 3 hereof);

(c) a fully authorized, executed and attested loan agreement with respect to the Trust Loan by and between the Trust and the Borrower, which will be dated as of May 1, 2015, (the “Trust Loan Agreement”), which Trust Loan Agreement is true, accurate and complete in all respects, except for Exhibit A-2 thereto with respect to the
principal amount of and the Trust Bond Loan Repayments (as defined in the Trust Loan Agreement) schedule for the Trust Loan to be made under said Trust Loan Agreement and if applicable in accordance with Section 2(a)(2) hereof, except as to the corresponding changes to Exhibits B and C thereto (which Exhibit A-2 (including the Trust Loan principal amount) shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof); and

(d) a fully authorized, executed and attested bond of the Borrower to the Trust (the “Trust Loan Bond”), which will be dated the dated date of the Trust Bonds, evidencing the Trust Loan to be made by the Trust to the Borrower under the Trust Loan Agreement, which Trust Loan Bond has been so authorized, executed and attested by the Borrower (but not delivered) pursuant to the Borrower’s Bond Resolution, and which Trust Loan Bond is true, accurate and complete in all respects except as to its date, principal amount and Trust Bond Loan Repayments schedule (which date, amount and schedule shall be provided to the Escrow Agent by the Trust and placed on the Trust Loan Bond by a representative of the Borrower in the presence of the Escrow Agent and the Trust pursuant to Section 3 hereof).

An opinion of each of the Borrower’s bond and general counsel, which opinions shall each be in substantially similar form to the opinions set forth in Exhibit A hereto, shall also be delivered on the date hereof to the Escrow Agent.

In addition to the foregoing, the Borrower shall complete, execute and deliver to the Escrow Agent on the date hereof (1) a “Federal Funds Accountability and Transparency Act Form”, and (2) a “Clean Water Benefits Reporting Form” or “DWSRF Project and Benefits Reporting Form”, as applicable, each in the form included in Exhibit G to each of the Trust Loan Agreement and the Fund Loan Agreement.

The Escrow Agent shall hold the Escrowed Documents for release and delivery, or cancellation, pursuant to the terms and conditions of this Escrow Agreement.

3. Release of Escrowed Documents

On May 21, 2015 at 9:30 a.m. at the office of bond counsel to the Trust, or such other date or time that may be agreed upon by the Trust, the State and the Borrower and of which the Escrow Agent is notified in writing by the Trust (the “Loan Closing”), the Escrow Agent shall (1) release the Escrowed Documents from escrow and (2) simultaneously with the closing of the Trust Bonds, deliver (A) to the Trust, the Trust Loan Agreement and the Trust Loan Bond, and (B) to the State, the Fund Loan Agreement and the Fund Loan Bond, such release and delivery being subject only to receipt by the Escrow Agent of all of the following items as conditions precedent thereto:

(a) Exhibit A-2 to each of the Trust Loan Agreement (which shall include the insertion of the principal amount of the Trust Loan) and the Fund Loan Agreement (which shall include the insertion of the principal amount of the Fund Loan), each completed in its entirety and if applicable in accordance with Section 2(a)(2) hereof, the
revised Trust Loan and Fund Loan principal amounts and the corresponding changes to Exhibits B and C thereto;

(b) a written certification of the Trust setting forth (1) the date, principal amount and Trust Bond Loan Repayments schedule for the Trust Loan Bond necessary to complete in its entirety the Trust Loan Bond, which date, amount and schedule shall be placed upon the Trust Loan Bond by a representative of the Borrower in the presence of the Escrow Agent and the Trust while the Trust Loan Bond is held in escrow by the Escrow Agent, (2) the date and if applicable in accordance with Section 2(a)(2) hereof, the principal amount for the Fund Loan Bond necessary to complete in its entirety the Fund Loan Bond, which date and if applicable, amount shall be placed upon the Fund Loan Bond by a representative of the Borrower in the presence of the Escrow Agent and the State while the Fund Loan Bond is held in escrow by the Escrow Agent, and (3) a determination by the Trust as to which 2015 Series of Trust Bonds, insured, uninsured or otherwise, will finance the Trust Loan;

(c) a written certification of the Trust acknowledging receipt by the Trust of the following:

(i) the opinions of bond and general counsel s to the Borrower and, if applicable, the certificates of the Borrower with respect to liability insurance coverage, as required under Section 3.06(d) of the Trust Loan Agreement and Section 3.06(c) of the Fund Loan Agreement;

(ii) copies of those ordinances and resolutions finally adopted by the governing body of the Borrower and requested by the Trust and/or the State, including, without limitation, (A) the resolution of the Borrower authorizing the execution, attestation and delivery of the Trust Loan Agreement, the Fund Loan Agreement and this Escrow Agreement, (B) the Borrower’s Bond Resolution, as amended and supplemented as of the date of the Loan Closing, authorizing the execution, attestation, sale and delivery of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State, (C) the resolution of the Borrower confirming the details of the sale of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State, (D) the resolution of the Borrower, if any, declaring its official intent to reimburse expenditures for the Costs of the Project from the proceeds of the Trust Bonds, each of said ordinances and resolutions of the Borrower being certified by an Authorized Officer of the Borrower as of the date of the Loan Closing, (E) the resolution of the Local Finance Board in the Division of Local Government Services in the New Jersey Department of Community Affairs (the “Local Finance Board”) approving the issuance by the Borrower of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State and setting forth any other approvals required therefor by the Local Finance Board, and (F) any other Proceedings;

(iii) a certificate of the Borrower in the form attached as Exhibit B hereto stating to the satisfaction of the Trust that the Borrower will be able to meet the available funds requirement under Section 3.02(b) of the Trust Loan Agreement prior to the first anticipated disbursement of proceeds of the Trust Loan, as set forth in Exhibit C to the Trust Loan Agreement;
(iv) the Trust Loan Bond;

(v) a certificate of the Borrower either (A) in the form attached as Exhibit G-1 hereto stating to the satisfaction of the Trust that (i) the Borrower will use a portion of the proceeds of the Trust Loan to reimburse the Borrower for expenditures paid by it prior to the Loan Closing for Costs of the Project, and (ii) such reimbursements comply with the various provisions of the Treasury Regulations as defined and set forth therein, or (B) in the form attached as Exhibit G-2 hereto stating to the satisfaction of the Trust that no portion of the proceeds of the Trust Loan will be used by the Borrower to reimburse the Borrower for expenditures paid by it prior to the Loan Closing for Costs of the Project; and

(vi) any additional items identified in Section 3(c)(vi) of Schedule A attached hereto and made part hereof.

(d) a copy of the written certification of the Trust to the Borrower that the following actions shall take place simultaneously with the release and delivery of the Escrowed Documents:

(i) the authentication and delivery by U.S. Bank National Association, as trustee, of the Trust Bonds pursuant to Section 2.03 of the Bond Resolution (as defined in the Trust Loan Agreement and sometimes referred to herein as the “Trust Bond Resolution”); and

(ii) the deposits to the Project Fund, the Debt Service Fund, the Operating Expense Fund, the Rebate Fund and the Debt Service Reserve Fund (as defined in the Trust Bond Resolution) as may be required to be made pursuant to Section 2.03 of the Trust Bond Resolution;

(e) copies of (1) the authorizations by the New Jersey State Legislature of the expenditure of funds by the Trust for the Trust Loan, (2) the appropriations by the New Jersey State Legislature of funds in the applicable State Fund (as defined in the Fund Loan Agreement) to the Trust for the Debt Service Reserve Fund and to the State for the Fund Loan, (3) the Governor’s approval of (1) and (2) of this subsection (e), (4) the approval of the New Jersey State Legislature, by concurrent resolution, of the “Fiscal Year 2015 Financial Plan” of the Trust, (5) the award of federal funds under a fully executed State revolving fund capitalization grant agreement between the State and the United States Environmental Protection Agency pursuant to the Water Quality Act of 1987 and the Safe Drinking Water Act of 1996 and the requisite “State Match”, (6) the letters of each of the Governor and the New Jersey State Treasurer, pursuant to N.J.S.A. 58:11B-4(j), approving the adoption of the Trust Bond Resolution, (7) the “Certificate of the New Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” in satisfaction of the requirements of Section 9a of the Act, and (8) such other appropriations, resolutions, authorizations, consents or approvals as may be required in order to undertake and complete the “State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program”; and
(f) a written certification of the Trust acknowledging receipt by the State of the Fund Loan Bond.

Failure of the Escrow Agent to so release and deliver any one of the Escrowed Documents after satisfaction of the above-mentioned conditions shall be considered a failure to release and deliver all of the Escrowed Documents.

4. Cancellation of Escrowed Documents

In the event that any of the conditions precedent to the release of the Escrowed Documents set forth in Section 3 hereof shall remain unsatisfied for any reason as of the Loan Closing or if the Escrowed Documents are not released and delivered as of the Loan Closing, the Escrow Agent shall on said date mark the Escrowed Documents “CANCELED”, and shall return (1) the Trust Loan Bond and the Fund Loan Bond to the Borrower, (2) the Trust Loan Agreement to the Trust, and (3) the Fund Loan Agreement to the State. The Trust and the State hereby acknowledge that upon receipt of said agreements marked “CANCELED” the obligations of the Borrower thereunder are without effect.

5. Modifications to Loan Agreements

The Trust, the State and the Borrower acknowledge that, in connection with (1) the sale, issuance and delivery of the Trust Bonds and (2) any Fund Loans funded with the proceeds of any State Bonds (as may be defined in the Fund Loan Agreement) hereafter issued by the State, it may be necessary, subsequent to the date hereof and prior to the Loan Closing, to modify the Trust Loan Agreement and the Fund Loan Agreement for the purposes set forth, respectively, in Sections 2.02(o) thereof, including, without limitation, for the purpose of assuring that the interest on the Trust Bonds and the State Bonds is not includable in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. In such event, the Trust and, if applicable, the State will make such modifications by amending Exhibit F to the Trust Loan Agreement and, if applicable, the Fund Loan Agreement and delivering the amended Exhibit F to the Borrower and the Escrow Agent on or prior to the Loan Closing.

Any modifications to the Trust Loan Agreement and the Fund Loan Agreement by amending Exhibit F thereto pursuant to this Section 5 shall not affect in any way the Borrower’s covenant and agreement made in Section 2.02(e)(i) of each of the Trust Loan Agreement and, if applicable, the Fund Loan Agreement.

6. Liability of Escrow Agent

The Escrow Agent shall have no duties or responsibilities as Escrow Agent under this Escrow Agreement other than those expressly set forth herein, and shall have no duty to enforce any obligation of any person to perform any act. The Escrow Agent may rely conclusively and shall be protected in acting upon any order, notice, demand, direction, certificate, opinion and advice of counsel (including counsel selected by the Escrow Agent), statement, instrument, report or other instrument or document (not only as to its due execution and the validity and effectiveness thereof, but also as to the truth and accuracy of any information therein contained) that is believed by the Escrow Agent to be genuine and to be signed by the proper person.
The Escrow Agent agrees that it (1) shall be responsible to the State, the Trust and the Borrower for the proper and faithful observance and performance of the duties, covenants, obligations and agreements required of it pursuant hereto, for the fidelity and integrity of its officers, employees and agents employed in any undertaking hereunder, and for any and all loss or damage that may result from any failure to observe and perform or from any improper or incorrect observance of its duties, covenants, obligations and agreements hereunder, and (2) shall save harmless the State, the Trust and the Borrower, or any trustee, employee or officer thereof, from any and all loss or damage caused thereby, except in the event of loss or damage resulting from their own negligence or willful misconduct.

7. Acknowledgments and Liability of Borrower

Based upon the Borrower’s execution and delivery into escrow of the Trust Loan Agreement and the Fund Loan Agreement in accordance with the terms hereof and further based upon the Borrower’s execution, attestation and delivery of this Escrow Agreement, the Borrower has irrevocably committed to borrow (1) from the Trust, the Trust Loan Amount, pursuant to the terms and conditions of the Trust Loan Agreement, and (2) from the State, the Fund Loan Amount, pursuant to the terms and conditions of the Fund Loan Agreement. Notwithstanding the foregoing, the Trust Loan Amount and the Fund Loan Amount may only be changed subsequent to the date hereof in accordance with Section 2(a)(2) hereof.

The Borrower acknowledges (1) that the Trust and the State are relying upon the Borrower’s execution and attestation of the Escrowed Documents and related execution, attestation and delivery of this Escrow Agreement, as well as the execution of the commitment letters set forth as Exhibit A hereto (delivered to the Trust and the State on the date hereof) relating to the delivery of the opinions required to close the Trust Loan and the Fund Loan; (2) that such reliance by the Trust is the basis upon which the Trust will determine the aggregate principal amount of, and undertake all actions necessary to issue, the Trust Bonds; (3) that, in consideration of (1) and (2) above, the Trust has tentatively scheduled the mailing of the Preliminary Official Statement for the Trust Bonds on or about April 27, 2015, the initial publication of its Notice of Sale for the Trust Bonds on or about April 27, 2015, and the sale of the Trust Bonds on or about May 6, 2015; (4) that the aggregate principal amount of and the interest payable on that portion of the Trust Loan set forth in Exhibit A-2 to the Trust Loan Agreement shall be based upon and reflect, among other things, the interest rate on the Trust Bonds established at the sale thereof; and (5) that the Trust’s ability to make the Trust Loan at the rate so established, and the State’s ability to make the Fund Loan, are subject to and dependent upon the release and delivery of the Escrowed Documents pursuant to Section 3 hereof.

The Borrower agrees that, subject to the provisions of the immediately succeeding sentence, in the event the Escrow Agent shall fail to release and deliver or shall cancel the Escrowed Documents for any reason (including, but not limited to, the failure of the Borrower to satisfy any of the preconditions to its due authorization, execution, attestation and delivery of the Trust Loan Bond or the Fund Loan Bond or the failure of general counsel or bond counsel to the Borrower to deliver its respective opinion required in connection with the closing of the Trust Loan or the Fund Loan), the Borrower shall be responsible to the Trust, the State and the Borrowers for any and all expenses, losses or damages, monetary and otherwise (including, but
not limited to, all costs of issuance and all legal costs of the Trust, the State and the Borrowers incurred in connection with the Trust’s proposed bond issue to fund the Trust Loan and the proposed making of the Trust Loan and the Fund Loan for financing a portion of the Costs of the Borrower’s environmental infrastructure project), to the Trust, the State and the Borrowers, respectively, arising from such failure or cancellation. Notwithstanding the provisions of the immediately preceding sentence to the contrary, in the event that the Escrow Agent shall fail to release and deliver or shall cancel the Escrowed Documents and such failure or such cancellation is the result of the gross negligence or willful misconduct of the Trust, the Borrower shall not be responsible to the Trust or the State for any expenses, losses or damages, monetary or otherwise, incurred by the Trust or the State, respectively, and arising as a result of such failure or such cancellation, and such expenses, losses or damages, monetary or otherwise, of the Trust and the State, respectively, shall be the sole responsibility of the Trust; provided, however, that in the event of such failure or such cancellation as a result of the gross negligence or willful misconduct of the Trust, the Borrower shall remain responsible for its own expenses, losses or damages, monetary or otherwise (including, but not limited to, all costs of issuance and all legal costs of the Borrower incurred in connection with the Trust’s proposed bond issue to fund the Trust Loan and the proposed making of the Trust Loan and the Fund Loan for financing a portion of the Costs of the Borrower’s environmental infrastructure project). The Borrower’s obligation under this paragraph shall be continuing notwithstanding such failure or cancellation by the Escrow Agent.

Notwithstanding the foregoing, nothing herein shall prevent the Borrower from pursuing any claims, including any claims the Trust or the State may have, against any third party for any default, cancellation or failure to perform under this Escrow Agreement; provided, however, that no such claim of the Trust or the State may be pursued by the Borrower without the express written consent of the Trust or the State, respectively, which consent shall not be unreasonably withheld.

8. Escrow Agent’s Compensation

The Trust shall pay the Escrow Agent a total fee for the services performed under this Escrow Agreement in accordance with the terms of the Escrow Agent’s proposal to the Trust dated April 9, 2013 and the Trust’s Resolution 13-34 adopted on June 13, 2013 to accept such proposal, subject to the execution, attestation and delivery of this Escrow Agreement.

9. Miscellaneous Trust and State Requirements

(a) Covenant of Non-Collusion. The Escrow Agent warrants and represents that this Escrow Agreement has not been solicited or prepared, directly or indirectly, in a manner contrary to the laws of the State of New Jersey or the United States of America, and that said laws have not been violated and shall not be violated as they relate to the procurement or the performance of this Escrow Agreement by any conduct, including the paying or giving of any fee, commission, compensation, gift, gratuity or consideration of any kind, directly or indirectly, to any federal, State or local government employee, officer or official or any special State officer as defined in N.J.S.A. 52:13D-13.
(b) **Covenant Against Contingent Fees.** The Escrow Agent warrants and represents that no person or selling agency has been employed or retained to solicit or secure this Escrow Agreement upon any agreement or understanding for a commission, percentage or brokerage or contingent fee, except bona fide employees or bona fide established commercial or selling agencies maintained by the Escrow Agent for the purpose of securing business.

(c) **Non-Discrimination.** During the performance of this Escrow Agreement, the Escrow Agent warrants and represents that:

(i) the Escrow Agent will comply with all applicable federal, state and local anti-discrimination laws, including those found at N.J.S.A. 10:2-1 through 10:2-4 and N.J.S.A. 10:5-31 through 10:5-38, as well as all rules and regulations issued thereunder;

(ii) the Escrow Agent will comply with any applicable affirmative action program approved by the Treasurer of the State of New Jersey;

(iii) the Escrow Agent will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status or sex. The Escrow Agent will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Escrow Agent agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause. The Escrow Agent shall insert a similar provision in any subcontract for performance of services within the scope of this Escrow Agreement;

(iv) the Escrow Agent will, in all solicitations or advertisements for employees placed by or on behalf of the Escrow Agent, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status or sex; and

(v) the Escrow Agent will send to each labor union or representative of workers with which the Escrow Agent has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers’ representative of the Escrow Agent’s commitments under this Escrow Agreement, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) **Confidentiality.** Unless otherwise specified in this Escrow Agreement, the Escrow Agent shall not publish, permit to be published, distribute, use or disclose to any person any information that the Escrow Agent acquires in the performance of this Escrow Agreement.
Agreement, except with the prior written consent of the Trust, the State and the Borrower.

10. Useful Life of Project Financed with Trust Loan

The Borrower represents that the useful life of the Project to be financed with the Trust Loan, as set forth in the certificate of the Borrower’s consulting engineer (in the form attached as Exhibit D hereto), exceeds the maturity date of the Borrower Bond to the Trust.

11. Defaults With Respect to Debt Obligations of Borrower

The Borrower represents and warrants that, since December 31, 1975 and as of the date hereof, the Borrower has not been, and is not now, in default in the payment of the principal of or interest on any of its bonds, notes or other debt obligations.

12. Amendments, Waiver and Discharge

Neither this Escrow Agreement nor any term hereof may be amended, waived, discharged or terminated except by a writing signed by each of the parties hereto.

13. Binding Effect

All of the terms of this Escrow Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective parties hereto and their respective permitted successors and assigns, whether or not so expressed; provided, however, that none of the Trust, the State, the Borrower or the Escrow Agent may transfer, assign or pledge its respective duties, covenants, obligations and agreements hereunder without the prior written consent of each of the other parties hereto.

14. Governing Law

This Escrow Agreement shall be construed in accordance with and governed by the laws of the State of New Jersey. The Escrow Agent shall, in the performance of this Escrow Agreement, comply with all New Jersey and federal laws, rules and regulations applicable to this Escrow Agreement and to the services to be provided hereunder. All contract claims under this Escrow Agreement shall be subject to and governed by the provisions of the New Jersey Contractual Liability Act (N.J.S.A. 59:13-1 et seq.).

15. Captions

Captions are used herein for convenience only, and shall not be construed as part of this Escrow Agreement.

16. Separability

Each provision of this Escrow Agreement shall be considered separable. If for any reason any provision that is not essential to the effectuation of the basic purposes hereof is
determined to be invalid or contrary to existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Escrow Agreement that are valid.

17. Notices

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address in Section 17(d) of Schedule A attached hereto and made part hereof, and to the Trust, the State and the Escrow Agent, at the following addresses:

(a) Trust:

New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 4, Suite 216
Lawrenceville, New Jersey 08648-2201
Attention: Executive Director

(b) State:

New Jersey Department of Environmental Protection
Municipal Finance and Construction Element
401 East State Street – 3rd Floor
Trenton, New Jersey 08625-0425
Attention: Assistant Director

New Jersey Department of the Treasury
Office of Public Finance
State Street Square – 5th Floor
Trenton, New Jersey 08625-0002
Attention: Director

(c) Escrow Agent:

U.S. Bank National Association
21 South Street, 3rd Floor
Morristown, New Jersey 07960
Attention: Corporate Trust Department

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by giving written notice to each of the other parties hereto.


Additional defined terms, covenants and requirements have been included in Schedule A attached hereto and made a part hereof. Such additional defined terms, covenants and requirements are incorporated in this Escrow Agreement by reference thereto as if set forth in
full herein and the Borrower hereby agrees to observe and comply with each such additional
term, covenant and requirement included in Schedule A as if the same were set forth in its
totality where reference thereto is made in this Escrow Agreement.

19. Counterparts

This Escrow Agreement may be executed in two or more counterparts, each of which
shall be deemed an original, and it shall not be necessary in making proof of this Escrow
Agreement to produce or account for more than one of such counterparts, which together shall
constitute but one and the same agreement.
IN WITNESS WHEREOF, each of the parties hereto by its duly authorized representative has executed, sealed if applicable, and delivered this Escrow Agreement on the date first written above.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

By: ________________________________
Warren H. Victor
Chairman

ATTEST:

David E. Zimmer
Assistant Secretary

THE STATE OF NEW JERSEY
ACTING BY AND THROUGH THE
NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION

[SEAL]

By: ________________________________
Name
Title

ATTEST:

Name
Title

[SEAL]

[BORROWER]

ATTEST:

Authorized Officer

By: ________________________________
Authorized Officer

ATTEST:

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: ________________________________
Name
Title

[signature page]
SCHEDULE A

CERTAIN ADDITIONAL ESCROW AGREEMENT PROVISIONS
EXHIBIT A

COMMITMENT LETTERS OF BORROWER’S BOND COUNSEL AND GENERAL COUNSEL
[LETTERHEAD OF BORROWER’S BOND COUNSEL/GENERAL COUNSEL]

[Date of Escrow Closing]

New Jersey Environmental Infrastructure Trust
Lawrenceville, New Jersey  08648-2201

New Jersey Department of Environmental Protection
Trenton, New Jersey  08625

New Jersey Department of the Treasury
Trenton, New Jersey  08625

RE:  [Name of Borrower]
Application for Loans from New Jersey Environmental Infrastructure Trust and State of New Jersey; State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program

Ladies and Gentlemen:

In our capacity as [bond] [general] counsel to the [Name of Borrower] (the “Borrower”), we have reviewed (i) a copy of the authorized, executed and attested loan agreement (the “Trust Loan Agreement”) to be delivered to the New Jersey Environmental Infrastructure Trust (the “Trust”) and (ii) an authorized, executed and attested general obligation bond of the Borrower to be delivered to the Trust (the “Trust Loan Bond”), each exclusive of the principal and partial interest repayment schedule applicable thereto, for and evidencing a loan from the Trust in connection with the captioned program (the “Program”). We have also reviewed (i) a copy of the authorized, executed and attested loan agreement (the “Fund Loan Agreement”, and together with the Trust Loan Agreement, the “Loan Agreements”) to be delivered to the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection (the “State”), and (ii) an authorized, executed and attested general obligation bond of the Borrower to be delivered to the State (the “State Loan Bond”, and together with the Trust Loan Bond, the “Borrower Bonds”), each exclusive of the principal repayment schedule applicable thereto, for and evidencing a loan from the State in connection with the Program. We understand that these Loan Agreements and Borrower Bonds will be placed in escrow on the date hereof and will be released from escrow in completed form and delivered to the Trust and the State, respectively, on the date of closing on the Trust’s bond issue for the Program, which is estimated to occur on or about May 21, 2015 (the “Loan Closing”).

We have also reviewed a copy of the Escrow Agreement dated the date hereof by and among the Trust, the State, the Borrower and U.S. Bank National Association, as Escrow Agent (the “Escrow Agreement”), which sets forth the terms and conditions upon which the Escrowed Documents (as defined in the Escrow Agreement) shall be released and delivered, or canceled.

Based upon the foregoing, we are of the opinion that the Escrow Agreement has been duly and validly authorized by the Borrower and executed, attested and delivered by the authorized officers of the Borrower; and assuming that the Trust, the State and the Escrow Agent
each has the requisite power and authority to authorize, execute, attest and deliver, and each has duly and validly authorized, executed, attested and delivered, the Escrow Agreement, the Escrow Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be limited or modified by bankruptcy, insolvency or other laws or legal or equitable principles affecting the enforcement of creditors’ rights and remedies.

In addition, based upon our review of such information, certificates of the Borrower, statutes and other matters of law as we deem relevant, we are of the opinion that, as of the date hereof, there exist on the part of the Borrower no legal impediments to the release and delivery of the Escrowed Documents at the Loan Closing pursuant to the provisions of the Escrow Agreement or to the delivery of our opinions in favor of the Trust and the State at such time, substantially in the forms attached hereto as Exhibit A and Exhibit B, as required by Section 2.02 of each of the Trust Loan Agreement and the Fund Loan Agreement, respectively.

We hereby authorize McCarter & English, LLP, acting as bond counsel to the Trust, and the Attorney General of the State of New Jersey, acting as general counsel to the Trust, to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,
Exhibit A

[ATTACH FORM OF APPROPRIATE BORROWER BOND COUNSEL OR GENERAL COUNSEL OPINION]

Note: Exhibit E to the Trust Loan Agreement may be divided between the Borrower bond counsel and general counsel so long as when the two opinions are taken together the entire Exhibit E opinion is rendered.
Exhibit B

[ATTACH FORM OF APPROPRIATE BORROWER BOND COUNSEL OR GENERAL COUNSEL OPINION]

*Note:* Exhibit E to the Fund Loan Agreement may be divided between the Borrower bond counsel and general counsel so long as when the two opinions are taken together the entire Exhibit E opinion is rendered.
EXHIBIT B

CERTIFICATE AS TO AVAILABLE FUNDS

I, [_______________], an authorized representative of the [NAME OF BORROWER], a [municipal corporation duly created and validly existing under the laws of the State of New Jersey, located in the County of [_____________]] [political subdivision duly created and validly existing under the laws of the State of New Jersey], and herein referred to as the “Borrower”, HEREBY CERTIFY that the Borrower will be able to meet the available funds requirement under Section 3.02(b) of the Loan Agreement by and between the Borrower and the New Jersey Environmental Infrastructure Trust dated as of May 1, 2015 (the “Loan Agreement”) prior to the first anticipated disbursement of proceeds pursuant to Exhibit C of the Loan Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: __________________________
 Name: _________________________
 Title: __________________________

B-1
EXHIBIT C-2

[RESERVED]
Re: New Jersey Environmental Infrastructure Trust  
State Fiscal Year 2015 Financing Program  
Project No. [__________]

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 4, Suite 216  
Lawrenceville, New Jersey 08648

Dear Trust Members:

I am acting as consulting engineer for the [Name of Borrower] with respect to the above-referenced environmental infrastructure system project, a portion of the Costs of which is to be financed by a loan from the New Jersey Environmental Infrastructure Trust expected to close on or about May 21, 2015 (the “Loan Closing”).

As such, I am familiar with the plans and specifications of the environmental infrastructure system project, and I hereby certify that (i) the building cost of such project is a reasonable and accurate estimation thereof and (ii) the useful life of such project exceeds [twenty (20)] years from the expected date of the Loan Closing.

[NAME OF ENGINEERING FIRM]

By: ________________________  
Name: ________________________  
Title: ________________________
EXHIBIT F

[RESERVED]
EXHIBIT G-1

CERTIFICATE REGARDING REIMBURSEMENTS

I, [____________________], an authorized representative of the [NAME OF BORROWER] (the "Borrower"), a [municipal corporation duly created and validly existing under the laws of the State of New Jersey, located in the County of [_____________]] [political subdivision duly created and validly existing under the laws of the State of New Jersey], DO HEREBY CERTIFY the following:

A portion of the proceeds of the loan (the “Trust Loan”) made by the New Jersey Environmental Infrastructure Trust (the “Trust”) to the Borrower out of the proceeds of the Trust’s Environmental Infrastructure Bonds, Series 2015[__] (the “Trust Bonds”), in accordance with the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”), will be used to reimburse the Borrower for expenditures paid prior to the date hereof for Costs of the Project (as such terms are defined in the Loan Agreement), such expenditures being more fully described in Schedule A attached hereto. With respect to such reimbursements:

(a) All allocations of the proceeds of the Trust Bonds and the Trust Loan to the reimbursement of expenditures for Costs of the Project made prior to the issuance of the Trust Bonds satisfy the criteria set forth in either clauses (i), (ii) or (iii) [circle one or more as applicable]:

(i) The Costs of the Project to be reimbursed were paid by the Borrower (A) subsequent to [DATE] (the date of adoption of a Declaration of Official Intent, as hereinafter defined) or (B) not more than 60 days prior to the date of adoption of the Declaration of Official Intent with equity of the Borrower as advances in anticipation of long-term tax-exempt financing by the Trust, as provided in a resolution declaring the Borrower’s official intent in accordance with Treasury Regulations §1.150-2 (or Treasury Regulations §1.103-18(f), if adopted by the Borrower between January 27, 1992 and June 30, 1993) (the “Declaration of Official Intent”);

(ii) The Costs of the Project to be reimbursed were paid by the Borrower for “preliminary expenditures” (within the meaning of Treasury Regulations §150-2(f)(2)) including architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that were incurred prior to commencement of construction, rehabilitation or acquisition of the Project, other than land acquisition, site preparation and similar costs incident to commencement of construction, which do not exceed 20 percent of the issue price of the Trust Loan that finances the Project; or

(iii) The Costs of the Project to be reimbursed were paid by the Borrower prior to March 3, 1992 and after September 8, 1989 for which there is objective evidence that, at the time the expenditure was paid, the Borrower expected to reimburse the expenditure with the proceeds of a borrowing, and because of the timing of the expenditure and such objective evidence, a basis exists for reimbursement under Treasury Regulations §1.150-
2 independent of the official intent requirement described in clause (i) above or the preliminary expenditure exception described in clause (ii) above.

(b) On the date of the Declaration of Official Intent, in the case of reimbursements described in clause (i) of paragraph (a) above, or the date of payment, in the case of reimbursements described in clause (iii) of paragraph (a) above, the Borrower had a reasonable expectation (within the meaning of Treasury Regulations §1.150-2(e)) that it would reimburse the equity it advanced with the proceeds of a borrowing of debt obligations.

(c) All reimbursement allocations, other than reimbursement allocations for “preliminary expenditures” (as described in clause (ii) of paragraph (a) above), will occur not later than 18 months after the later of (i) the date on which the expenditure is paid or (ii) the date the Project is “placed in service” (within the meaning of Treasury Regulations §1.150-2) or abandoned, but in no event more than 3 years after the expenditure is paid.

(d) No reimbursement allocation will employ an “abusive arbitrage device” under Treasury Regulations §1.148-10 to avoid the arbitrage restrictions or to avoid the restrictions under Sections 142 through 147, inclusive, of the Internal Revenue Code of 1986, as amended (the “Code”).

(e) The proceeds of the Trust Bonds used to reimburse the Borrower for Costs of the Project, or funds corresponding to such amounts, will not be used in a manner that results in the creation of “replacement proceeds”, including “sinking funds”, “pledged funds” or funds subject to a “negative pledge” (as such terms are defined in Treasury Regulations §1.148-1), of the Trust Bonds or another issue of debt obligations, other than amounts deposited into a “bona fide debt service fund” (as defined in Treasury Regulations §1.148-1).

(f) The Costs of the Project to be reimbursed with the proceeds of the Trust Bonds will be “capital expenditures” within the meaning of Treasury Regulations §1.150-1(b).

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: ____________________________
Name: __________________________
Title: __________________________

G-1-2
SCHEDULE A

[Description of Expenditures Being Reimbursed]
EXHIBIT G-2

CERTIFICATE REGARDING NO REIMBURSEMENTS

I, [____________], an authorized representative of the [NAME OF BORROWER] (the "Borrower"), a [municipal corporation duly created and validly existing under the laws of the State of New Jersey, located in the County of [____________]] [political subdivision duly created and validly existing under the laws of the State of New Jersey], DO HEREBY CERTIFY the following:

No portion of the proceeds of the loan made by the New Jersey Environmental Infrastructure Trust (the “Trust”) to the Borrower out of the proceeds of the Trust’s Environmental Infrastructure Bonds, Series 2015[__], in accordance with the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”), will be used to reimburse the Borrower for expenditures paid prior to the date hereof for Costs of the Project (as such terms are defined in the Loan Agreement).

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: ______________________
Name: ____________________
Title: _____________________
ESCROW AGREEMENT

by and among

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST,

THE STATE OF NEW JERSEY,
acting by and through the New Jersey Department of Environmental Protection,

[NAME OF BORROWER],

[BORROWER’S TRUSTEE],
as Borrower’s Trustee

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

DATED: ______________, 2015
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ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the “Escrow Agreement”), made and entered into on the Escrow Closing Date (as hereinafter defined) by and among NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession duly created and validly existing under the laws of the State of New Jersey (the “Trust”), THE STATE OF NEW JERSEY, acting by and through the New Jersey Department of Environmental Protection (the “State”), the BORROWER (as hereinafter defined), the BORROWER’S TRUSTEE (as hereinafter defined), if any, and U.S. Bank National Association, a national banking association duly organized and validly existing under the laws of the United States of America, as Escrow Agent (the “Escrow Agent”);

WITNESSETH THAT:

WHEREAS, the Borrower is undertaking to obtain loans from both the Trust and the State (a “Trust Loan” and “Fund Loan,” respectively) under the “State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program”; and

WHEREAS, as one of the preconditions to the making of such Trust Loan and Fund Loan, the Trust and the State are requiring that the Borrower execute and attest the loan agreements required in connection with such loans, and produce validly executed, attested and authenticated bonds evidencing such loans, prior to the Trust undertaking to publish the notice of sale for the bonds it intends to issue to fund the Trust Loan (the “Trust Bonds”).

NOW, THEREFORE, for and in consideration of the mutual duties, covenants, obligations and agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:
1. **Appointment of Escrow Agent**

For the purposes and subject to the terms and conditions set forth in this Escrow Agreement, the Trust, the State, the Borrower and the Borrower’s Trustee hereby agree to the appointment of U.S. Bank National Association, as Escrow Agent, and the Escrow Agent hereby accepts such appointment. The Escrow Agent agrees to act as agent for the Trust, the State, the Borrower and the Borrower’s Trustee and shall possess and administer the Escrowed Documents (as defined in Section 2 hereof) in accordance with the instructions set forth in this Escrow Agreement. Certain capitalized terms used herein shall have the meanings ascribed to such terms in Schedule A attached hereto and made a part hereof. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in both the Trust Loan Agreement and the Fund Loan Agreement (as hereinafter defined).

2. **Escrowed Documents**

On the date hereof, the Trust, the State, the Borrower and the Borrower’s Trustee have jointly delivered the following documents (together with the Borrower’s counsel opinions referred to in this Section 2, the “Escrowed Documents”) to the Escrow Agent in the respective forms described below:

(a) a fully authorized, executed and attested loan agreement with respect to the Fund Loan by and between the State and the Borrower, which will be dated as of May 1, 2015 (the “Fund Loan Agreement”), which Fund Loan Agreement is true, accurate and complete in all respects, except for (1) Exhibit A-2 thereto with respect to the principal amount of and the semiannual principal repayment schedule for the Fund Loan to be made under the Fund Loan Agreement and (2) to the extent the Borrower requests and the State and the Trust consent to an adjustment to the principal amount of the Fund Loan prior to the bid blackout date, which is the date of Borrower’s escrow closing, then also except for the principal amount of the Fund Loan and the corresponding changes to Exhibits B and C thereto (which Exhibit A-2 and if applicable, which Fund Loan principal amount shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof);

(b) a fully authorized, executed, attested and authenticated bond of the Borrower to the State (the “Fund Loan Bond”), which will be dated the date of the Trust Loan Bond (as hereinafter defined), evidencing the Fund Loan to be made by the State to the Borrower under the Fund Loan Agreement, which Fund Loan Bond has been so authorized, executed and attested by the Borrower and authenticated (but not delivered) by the Borrower’s Trustee pursuant to the provisions of the Borrower’s Bond Resolution, and which Fund Loan Bond is true, accurate and complete in all respects except as to its date and if applicable in accordance with Section 2(a)(2) hereof, except as to its principal amount (which date and if applicable, which Fund Loan principal amount shall be provided to the Escrow Agent by the Trust and placed on the Fund Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the State pursuant to Section 3 hereof);
(c) a fully authorized, executed and attested loan agreement with respect to the Trust Loan by and between the Trust and the Borrower, which will be dated as of May 1, 2015 (the “Trust Loan Agreement”), which Trust Loan Agreement is true, accurate and complete in all respects, except for Exhibit A-2 thereto with respect to the principal amount of and the Trust Bond Loan Repayments (as defined in the Trust Loan Agreement) schedule for the Trust Loan to be made under said Trust Loan Agreement and if applicable in accordance with Section 2(a)(2) hereof, except as to the corresponding changes to Exhibits B and C thereto (which Exhibit A-2 (including the Trust Loan principal amount) shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof); and

(d) a fully authorized, executed, attested and authenticated bond of the Borrower to the Trust (the “Trust Loan Bond”), which will be dated the dated date of the Trust Bonds, evidencing the Trust Loan to be made by the Trust to the Borrower under the Trust Loan Agreement, which Trust Loan Bond has been so authorized, executed and attested by the Borrower and authenticated (but not delivered) by the Borrower’s Trustee pursuant to the Borrower’s Bond Resolution, and which Trust Loan Bond is true, accurate and complete in all respects except as to its date, principal amount and Trust Bond Loan Repayments schedule (which date, amount and schedule shall be provided to the Escrow Agent by the Trust and placed on the Trust Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the Trust pursuant to Section 3 hereof).

An opinion of each of the Borrower’s bond and general counsel, which opinions shall each be in substantially similar form to the opinions set forth in Exhibit A hereto, shall also be delivered on the date hereof to the Escrow Agent.

In addition to the foregoing, the Borrower shall complete, execute and deliver to the Escrow Agent on the date hereof (1) a “Federal Funds Accountability and Transparency Act Form”, and (2) a “Clean Water Benefits Reporting Form” or “DWSRF Project and Benefits Reporting Form”, as applicable, each in the form included in Exhibit G to each of the trust Loan Agreement and the Fund Loan Agreement.

The Escrow Agent shall hold the Escrowed Documents for release and delivery, or cancellation, pursuant to the terms and conditions of this Escrow Agreement.

3. Release of Escrowed Documents

On May 21, 2015 at 9:30 a.m. at the office of bond counsel to the Trust, or such other date or time that may be agreed upon by the Trust, the State, the Borrower and the Borrower’s Trustee and of which the Escrow Agent is notified in writing by the Trust (the “Loan Closing”), the Escrow Agent shall (1) release the Escrowed Documents from escrow and (2) simultaneously with the closing of the Trust Bonds, deliver (A) to the Trust, the Trust Loan Agreement and the Trust Loan Bond, and (B) to the State, the Fund Loan Agreement and the Fund Loan Bond, such release and delivery being subject only to receipt by the Escrow Agent of all of the following items as conditions precedent thereto:
(a) Exhibit A-2 to each of the Trust Loan Agreement (which shall include the insertion of the principal amount of the Trust Loan) and the Fund Loan Agreement (which shall include the insertion of the principal amount of the Fund Loan), each completed in its entirety and if applicable in accordance with Section 2(a)(2) hereof, the revised Trust Loan and Fund Loan principal amounts and the corresponding changes to Exhibits B and C thereto;

(b) a written certification of the Trust setting forth (1) the date, principal amount and Trust Bond Loan Repayments schedule for the Trust Loan Bond necessary to complete in its entirety the Trust Loan Bond, which date, amount and schedule shall be placed upon the Trust Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the Trust while the Trust Loan Bond is held in escrow by the Escrow Agent, (2) the date and if applicable in accordance with Section 2(a)(2) hereof, the principal amount for the Fund Loan Bond necessary to complete in its entirety the Fund Loan Bond, which date and if applicable, amount shall be placed upon the Fund Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the State while the Fund Loan Bond is held in escrow by the Escrow Agent, and (3) a determination by the Trust as to which 2015 Series of Trust Bonds, insured, uninsured or otherwise, will finance the Trust Loan;

(c) a written certification of the Trust acknowledging receipt by the Trust of the following:

(i) the opinions of bond and general counsels to the Borrower and, if applicable, the certificates of the Borrower with respect to liability insurance coverage, as required under Section 3.06(d) of the Trust Loan Agreement and Section 3.06(c) of the Fund Loan Agreement;

(ii) copies of those resolutions finally adopted by the governing body of the Borrower and requested by the Trust and/or the State, including, without limitation, (A) the resolution of the Borrower authorizing the execution, attestation and delivery of the Trust Loan Agreement, the Fund Loan Agreement and this Escrow Agreement, (B) the Borrower’s Bond Resolution, as amended and supplemented as of the date of the Loan Closing, authorizing the execution, attestation, sale and delivery of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State, (C) the resolution of the Borrower confirming the details of the sale of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State, (D) the resolution of the Borrower, if any, declaring its official intent to reimburse expenditures for the Costs of the Project from the proceeds of the Trust Bonds, each of said resolutions of the Borrower being certified by an Authorized Officer of the Borrower as of the date of the Loan Closing, (E) the resolution of the Local Finance Board in the Division of Local Government Services in the New Jersey Department of Community Affairs (the “Local Finance Board”) approving the issuance by the Borrower of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State and setting forth any other approvals required therefor by the Local Finance Board, and (F) any other Proceedings;
(iii) a certificate of the Borrower in the form attached as Exhibit B hereto stating to the satisfaction of the Trust that the Borrower will be able to meet the cash-on-hand requirement under Section 3.02(b) of the Trust Loan Agreement prior to the first anticipated disbursement of proceeds of the Trust Loan, as set forth in Exhibit C to the Trust Loan Agreement;

(iv) the Trust Loan Bond;

(v) a certificate of the Borrower either (A) in the form attached as Exhibit G-1 hereto stating to the satisfaction of the Trust that (i) the Borrower will use a portion of the proceeds of the Trust Loan to reimburse the Borrower for expenditures paid by it prior to the Loan Closing for Costs of the Project, and (ii) such reimbursements comply with the various provisions of the Treasury Regulations as defined and set forth therein, or (B) in the form attached as Exhibit G-2 hereto stating to the satisfaction of the Trust that no portion of the proceeds of the Trust Loan will be used by the Borrower to reimburse the Borrower for expenditures paid by it prior to the Loan Closing for Costs of the Project; and

(vi) any additional items identified in Section 3(c)(vi) of Schedule A attached hereto and made part hereof.

(d) a copy of the written certification of the Trust to the Borrower’s Trustee that the following actions shall take place simultaneously with the release and delivery of the Escrowed Documents:

(i) the authentication and delivery by U.S. Bank National Association, as trustee, of the Trust Bonds pursuant to Section 2.03 of the Bond Resolution (as defined in the Trust Loan Agreement and sometimes referred to herein as the “Trust Bond Resolution”); and

(ii) the deposits to the Project Fund, the Debt Service Fund, the Operating Expense Fund, the Rebate Fund and the Debt Service Reserve Fund (as defined in the Trust Bond Resolution) as may be required to be made pursuant to Section 2.03 of the Trust Bond Resolution;

(e) copies of (1) the authorizations by the New Jersey State Legislature of the expenditure of funds by the Trust for the Trust Loan, (2) the appropriations by the New Jersey State Legislature of funds in the applicable State Fund (as defined in the Fund Loan Agreement) to the Trust for the Debt Service Reserve Fund and to the State for the Fund Loan, (3) the Governor’s approval of (1) and (2) of this subsection (e), (4) the approval of the New Jersey State Legislature, by concurrent resolution, of the “Fiscal Year 2015 Financial Plan” of the Trust, (5) the award of federal funds under a fully executed State revolving fund capitalization grant agreement between the State and the United States Environmental Protection Agency pursuant to the Water Quality Act of 1987 and the Safe Drinking Water Act of 1996 and the requisite “State Match”, (6) the letters of each of the Governor and the New Jersey State Treasurer, pursuant to N.J.S.A. 58:11B-4(j), approving the adoption of the Trust Bond Resolution, (7) the “Certificate of
the New Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” in satisfaction of the requirements of Section 9a of the Act, and (8) such other appropriations, resolutions, authorizations, consents or approvals as may be required in order to undertake and complete the “State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program”; and

(f) a written certification of the Trust acknowledging receipt by the State of the Fund Loan Bond.

Failure of the Escrow Agent to so release and deliver any one of the Escrowed Documents after satisfaction of the above-mentioned conditions shall be considered a failure to release and deliver all of the Escrowed Documents.

4. Cancellation of Escrowed Documents

In the event that any of the conditions precedent to the release of the Escrowed Documents set forth in Section 3 hereof shall remain unsatisfied for any reason as of the Loan Closing or if the Escrowed Documents are not released and delivered as of the Loan Closing, the Escrow Agent shall on said date mark the Escrowed Documents “CANCELED”, and shall return (1) the Trust Loan Bond and the Fund Loan Bond to the Borrower, (2) the Trust Loan Agreement to the Trust, and (3) the Fund Loan Agreement to the State. The Trust and the State hereby acknowledge that upon receipt of said agreements marked “CANCELED” the obligations of the Borrower thereunder are without effect.

5. Modifications to Loan Agreements

The Trust, the State and the Borrower acknowledge that, in connection with (1) the sale, issuance and delivery of the Trust Bonds and (2) any Fund Loans funded with the proceeds of any State Bonds (as may be defined in the Fund Loan Agreement) hereafter issued by the State, it may be necessary, subsequent to the date hereof and prior to the Loan Closing, to modify the Trust Loan Agreement and the Fund Loan Agreement for the purposes set forth, respectively, in Section 2.02(q) and Section 2.02(p) thereof, including, without limitation, for the purpose of assuring that the interest on the Trust Bonds and the State Bonds is not includable in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. In such event, the Trust and, if applicable, the State will make such modifications by amending Exhibit F to the Trust Loan Agreement and, if applicable, the Fund Loan Agreement and delivering the amended Exhibit F to the Borrower and the Escrow Agent on or prior to the Loan Closing.

Any modifications to the Trust Loan Agreement and the Fund Loan Agreement by amending Exhibit F thereto pursuant to this Section 5 shall not affect in any way the Borrower’s covenant and agreement made in Section 2.02(f)(i) of each of the Trust Loan Agreement and, if applicable, the Fund Loan Agreement.

6. Liability of Escrow Agent

The Escrow Agent shall have no duties or responsibilities as Escrow Agent under this Escrow Agreement other than those expressly set forth herein, and shall have no duty to enforce
any obligation of any person to perform any act. The Escrow Agent may rely conclusively and shall be protected in acting upon any order, notice, demand, direction, certificate, opinion and advice of counsel (including counsel selected by the Escrow Agent), statement, instrument, report or other instrument or document (not only as to its due execution and the validity and effectiveness thereof, but also as to the truth and accuracy of any information therein contained) that is believed by the Escrow Agent to be genuine and to be signed by the proper person.

The Escrow Agent agrees that it (1) shall be responsible to the State, the Trust, the Borrower and the Borrower’s Trustee for the proper and faithful observance and performance of the duties, covenants, obligations and agreements required of it pursuant hereto, for the fidelity and integrity of its officers, employees and agents employed in any undertaking hereunder, and for any and all loss or damage that may result from any failure to observe and perform or from any improper or incorrect observance or performance of its duties, covenants, obligations and agreements hereunder, and (2) shall save harmless the State, the Trust, the Borrower and the Borrower’s Trustee, or any trustee, employee or officer thereof, from any and all loss or damage caused thereby, except in the event of loss or damage resulting from their own negligence or willful misconduct.

7. Acknowledgments and Liability of Borrower

Based upon the Borrower’s execution and delivery into escrow of the Trust Loan Agreement and the Fund Loan Agreement in accordance with the terms hereof and further based upon the Borrower’s execution, attestation and delivery of this Escrow Agreement, the Borrower has irrevocably committed to borrow (1) from the Trust, the Trust Loan Amount, pursuant to the terms and conditions of the Trust Loan Agreement, and (2) from the State, the Fund Loan Amount, pursuant to the terms and conditions of the Fund Loan Agreement. Notwithstanding the foregoing, the Trust Loan Amount and the Fund Loan Amount may only be changed subsequent to the date hereof in accordance with Section 2(a)(2) hereof.

The Borrower acknowledges (1) that the Trust and the State are relying upon the Borrower’s execution and attestation of the Escrowed Documents and related execution, attestation and delivery of this Escrow Agreement, as well as the execution of the commitment letters set forth as Exhibit A hereto (delivered to the Trust and the State on the date hereof) relating to the delivery of the opinions required to close the Trust Loan and the Fund Loan; (2) that such reliance by the Trust is the basis upon which the Trust will determine the aggregate principal amount of, and undertake all actions necessary to issue, the Trust Bonds; (3) that, in consideration of (1) and (2) above, the Trust has tentatively scheduled the mailing of the Preliminary Official Statement for the Trust Bonds on or about April 27, 2015, the initial publication of its Notice of Sale for the Trust Bonds on or about April 27, 2015, and the sale of the Trust Bonds on or about May 6, 2015; (4) that the aggregate principal amount of and the interest payable on that portion of the Trust Loan set forth in Exhibit A-2 to the Trust Loan Agreement shall be based upon and reflect, among other things, the interest rate on the Trust Bonds established at the sale thereof; and (5) that the Trust’s ability to make the Trust Loan at the rate so established, and the State’s ability to make the Fund Loan, are subject to and dependent upon the release and delivery of the Escrowed Documents pursuant to Section 3 hereof.
The Borrower agrees that, subject to the provisions of the immediately succeeding sentence, in the event the Escrow Agent shall fail to release and deliver or shall cancel the Escrowed Documents for any reason (including, but not limited to, the failure of the Borrower to satisfy any of the preconditions to its due authorization, execution, attestation and delivery of the Trust Loan Bond or the Fund Loan Bond or the failure of general counsel or bond counsel to the Borrower to deliver its respective opinion required in connection with the closing of the Trust Loan or the Fund Loan), the Borrower shall be responsible to the Trust, the State and the Borrowers for any and all expenses, losses or damages, monetary and otherwise (including, but not limited to, all costs of issuance and all legal costs of the Trust, the State and the Borrowers incurred in connection with the Trust’s proposed bond issue to fund the Trust Loan and the proposed making of the Trust Loan and the Fund Loan for financing a portion of the Costs of the Borrower’s environmental infrastructure project), to the Trust, the State and the Borrowers, respectively, arising from such failure or cancellation. Notwithstanding the provisions of the immediately preceding sentence to the contrary, in the event that the Escrow Agent shall fail to release and deliver or shall cancel the Escrowed Documents and such failure or such cancellation is the result of the gross negligence or willful misconduct of the Trust, the Borrower shall not be responsible to the Trust or the State for any expenses, losses or damages, monetary or otherwise, incurred by the Trust or the State, respectively, and arising as a result of such failure or such cancellation, and such expenses, losses or damages, monetary or otherwise, of the Trust and the State, respectively, shall be the sole responsibility of the Trust; provided, however, that in the event of such failure or such cancellation as a result of the gross negligence or willful misconduct of the Trust, the Borrower shall remain responsible for its own expenses, losses or damages, monetary or otherwise (including, but not limited to, all costs of issuance and all legal costs of the Borrower incurred in connection with the Trust’s proposed bond issue to fund the Trust Loan and the proposed making of the Trust Loan and the Fund Loan for financing a portion of the Costs of the Borrower’s environmental infrastructure project). The Borrower’s obligation under this paragraph shall be continuing notwithstanding such failure or cancellation by the Escrow Agent.

Notwithstanding the foregoing, nothing herein shall prevent the Borrower from pursuing any claims, including any claims the Trust or the State may have, against any third party for any default, cancellation or failure to perform under this Escrow Agreement; provided, however, that no such claim of the Trust or the State may be pursued by the Borrower without the express written consent of the Trust or the State, respectively, which consent shall not be unreasonably withheld.

8. Escrow Agent’s Compensation

The Trust shall pay the Escrow Agent a total fee for the services performed under this Escrow Agreement in accordance with the terms of the Escrow Agent’s proposal to the Trust dated April 9, 2013 and the Trust’s Resolution 13-34 adopted on June 13, 2013 to accept such proposal, subject to the execution, attestation and delivery of this Escrow Agreement.

9. Miscellaneous Trust and State Requirements

(a) Covenant of Non-Collusion. The Escrow Agent warrants and represents that this Escrow Agreement has not been solicited or prepared, directly or indirectly, in a
manner contrary to the laws of the State of New Jersey or the United States of America, and that said laws have not been violated and shall not be violated as they relate to the procurement or the performance of this Escrow Agreement by any conduct, including the paying or giving of any fee, commission, compensation, gift, gratuity or consideration of any kind, directly or indirectly, to any federal, State or local government employee, officer or official or any special State officer as defined in N.J.S.A. 52:13D-13.

(b) **Covenant Against Contingent Fees.** The Escrow Agent warrants and represents that no person or selling agency has been employed or retained to solicit or secure this Escrow Agreement upon any agreement or understanding for a commission, percentage or brokerage or contingent fee, except bona fide employees or bona fide established commercial or selling agencies maintained by the Escrow Agent for the purpose of securing business.

(c) **Non-Discrimination.** During the performance of this Escrow Agreement, the Escrow Agent warrants and represents that:

(i) the Escrow Agent will comply with all applicable federal, state and local anti-discrimination laws, including those found at N.J.S.A. 10:2-1 through 10:2-4 and N.J.S.A. 10:5-31 through 10:5-38, as well as all rules and regulations issued thereunder;

(ii) the Escrow Agent will comply with any applicable affirmative action program approved by the Treasurer of the State of New Jersey;

(iii) the Escrow Agent will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status or sex. The Escrow Agent will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Escrow Agent agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause. The Escrow Agent shall insert a similar provision in any subcontract for performance of services within the scope of this Escrow Agreement;

(iv) the Escrow Agent will, in all solicitations or advertisements for employees placed by or on behalf of the Escrow Agent, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status or sex; and

(v) the Escrow Agent will send to each labor union or representative of workers with which the Escrow Agent has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers’ representative of
the Escrow Agent’s commitments under this Escrow Agreement, and shall post copies of
the notice in conspicuous places available to employees and applicants for employment.

(d) Confidentiality. Unless otherwise specified in this Escrow Agreement, the
Escrow Agent shall not publish, permit to be published, distribute, use or disclose to any
person any information that the Escrow Agent acquires in the performance of this Escrow
Agreement, except with the prior written consent of the Trust, the State, the Borrower
and the Borrower’s Trustee.

10. Useful Life of Project Financed with Trust Loan

The Borrower represents that the useful life of the Project to be financed with the Trust
Loan, as set forth in the certificate of the Borrower’s consulting engineer (in the form attached as
Exhibit D hereto), exceeds the maturity date of the Borrower Bond to the Trust.

11. Defaults With Respect to Debt Obligations of Borrower

The Borrower represents and warrants that, since December 31, 1975 and as of the date
hereof, the Borrower has not been, and is not now, in default in the payment of the principal of or
interest on any of its bonds, notes or other debt obligations.

12. Amendments, Waiver and Discharge

Neither this Escrow Agreement nor any term hereof may be amended, waived,
discharged or terminated except by a writing signed by each of the parties hereto.

13. Binding Effect

All of the terms of this Escrow Agreement shall be binding upon and inure to the benefit
of and be enforceable by the respective parties hereto and their respective permitted successors
and assigns, whether or not so expressed; provided, however, that none of the Trust, the State,
the Borrower, the Borrower’s Trustee or the Escrow Agent may transfer, assign or pledge its
respective duties, covenants, obligations and agreements hereunder without the prior written
consent of each of the other parties hereto.

14. Governing Law

This Escrow Agreement shall be construed in accordance with and governed by the laws
of the State of New Jersey. The Escrow Agent shall, in the performance of this Escrow
Agreement, comply with all New Jersey and federal laws, rules and regulations applicable to this
Escrow Agreement and to the services to be provided hereunder. All contract claims under this
Escrow Agreement shall be subject to and governed by the provisions of the New Jersey
Contractual Liability Act (N.J.S.A. 59:13-1 et seq.).

15. Captions

Captions are used herein for convenience only, and shall not be construed as part of this
Escrow Agreement.
16. **Separability**

Each provision of this Escrow Agreement shall be considered separable. If for any reason any provision that is not essential to the effectuation of the basic purposes hereof is determined to be invalid or contrary to existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Escrow Agreement that are valid.

17. **Notices**

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower and the Borrower’s Trustee, if any, at the address(es) in Section 17(d) and (e), respectively, of Schedule A attached hereto and made part hereof, and to the Trust, the State and the Escrow Agent, at the following addresses:

(a) **Trust:**

   New Jersey Environmental Infrastructure Trust  
   3131 Princeton Pike  
   Building 4, Suite 216  
   Lawrenceville, New Jersey 08648-2201  
   Attention: Executive Director

(b) **State:**

   New Jersey Department of Environmental Protection  
   Municipal Finance and Construction Element  
   401 East State Street – 3rd Floor  
   Trenton, New Jersey 08625-0425  
   Attention: Assistant Director

   New Jersey Department of the Treasury  
   Office of Public Finance  
   State Street Square – 5th Floor  
   Trenton, New Jersey 08625-0002  
   Attention: Director

(c) **Escrow Agent:**

   U.S. Bank National Association  
   21 South Street, 3rd Floor  
   Morristown, New Jersey 07960  
   Attention: Corporate Trust Department

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by giving written notice to each of the other parties hereto.

Additional defined terms, covenants and requirements have been included in Schedule A attached hereto and made a part hereof. Such additional defined terms, covenants and requirements are incorporated in this Escrow Agreement by reference thereto as if set forth in full herein and the Borrower hereby agrees to observe and comply with each such additional term, covenant and requirement included in Schedule A as if the same were set forth in its entirety where reference thereto is made in this Escrow Agreement.

19. Counterparts

This Escrow Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Escrow Agreement to produce or account for more than one of such counterparts, which together shall constitute but one and the same agreement.
IN WITNESS WHEREOF, each of the parties hereto by its duly authorized representative has executed, sealed if applicable, and delivered this Escrow Agreement on the date first written above.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

[SEAL]

By: ____________________________________________
   Warren H. Victor
   Chairman

ATTEST:

David E. Zimmer
Assistant Secretary

THE STATE OF NEW JERSEY
ACTING BY AND THROUGH THE
NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION

[SEAL]

By: ____________________________________________
   Name
   Title

ATTEST:

[SEAL]

By: ____________________________________________
   Authorized Officer

[BORROWER]

ATTEST:

By: ____________________________________________
   Authorized Officer

[BORROWER’S TRUSTEE],
as Borrower’s Trustee

[SEAL]

By: ____________________________________________
   Name
   Title

ATTEST:

By: ____________________________________________
   Name
   Title

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

[signature page]
SCHEDULE A

CERTAIN ADDITIONAL ESCROW AGREEMENT PROVISIONS
EXHIBIT A

COMMITMENT LETTERS OF BORROWER’S
BOND COUNSEL AND GENERAL COUNSEL
[LETTERHEAD OF BORROWER’S BOND COUNSEL/GENERAL COUNSEL]

[Date of Escrow Closing]

New Jersey Environmental Infrastructure Trust
Lawrenceville, New Jersey  08648

New Jersey Department of Environmental Protection
Trenton, New Jersey  08625

New Jersey Department of the Treasury
Trenton, New Jersey  08625

RE:  [Name of Borrower]

Application for Loans from New Jersey Environmental Infrastructure Trust and State of New Jersey; State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program

Ladies and Gentlemen:

In our capacity as [bond] [general] counsel to [the] [Name of Borrower] (the “Borrower”), we have reviewed (i) a copy of the authorized, executed and attested loan agreement (the “Trust Loan Agreement”) to be delivered to the New Jersey Environmental Infrastructure Trust (the “Trust”) and (ii) an authorized, executed, attested and authenticated revenue bond of the Borrower to be delivered to the Trust (the “Trust Loan Bond”), each exclusive of the principal and partial interest repayment schedule applicable thereto, for and evidencing a loan from the Trust in connection with the captioned program (the “Program”). We have also reviewed (i) a copy of the authorized, executed and attested loan agreement (the “Fund Loan Agreement”, and together with the Trust Loan Agreement, the “Loan Agreements”) to be delivered to the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection (the “State”), and (ii) an authorized, executed, attested and authenticated revenue bond of the Borrower to be delivered to the State (the “State Loan Bond”, and together with the Trust Loan Bond, the “Borrower Bonds”), each exclusive of the principal repayment schedule applicable thereto, for and evidencing a loan from the State in connection with the Program. We understand that these Loan Agreements and Borrower Bonds will be placed in escrow on the date hereof and will be released from escrow in completed form and delivered to the Trust and the State, respectively, on the date of closing on the Trust’s bond issue for the Program, which is estimated to occur on or about May 21, 2015 (the “Loan Closing”).

We have also reviewed a copy of the Escrow Agreement dated the date hereof by and among the Trust, the State, the Borrower, the Borrower’s Trustee, and U.S. Bank National Association, as Escrow Agent (the “Escrow Agreement”), which sets forth the terms and conditions upon which the Escrowed Documents (as defined in the Escrow Agreement) shall be released and delivered, or canceled.

Based upon the foregoing, we are of the opinion that the Escrow Agreement has been duly and validly authorized by the Borrower and executed, attested and delivered by the authorized officers of the Borrower; and assuming that the Trust, the State, the Borrower’s
Trustee and the Escrow Agent each has the requisite power and authority to authorize, execute, attest and deliver, and each has duly and validly authorized, executed, attested and delivered, the Escrow Agreement, the Escrow Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be limited or modified by bankruptcy, insolvency or other laws or legal or equitable principles affecting the enforcement of creditors’ rights and remedies.

In addition, based upon our review of such information, certificates of the Borrower, statutes and other matters of law as we deem relevant, we are of the opinion that, as of the date hereof, there exist on the part of the Borrower no legal impediments to the release and delivery of the Escrowed Documents at the Loan Closing pursuant to the provisions of the Escrow Agreement or to the delivery of our opinions in favor of the Trust and the State at such time, substantially in the forms attached hereto as Exhibit A and Exhibit B, as required by Section 2.02 of each of the Trust Loan Agreement and the Fund Loan Agreement, respectively.

We hereby authorize McCarter & English, LLP, acting as bond counsel to the Trust, and the Attorney General of the State of New Jersey, acting as general counsel to the Trust, to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,
Exhibit A

[ATTACH FORM OF APPROPRIATE BORROWER BOND COUNSEL OR GENERAL COUNSEL OPINION]

*Note:* Exhibit E to the Trust Loan Agreement may be divided between the Borrower bond counsel and general counsel so long as when the two opinions are taken together the entire Exhibit E opinion is rendered.
Exhibit B

[ATTACH FORM OF APPROPRIATE BORROWER BOND COUNSEL OR GENERAL COUNSEL OPINION]

Note: Exhibit E to the Fund Loan Agreement may be divided between the Borrower bond counsel and general counsel so long as when the two opinions are taken together the entire Exhibit E opinion is rendered.
EXHIBIT B

CERTIFICATE AS TO CASH ON HAND

I, [___________________], an authorized representative of [NAME OF BORROWER], a [municipal] [county] [utilities authority] [sewerage authority] [political subdivision] of the State of New Jersey, located in the County of [________________], and herein referred to as the “Borrower”, HEREBY CERTIFY that the Borrower will be able to meet the cash on hand requirement under Section 3.02(b) of the Loan Agreement by and between the Borrower and the New Jersey Environmental Infrastructure Trust dated as of May 1, 2015 (the “Loan Agreement”) prior to the first anticipated disbursement of proceeds pursuant to Exhibit C of the Loan Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: _______________________
Name: ____________________
Title: _____________________
EXHIBIT C-1

[RESERVED]
EXHIBIT C-2

[RESERVED]
EXHIBIT C-3

[RESERVED]
Re: New Jersey Environmental Infrastructure Trust  
State Fiscal Year 2015 Financing Program  
Project No. [__________]

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 4, Suite 216  
Lawrenceville, New Jersey 08648-2201

Dear Trust Members:

I am acting as consulting engineer for [Name of Borrower] with respect to the above-referenced environmental infrastructure system project, a portion of the Costs of which is to be financed by a loan from the New Jersey Environmental Infrastructure Trust expected to close on or about May 21, 2015 (the “Loan Closing”).

As such, I am familiar with the plans and specifications of the environmental infrastructure system project, and I hereby certify that (i) the building cost of such project is a reasonable and accurate estimation thereof and (ii) the useful life of such project exceeds [twenty (20)] years from the expected date of the Loan Closing.

[NAME OF ENGINEERING FIRM]

By: ____________________________  
Name: __________________________
Title: __________________________
EXHIBIT G-1

CERTIFICATE REGARDING REIMBURSEMENTS

I, [_______________________], an authorized representative of [NAME OF BORROWER] (the “Borrower”), located in the County of [____________], New Jersey, DO HEREBY CERTIFY the following:

A portion of the proceeds of the loan (the “Trust Loan”) made by the New Jersey Environmental Infrastructure Trust (the “Trust”) to the Borrower out of the proceeds of the Trust’s Environmental Infrastructure Bonds, Series 2015[___] (the “Trust Bonds”), in accordance with the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”), will be used to reimburse the Borrower for expenditures paid prior to the date hereof for Costs of the Project (as such terms are defined in the Loan Agreement), such expenditures being more fully described in Schedule A attached hereto. With respect to such reimbursements:

(a) All allocations of the proceeds of the Trust Bonds and the Trust Loan to the reimbursement of expenditures for Costs of the Project made prior to the issuance of the Trust Bonds satisfy the criteria set forth in either clauses (i), (ii) or (iii) [circle one or more as applicable]:

(i) The Costs of the Project to be reimbursed were paid by the Borrower (A) subsequent to [DATE] (the date of adoption of a Declaration of Official Intent, as hereinafter defined) or (B) not more than 60 days prior to the date of adoption of the Declaration of Official Intent with equity of the Borrower as advances in anticipation of long-term tax-exempt financing by the Trust, as provided in a resolution declaring the Borrower’s official intent in accordance with Treasury Regulations §1.150-2 (or Treasury Regulations §1.103-18(f), if adopted by the Borrower between January 27, 1992 and June 30, 1993) (the “Declaration of Official Intent”);

(ii) The Costs of the Project to be reimbursed were paid by the Borrower for “preliminary expenditures” (within the meaning of Treasury Regulations §150-2(f)(2)) including architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that were incurred prior to commencement of construction, rehabilitation or acquisition of the Project, other than land acquisition, site preparation and similar costs incident to commencement of construction, which do not exceed 20 percent of the issue price of the Trust Loan that finances the Project; or

(iii) The Costs of the Project to be reimbursed were paid by the Borrower prior to March 3, 1992 and after September 8, 1989 for which there is objective evidence that, at the time the expenditure was paid, the Borrower expected to reimburse the expenditure with the proceeds of a borrowing, and because of the timing of the expenditure and such objective evidence, a basis exists for reimbursement under Treasury Regulations §1.150-2 independent of the official intent requirement described in clause (i) above or the preliminary expenditure exception described in clause (ii) above.
(b) On the date of the Declaration of Official Intent, in the case of reimbursements described in clause (i) of paragraph (a) above, or the date of payment, in the case of reimbursements described in clause (iii) of paragraph (a) above, the Borrower had a reasonable expectation (within the meaning of Treasury Regulations §1.150-2(e)) that it would reimburse the equity it advanced with the proceeds of a borrowing of debt obligations.

(c) All reimbursement allocations, other than reimbursement allocations for “preliminary expenditures” (as described in clause (ii) of paragraph (a) above), will occur not later than 18 months after the later of (i) the date on which the expenditure is paid or (ii) the date the Project is “placed in service” (within the meaning of Treasury Regulations §1.150-2) or abandoned, but in no event more than 3 years after the expenditure is paid.

(d) No reimbursement allocation will employ an “abusive arbitrage device” under Treasury Regulations §1.148-10 to avoid the arbitrage restrictions or to avoid the restrictions under Sections 142 through 147, inclusive, of the Internal Revenue Code of 1986, as amended (the “Code”).

(e) The proceeds of the Trust Bonds used to reimburse the Borrower for Costs of the Project, or funds corresponding to such amounts, will not be used in a manner that results in the creation of “replacement proceeds”, including “sinking funds”, “pledged funds” or funds subject to a “negative pledge” (as such terms are defined in Treasury Regulations §1.148-1), of the Trust Bonds or another issue of debt obligations, other than amounts deposited into a “bona fide debt service fund” (as defined in Treasury Regulations §1.148-1).

(f) The Costs of the Project to be reimbursed with the proceeds of the Trust Bonds will be “capital expenditures” within the meaning of Treasury Regulations §1.150-1(b).

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: __________________________
Name: _______________________
Title: ________________________
SCHEDULE A

[Description of Expenditures Being Reimbursed]
EXHIBIT G-2

CERTIFICATE REGARDING NO REIMBURSEMENTS

I, [__________________], an authorized representative of [NAME OF BORROWER] (the “Borrower”), located in the County of [__________], New Jersey, DO HEREBY CERTIFY the following:

No portion of the proceeds of the loan made by the New Jersey Environmental Infrastructure Trust (the “Trust”) to the Borrower out of the proceeds of the Trust’s Environmental Infrastructure Bonds, Series 2015[___], in accordance with the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”), will be used to reimburse the Borrower for expenditures paid prior to the date hereof for Costs of the Project (as such terms are defined in the Loan Agreement).

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: _______________________
Name: _______________________
Title: _______________________
ESCROW AGREEMENT

by and among

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST,

THE STATE OF NEW JERSEY,
acting by and through the New Jersey Department of Environmental Protection,

[NAME OF BORROWER],

[BORROWER’S TRUSTEE],
   as Borrower’s Trustee

and

U.S. BANK NATIONAL ASSOCIATION,
   as Escrow Agent

DATED: ______________, 2015
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ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the “Escrow Agreement”), made and entered into on the Escrow Closing Date (as hereinafter defined) by and among NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession duly created and validly existing under the laws of the State of New Jersey (the “Trust”), THE STATE OF NEW JERSEY, acting by and through the New Jersey Department of Environmental Protection (the “State”), the BORROWER (as defined in Schedule A attached hereto), the BORROWER’S TRUSTEE (as hereinafter defined), and U.S. Bank National Association, a national banking association duly organized and validly existing under the laws of the United States of America, as Escrow Agent (the “Escrow Agent”);

WITNESSETH THAT:

WHEREAS, the Borrower is undertaking to obtain loans from both the Trust and the State (a “Trust Loan” and “Fund Loan,” respectively) under the “State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program”; and

WHEREAS, as one of the preconditions to the making of such Trust Loan and Fund Loan, the Trust and the State are requiring that the Borrower execute and attest the loan agreements required in connection with such loans, and produce validly executed, attested and, if applicable, authenticated bonds or notes evidencing such loans, prior to the Trust undertaking to publish the notice of sale for the bonds it intends to issue to fund the Trust Loan (the “Trust Bonds”).

NOW, THEREFORE, for and in consideration of the mutual duties, covenants, obligations and agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:
1. **Appointment of Escrow Agent**

For the purposes and subject to the terms and conditions set forth in this Escrow Agreement, the Trust, the State, the Borrower and the Borrower’s Trustee hereby agree to the appointment of U.S. Bank National Association, as Escrow Agent, and the Escrow Agent hereby accepts such appointment. The Escrow Agent agrees to act as agent for the Trust, the State, the Borrower and the Borrower’s Trustee and shall possess and administer the Escrowed Documents (as defined in Section 2 hereof) in accordance with the instructions set forth in this Escrow Agreement. Certain capitalized terms used herein shall have the meanings ascribed to such terms in Schedule A attached hereto and made a part hereof. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in both the Trust Loan Agreement and the Fund Loan Agreement (as hereinafter defined).

2. **Escrowed Documents**

On the date hereof, the Trust, the State, the Borrower and the Borrower’s Trustee have jointly delivered the following documents (together with the Borrower’s counsel opinions referred to in this Section 2, the “Escrowed Documents”) to the Escrow Agent in the respective forms described below:

(a) a fully authorized, executed and attested loan agreement with respect to the Fund Loan by and between the State and the Borrower, which will be dated as of May 1, 2015 (the “Fund Loan Agreement”), which Fund Loan Agreement is true, accurate and complete in all respects, except for (1) Exhibit A-2 thereto with respect to the principal amount of and the semiannual principal repayment schedule for the Fund Loan to be made under the Fund Loan Agreement and (2) to the extent the Borrower requests and the State and the Trust consent to an adjustment to the principal amount of the Fund Loan prior to the bid blackout date, which is the date of Borrower’s escrow closing, then also except for the principal amount of the Fund Loan and the corresponding changes to Exhibits B and C thereto (which Exhibit A-2 and if applicable, which Fund Loan principal amount shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof);

(b) a fully authorized, executed, attested and, if applicable, authenticated bond or note of the Borrower to the State (the “Fund Loan Bond”), which will be dated the date of the Trust Loan Bond (as hereinafter defined), evidencing the Fund Loan to be made by the State to the Borrower under the Fund Loan Agreement, which Fund Loan Bond has been so authorized, executed and attested by the Borrower and, if applicable, authenticated (but not delivered) by the Borrower’s Trustee pursuant to the provisions of the Borrower’s Bond Resolution, and which Fund Loan Bond is true, accurate and complete in all respects except as to its date and if applicable in accordance with Section 2(a)(2) hereof, except as to its principal amount (which date and if applicable, which Fund Loan principal amount shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof);
(c) a fully authorized, executed and attested loan agreement and with respect to the Trust Loan by and between the Trust and the Borrower, which will be dated as of May 1, 2015 (the “Trust Loan Agreement”), which Trust Loan Agreement is true, accurate and complete in all respects, except for Exhibit A-2 thereto with respect to the principal amount of and the Trust Bond Loan Repayments (as defined in the Trust Loan Agreement) schedule for the Trust Loan to be made under said Trust Loan Agreement and if applicable in accordance with Section 2(a)(2) hereof, except as to the corresponding changes to Exhibits B and C thereto (which Exhibit A-2 (including the Trust Loan principal amount) shall be provided to the Escrow Agent by the Trust pursuant to Section 3 hereof); and

(d) a fully authorized, executed, attested and, if applicable, authenticated bond or note of the Borrower to the Trust (the “Trust Loan Bond”), which will be dated the dated date of the Trust Bonds, evidencing the Trust Loan to be made by the Trust to the Borrower under the Trust Loan Agreement, which Trust Loan Bond has been so authorized, executed and attested by the Borrower and authenticated (but not delivered) by the Borrower’s Trustee pursuant to the Borrower’s Bond Resolution, and which Trust Loan Bond is true, accurate and complete in all respects except as to its date, principal amount and Trust Bond Loan Repayments schedule (which date, amount and schedule shall be provided to the Escrow Agent by the Trust and placed on the Trust Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the Trust pursuant to Section 3 hereof).

An opinion of each of the Borrower’s bond and general counsel, which opinions shall each be in substantially similar form to the opinions set forth in Exhibit A hereto, shall also be delivered on the date hereof to the Escrow Agent.

In addition to the foregoing, the Borrower shall complete, execute and deliver to the Escrow Agent on the date hereof (1) a “Federal Funds Accountability and Transparency Act Form”, and (2) a “Clean Water Benefits Reporting Form” or “DWSRF Project and Benefits Reporting Form”, as applicable, each in the form included in Exhibit G to each of the trust Loan Agreement and the Fund Loan Agreement.

The Escrow Agent shall hold the Escrowed Documents for release and delivery, or cancellation, pursuant to the terms and conditions of this Escrow Agreement.

3. Release of Escrowed Documents

On May 21, 2015 at 9:30 a.m. at the office of bond counsel to the Trust, or such other date or time that may be agreed upon by the Trust, the State, the Borrower and the Borrower’s Trustee and of which the Escrow Agent is notified in writing by the Trust (the “Loan Closing”), the Escrow Agent shall (1) release the Escrowed Documents from escrow and (2) simultaneously with the closing of the Trust Bonds, deliver (A) to the Trust, the Trust Loan Agreement and the Trust Loan Bond, and (B) to the State, the Fund Loan Agreement and the Fund Loan Bond, such release and delivery being subject only to receipt by the Escrow Agent of all of the following items as conditions precedent thereto:
(a) Exhibit A-2 to each of the Trust Loan Agreement (which shall include the insertion of the principal amount of the Trust Loan) and the Fund Loan Agreement (which shall include the insertion of the principal amount of the Fund Loan), each completed in its entirety and if applicable in accordance with Section 2(a)(2) hereof, the revised Trust Loan and Fund Loan principal amounts and the corresponding changes to Exhibits B and C thereto;

(b) a written certification of the Trust setting forth (1) the date, principal amount and Trust Bond Loan Repayments schedule for the Trust Loan Bond necessary to complete in its entirety the Trust Loan Bond, which date, amount and schedule shall be placed upon the Trust Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the Trust while the Trust Loan Bond is held in escrow by the Escrow Agent, (2) the date and if applicable in accordance with Section 2(a)(2) hereof, the principal amount for the Fund Loan Bond necessary to complete in its entirety the Fund Loan Bond, which date and if applicable, amount shall be placed upon the Fund Loan Bond by representatives of the Borrower and the Borrower’s Trustee in the presence of the Escrow Agent and the State while the Fund Loan Bond is held in escrow by the Escrow Agent, and (3) a determination by the Trust as to which 2015 Series of Trust Bonds, insured, uninsured or otherwise, will finance the Trust Loan;

(c) a written certification of the Trust acknowledging receipt by the Trust of the following:

   (i) the opinions of bond and general counsels to the Borrower and, if applicable, the certificates of the Borrower with respect to liability insurance coverage, as required under Section 3.06(d) of the Trust Loan Agreement and Section 3.06(c) of the Fund Loan Agreement;

   (ii) copies of those resolutions finally adopted by the governing body of the Borrower and requested by the Trust and/or the State, including, without limitation, (A) the resolution of the Borrower authorizing the execution, attestation and delivery of the Trust Loan Agreement, the Fund Loan Agreement and this Escrow Agreement, (B) the Borrower’s Bond Resolution, as amended and supplemented as of the date of the Loan Closing, authorizing the execution, attestation, sale and delivery of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State, (C) the resolution of the Borrower confirming the details of the sale of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State, (D) the resolution of the Borrower, if any, declaring its official intent to reimburse expenditures for the Costs of the Project from the proceeds of the Trust Bonds, each of said resolutions of the Borrower being certified by an Authorized Officer of the Borrower as of the date of the Loan Closing, (E) the resolution of the New Jersey Board of Public Utilities (the “BPU”) approving the issuance by the Borrower of the Trust Loan Bond to the Trust and the Fund Loan Bond to the State and setting forth any other approvals required therefor by the BPU, and (F) any other Proceedings;
(iii) a certificate of the Borrower in the form attached as Exhibit B hereto stating to the satisfaction of the Trust that the Borrower will be able to meet the cash-on-hand requirement under Section 3.02(b) of the Trust Loan Agreement prior to the first anticipated disbursement of proceeds of the Trust Loan, as set forth in Exhibit C to the Trust Loan Agreement;

(iv) the Trust Loan Bond;

(v) a certificate of the Borrower either (A) in the form attached as Exhibit G-1 hereto stating to the satisfaction of the Trust that (i) the Borrower will use a portion of the proceeds of the Trust Loan to reimburse the Borrower for expenditures paid by it prior to the Loan Closing for Costs of the Project, and (ii) such reimbursements comply with the various provisions of the Treasury Regulations as defined and set forth therein, or (B) in the form attached as Exhibit G-2 hereto stating to the satisfaction of the Trust that no portion of the proceeds of the Trust Loan will be used by the Borrower to reimburse the Borrower for expenditures paid by it prior to the Loan Closing for Costs of the Project; and

(vi) any additional items identified in Section 3(c)(vi) of Schedule A attached hereto and made part hereof.

(d) a copy of the written certification of the Trust to the Borrower’s Trustee that the following actions shall take place simultaneously with the release and delivery of the Escrowed Documents:

(i) the authentication and delivery by U.S. Bank National Association, as trustee, of the Trust Bonds pursuant to Section 2.03 of the Bond Resolution (as defined in the Trust Loan Agreement and sometimes referred to herein as the “Trust Bond Resolution”); and

(ii) the deposits to the Project Fund, the Debt Service Fund, the Operating Expense Fund, the Rebate Fund and the Debt Service Reserve Fund (as defined in the Trust Bond Resolution) as may be required to be made pursuant to Section 2.03 of the Trust Bond Resolution;

(e) copies of (1) the authorizations by the New Jersey State Legislature of the expenditure of funds by the Trust for the Trust Loan, (2) the appropriations by the New Jersey State Legislature of funds in the applicable State Fund (as defined in the Fund Loan Agreement) to the Trust for the Debt Service Reserve Fund and to the State for the Fund Loan, (3) the Governor’s approval of (1) and (2) of this subsection (e), (4) the approval of the New Jersey State Legislature, by concurrent resolution, of the “Fiscal Year 2015 Financial Plan” of the Trust, (5) the award of federal funds under a fully executed State revolving fund capitalization grant agreement between the State and the United States Environmental Protection Agency pursuant to the Water Quality Act of 1987 and the Safe Drinking Water Act of 1996 and the requisite “State Match”, (6) the letters of each of the Governor and the New Jersey State Treasurer, pursuant to N.J.S.A. 58:11B-4(j), approving the adoption of the Trust Bond Resolution, (7) the “Certificate of
the New Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” in satisfaction of the requirements of Section 9a of the Act, and (8) such other appropriations, resolutions, authorizations, consents or approvals as may be required in order to undertake and complete the “State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program”; and

(f) a written certification of the Trust acknowledging receipt by the State of the Fund Loan Bond.

Failure of the Escrow Agent to so release and deliver any one of the Escrowed Documents after satisfaction of the above-mentioned conditions shall be considered a failure to release and deliver all of the Escrowed Documents.

4. Cancellation of Escrowed Documents

In the event that any of the conditions precedent to the release of the Escrowed Documents set forth in Section 3 hereof shall remain unsatisfied for any reason as of the Loan Closing or if the Escrowed Documents are not released and delivered as of the Loan Closing, the Escrow Agent shall on said date mark the Escrowed Documents “CANCELED”, and shall return (1) the Trust Loan Bond and the Fund Loan Bond to the Borrower, (2) the Trust Loan Agreement to the Trust, and (3) the Fund Loan Agreement to the State. The Trust and the State hereby acknowledge that upon receipt of said agreements marked “CANCELED” the obligations of the Borrower thereunder are without effect.

5. Modifications to Loan Agreements

The Trust, the State and the Borrower acknowledge that, in connection with (1) the sale, issuance and delivery of the Trust Bonds and (2) any Fund Loans funded with the proceeds of any State Bonds (as may be defined in the Fund Loan Agreement) hereafter issued by the State, it may be necessary, subsequent to the date hereof and prior to the Loan Closing, to modify the Trust Loan Agreement and the Fund Loan Agreement for the purposes set forth, respectively, in Section 2.02(q) and Section 2.02(p) thereof, including, without limitation, for the purpose of assuring that the interest on the Trust Bonds and the State Bonds is not includable in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder. In such event, the Trust and, if applicable, the State will make such modifications by amending Exhibit F to the Trust Loan Agreement and, if applicable, the Fund Loan Agreement and delivering the amended Exhibit F to the Borrower and the Escrow Agent on or prior to the Loan Closing.

Any modifications to the Trust Loan Agreement and the Fund Loan Agreement by amending Exhibit F thereto pursuant to this Section 5 shall not affect in any way the Borrower’s covenant and agreement made in Section 2.02(f)(i) of each of the Trust Loan Agreement and, if applicable, the Fund Loan Agreement.

6. Liability of Escrow Agent

The Escrow Agent shall have no duties or responsibilities as Escrow Agent under this Escrow Agreement other than those expressly set forth herein, and shall have no duty to enforce
any obligation of any person to perform any act. The Escrow Agent may rely conclusively and shall be protected in acting upon any order, notice, demand, direction, certificate, opinion and advice of counsel (including counsel selected by the Escrow Agent), statement, instrument, report or other instrument or document (not only as to its due execution and the validity and effectiveness thereof, but also as to the truth and accuracy of any information therein contained) that is believed by the Escrow Agent to be genuine and to be signed by the proper person.

The Escrow Agent agrees that it (1) shall be responsible to the State, the Trust, the Borrower and the Borrower’s Trustee for the proper and faithful observance and performance of the duties, covenants, obligations and agreements required of it pursuant hereto, for the fidelity and integrity of its officers, employees and agents employed in any undertaking hereunder, and for any and all loss or damage that may result from any failure to observe and perform or from any improper or incorrect observance or performance of its duties, covenants, obligations and agreements hereunder, and (2) shall save harmless the State, the Trust, the Borrower and the Borrower’s Trustee, or any trustee, employee or officer thereof, from any and all loss or damage caused thereby, except in the event of loss or damage resulting from their own negligence or willful misconduct.

7. Acknowledgments and Liability of Borrower

Based upon the Borrower’s execution and delivery into escrow of the Trust Loan Agreement and the Fund Loan Agreement in accordance with the terms hereof and further based upon the Borrower’s execution, attestation and delivery of this Escrow Agreement, the Borrower has irrevocably committed to borrow (1) from the Trust, the Trust Loan Amount, pursuant to the terms and conditions of the Trust Loan Agreement, and (2) from the State, the Fund Loan Amount, pursuant to the terms and conditions of the Fund Loan Agreement. Notwithstanding the foregoing, the Trust Loan Amount and the Fund Loan Amount may only be changed subsequent to the date hereof in accordance with Section 2(a)(2) hereof.

The Borrower acknowledges (1) that the Trust and the State are relying upon the Borrower’s execution and attestation of the Escrowed Documents and related execution, attestation and delivery of this Escrow Agreement, as well as the execution of the commitment letters set forth as Exhibit A hereto (delivered to the Trust and the State on the date hereof) relating to the delivery of the opinions required to close the Trust Loan and the Fund Loan; (2) that such reliance by the Trust is the basis upon which the Trust will determine the aggregate principal amount of, and undertake all actions necessary to issue, the Trust Bonds; (3) that, in consideration of (1) and (2) above, the Trust has tentatively scheduled the mailing of the Preliminary Official Statement for the Trust Bonds on or about April 27, 2015, the initial publication of its Notice of Sale for the Trust Bonds on or about April 27, 2015, and the sale of the Trust Bonds on or about May 6, 2015; (4) that the aggregate principal amount of and the interest payable on that portion of the Trust Loan set forth in Exhibit A-2 to the Trust Loan Agreement shall be based upon and reflect, among other things, the interest rate on the Trust Bonds established at the sale thereof; and (5) that the Trust’s ability to make the Trust Loan at the rate so established, and the State’s ability to make the Fund Loan, are subject to and dependent upon the release and delivery of the Escrowed Documents pursuant to Section 3 hereof.
The Borrower agrees that, subject to the provisions of the immediately succeeding sentence, in the event the Escrow Agent shall fail to release and deliver or shall cancel the Escrowed Documents for any reason (including, but not limited to, the failure of the Borrower to satisfy any of the preconditions to its due authorization, execution, attestation and delivery of the Trust Loan Bond or the Fund Loan Bond or the failure of general counsel or bond counsel to the Borrower to deliver its respective opinion required in connection with the closing of the Trust Loan or the Fund Loan), the Borrower shall be responsible to the Trust, the State and the Borrowers for any and all expenses, losses or damages, monetary and otherwise (including, but not limited to, all costs of issuance and all legal costs of the Trust, the State and the Borrowers incurred in connection with the Trust’s proposed bond issue to fund the Trust Loan and the proposed making of the Trust Loan and the Fund Loan for financing a portion of the Costs of the Borrower’s environmental infrastructure project), to the Trust, the State and the Borrowers, respectively, arising from such failure or cancellation. Notwithstanding the provisions of the immediately preceding sentence to the contrary, in the event that the Escrow Agent shall fail to release and deliver or shall cancel the Escrowed Documents and such failure or such cancellation is the result of the gross negligence or willful misconduct of the Trust, the Borrower shall not be responsible to the Trust or the State for any expenses, losses or damages, monetary or otherwise, incurred by the Trust or the State, respectively, and arising as a result of such failure or such cancellation, and such expenses, losses or damages, monetary or otherwise, of the Trust and the State, respectively, shall be the sole responsibility of the Trust; provided, however, that in the event of such failure or such cancellation as a result of the gross negligence or willful misconduct of the Trust, the Borrower shall remain responsible for its own expenses, losses or damages, monetary or otherwise (including, but not limited to, all costs of issuance and all legal costs of the Borrower incurred in connection with the Trust’s proposed bond issue to fund the Trust Loan and the proposed making of the Trust Loan and the Fund Loan for financing a portion of the Costs of the Borrower’s environmental infrastructure project). The Borrower’s obligation under this paragraph shall be continuing notwithstanding such failure or cancellation by the Escrow Agent.

Notwithstanding the foregoing, nothing herein shall prevent the Borrower from pursuing any claims, including any claims the Trust or the State may have, against any third party for any default, cancellation or failure to perform under this Escrow Agreement; provided, however, that no such claim of the Trust or the State may be pursued by the Borrower without the express written consent of the Trust or the State, respectively, which consent shall not be unreasonably withheld.

8. Escrow Agent’s Compensation

The Trust shall pay the Escrow Agent a total fee for the services performed under this Escrow Agreement in accordance with the terms of the Escrow Agent’s proposal to the Trust dated April 9, 2013 and the Trust’s Resolution No. 13-34 adopted on June 13, 2013 to accept such proposal, subject to the execution, attestation and delivery of this Escrow Agreement.

9. Miscellaneous Trust and State Requirements

(a) Covenant of Non-Collusion. The Escrow Agent warrants and represents that this Escrow Agreement has not been solicited or prepared, directly or indirectly, in a
manner contrary to the laws of the State of New Jersey or the United States of America, and that said laws have not been violated and shall not be violated as they relate to the procurement or the performance of this Escrow Agreement by any conduct, including the paying or giving of any fee, commission, compensation, gift, gratuity or consideration of any kind, directly or indirectly, to any federal, State or local government employee, officer or official or any special State officer as defined in N.J.S.A. 52:13D-13.

(b) **Covenant Against Contingent Fees.** The Escrow Agent warrants and represents that no person or selling agency has been employed or retained to solicit or secure this Escrow Agreement upon any agreement or understanding for a commission, percentage or brokerage or contingent fee, except bona fide employees or bona fide established commercial or selling agencies maintained by the Escrow Agent for the purpose of securing business.

(c) **Non-Discrimination.** During the performance of this Escrow Agreement, the Escrow Agent warrants and represents that:

(i) the Escrow Agent will comply with all applicable federal, state and local anti-discrimination laws, including those found at N.J.S.A. 10:2-1 through 10:2-4 and N.J.S.A. 10:5-31 through 10:5-38, as well as all rules and regulations issued thereunder;

(ii) the Escrow Agent will comply with any applicable affirmative action program approved by the Treasurer of the State of New Jersey;

(iii) the Escrow Agent will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status or sex. The Escrow Agent will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status or sex. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Escrow Agent agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause. The Escrow Agent shall insert a similar provision in any subcontract for performance of services within the scope of this Escrow Agreement;

(iv) the Escrow Agent will, in all solicitations or advertisements for employees placed by or on behalf of the Escrow Agent, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status or sex; and

(v) the Escrow Agent will send to each labor union or representative of workers with which the Escrow Agent has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers’ representative of
the Escrow Agent’s commitments under this Escrow Agreement, and shall post copies of
the notice in conspicuous places available to employees and applicants for employment.

(d) Confidentiality. Unless otherwise specified in this Escrow Agreement, the
Escrow Agent shall not publish, permit to be published, distribute, use or disclose to any
person any information that the Escrow Agent acquires in the performance of this Escrow
Agreement, except with the prior written consent of the Trust, the State, the Borrower
and the Borrower’s Trustee.

10. Useful Life of Project Financed with Trust Loan

The Borrower represents that the useful life of the Project to be financed with the Trust
Loan, as set forth in the certificate of the Borrower’s consulting engineer (in the form attached as
Exhibit D hereto), exceeds the maturity date of the Borrower Bond to the Trust.

11. Defaults With Respect to Debt Obligations of Borrower

The Borrower represents and warrants that, since December 31, 1975 and as of the date
hereof, the Borrower has not been, and is not now, in default in the payment of the principal of or
interest on any of its bonds, notes or other debt obligations.

12. Amendments, Waiver and Discharge

Neither this Escrow Agreement nor any term hereof may be amended, waived,
discharged or terminated except by a writing signed by each of the parties hereto.

13. Binding Effect

All of the terms of this Escrow Agreement shall be binding upon and inure to the benefit
of and be enforceable by the respective parties hereto and their respective permitted successors
and assigns, whether or not so expressed; provided, however, that none of the Trust, the State,
the Borrower, the Borrower’s Trustee or the Escrow Agent may transfer, assign or pledge its
respective duties, covenants, obligations and agreements hereunder without the prior written
consent of each of the other parties hereto.

14. Governing Law

This Escrow Agreement shall be construed in accordance with and governed by the laws
of the State of New Jersey. The Escrow Agent shall, in the performance of this Escrow
Agreement, comply with all New Jersey and federal laws, rules and regulations applicable to this
Escrow Agreement and to the services to be provided hereunder. All contract claims under this
Escrow Agreement shall be subject to and governed by the provisions of the New Jersey
Contractual Liability Act (N.J.S.A. 59:13-1 et seq.).

15. Captions

Captions are used herein for convenience only, and shall not be construed as part of this
Escrow Agreement.
16. **Separability**

Each provision of this Escrow Agreement shall be considered separable. If for any reason any provision that is not essential to the effectuation of the basic purposes hereof is determined to be invalid or contrary to existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Escrow Agreement that are valid.

17. **Notices**

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower and the Borrower’s Trustee, if any, at the address(es) in Section 17(d) and (e), respectively, of Schedule A attached hereto and made part hereof, and to the Trust, the State and the Escrow Agent, at the following addresses:

(a) **Trust:**

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 4, Suite 216  
Lawrenceville, New Jersey 08648-2201  
Attention: Executive Director

(b) **State:**

New Jersey Department of Environmental Protection  
Municipal Finance and Construction Element  
401 East State Street – 3rd Floor  
Trenton, New Jersey 08625-0425  
Attention: Assistant Director

New Jersey Department of the Treasury  
Office of Public Finance  
State Street Square – 5th Floor  
Trenton, New Jersey 08625-0002  
Attention: Director

(c) **Escrow Agent:**

U.S. Bank National Association  
21 South Street, 3rd Floor  
Morristown, New Jersey 07960  
Attention: Corporate Trust Department

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent by giving written notice to each of the other parties hereto.

Additional defined terms, covenants and requirements have been included in Schedule A attached hereto and made a part hereof. Such additional defined terms, covenants and requirements are incorporated in this Escrow Agreement by reference thereto as if set forth in full herein and the Borrower hereby agrees to observe and comply with each such additional term, covenant and requirement included in Schedule A as if the same were set forth in its entirety where reference thereto is made in this Escrow Agreement.

19. Counterparts

This Escrow Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Escrow Agreement to produce or account for more than one of such counterparts, which together shall constitute but one and the same agreement.
IN WITNESS WHEREOF, each of the parties hereto by its duly authorized representative has executed, sealed if applicable, and delivered this Escrow Agreement on the date first written above.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

By: Warren H. Victor
   Chairman

THE STATE OF NEW JERSEY
ACTING BY AND THROUGH THE
NEW JERSEY DEPARTMENT OF
ENVIRONMENTAL PROTECTION

By: ____________________________
   Name
   Title

ATTEST:

Name
Title

[SEAL]

[SEAL]

[SEAL]

[SEAL]

[SEAL]

[SEAL]

[SEAL]

[SEAL]

ATTEST:

Authorized Officer

Authorized Officer

ATTEST:

Authorized Officer

Authorized Officer

ATTEST:

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: ____________________________
   Name
   Title

[signature page]
SCHEDULE A

CERTAIN ADDITIONAL ESCROW AGREEMENT PROVISIONS
EXHIBIT A

COMMITMENT LETTERS OF BORROWER’S
BOND COUNSEL AND GENERAL COUNSEL
New Jersey Environmental Infrastructure Trust  
Lawrenceville, New Jersey  08648

New Jersey Department of Environmental Protection  
Trenton, New Jersey  08625

New Jersey Department of the Treasury  
Trenton, New Jersey  08625

RE:  [Name of Borrower]  
Application for Loans from New Jersey Environmental Infrastructure Trust and State of New Jersey; State Fiscal Year 2015 New Jersey Environmental Infrastructure Financing Program

Ladies and Gentlemen:

In our capacity as [bond] [general] counsel to [Name of Borrower] (the “Borrower”), we have reviewed (i) a copy of the authorized, executed and attested loan agreement (the “Trust Loan Agreement”) to be delivered to the New Jersey Environmental Infrastructure Trust (the “Trust”) and (ii) an authorized, executed, attested and, if applicable, authenticated revenue bond or note of the Borrower to be delivered to the Trust (the “Trust Loan Bond”), each exclusive of the principal and partial interest repayment schedule applicable thereto, for and evidencing a loan from the Trust in connection with the captioned program (the “Program”). We have also reviewed (i) a copy of the authorized, executed and attested loan agreement (the “Fund Loan Agreement”, and together with the Trust Loan Agreement, the “Loan Agreements”) to be delivered to the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection (the “State”), and (ii) an authorized, executed, attested and, if applicable, authenticated revenue bond or note of the Borrower to be delivered to the State (the “State Loan Bond”, and together with the Trust Loan Bond, the “Borrower Bonds”), each exclusive of the principal repayment schedule applicable thereto, for and evidencing a loan from the State in connection with the Program. We understand that these Loan Agreements and Borrower Bonds will be placed in escrow on the date hereof and will be released from escrow in completed form and delivered to the Trust and the State, respectively, on the date of closing on the Trust’s bond issue for the Program, which is estimated to occur on or about May 21, 2015 (the “Loan Closing”).

We have also reviewed a copy of the Escrow Agreement dated the date hereof by and among the Trust, the State, the Borrower, the Borrower’s Trustee, and U.S. Bank National Association, as Escrow Agent (the “Escrow Agreement”), which sets forth the terms and conditions upon which the Escrowed Documents (as defined in the Escrow Agreement) shall be released and delivered, or canceled.

Based upon the foregoing, we are of the opinion that the Escrow Agreement has been duly and validly authorized by the Borrower and executed, attested and delivered by the
authorized officers of the Borrower; and assuming that the Trust, the State, the Borrower’s
Trustee and the Escrow Agent each has the requisite power and authority to authorize, execute,
attest and deliver, and each has duly and validly authorized, executed, attested and delivered, the
Escrow Agreement, the Escrow Agreement constitutes a legal, valid and binding obligation of
the Borrower, enforceable against the Borrower in accordance with its terms, except as the
enforcement thereof may be limited or modified by bankruptcy, insolvency or other laws or legal
or equitable principles affecting the enforcement of creditors’ rights and remedies.

In addition, based upon our review of such information, certificates of the Borrower,
statutes and other matters of law as we deem relevant, we are of the opinion that, as of the date
hereof, there exist on the part of the Borrower no legal impediments to the release and delivery
of the Escrowed Documents at the Loan Closing pursuant to the provisions of the Escrow
Agreement or to the delivery of our opinions in favor of the Trust and the State at such time,
substantially in the forms attached hereto as Exhibit A and Exhibit B, as required by Section 2.02
of each of the Trust Loan Agreement and the Fund Loan Agreement, respectively.

We hereby authorize McCarter & English, LLP, acting as bond counsel to the Trust, and
the Attorney General of the State of New Jersey, acting as general counsel to the Trust, to rely on
this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,
Exhibit A

[ATTACH FORM OF APPROPRIATE BORROWER BOND COUNSEL OR GENERAL COUNSEL OPINION]

Note: Exhibit E to the Trust Loan Agreement may be divided between the Borrower bond counsel and general counsel so long as when the two opinions are taken together the entire Exhibit E opinion is rendered.
Exhibit B

[ATTACH FORM OF APPROPRIATE BORROWER BOND COUNSEL OR GENERAL COUNSEL OPINION]

Note: Exhibit E to the Fund Loan Agreement may be divided between the Borrower bond counsel and general counsel so long as when the two opinions are taken together the entire Exhibit E opinion is rendered.
EXHIBIT B

CERTIFICATE AS TO CASH ON HAND

I, [___________________], an authorized representative of [NAME OF BORROWER] (the “Borrower”), a corporation of the State of New Jersey, HEREBY CERTIFY that the Borrower will be able to meet the cash on hand requirement under Section 3.02(b) of the Loan Agreement by and between the Borrower and the New Jersey Environmental Infrastructure Trust dated as of May 1, 2015 (the “Loan Agreement”) prior to the first anticipated disbursement of proceeds pursuant to Exhibit C of the Loan Agreement.

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: __________________________
Name: __________________________
Title: __________________________
EXHIBIT C-1

[RESERVED]
EXHIBIT C-2

[RESERVED]
EXHIBIT D

LETTER OF CONSULTING ENGINEER
Re: New Jersey Environmental Infrastructure Trust  
State Fiscal Year 2015 Financing Program  
Project No. [__________]

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 4, Suite 216  
Lawrenceville, New Jersey 08648-2201

Dear Trust Members:

I am acting as consulting engineer for [Name of Borrower] with respect to the above-referenced environmental infrastructure system project, a portion of the Costs of which is to be financed by a loan from the New Jersey Environmental Infrastructure Trust expected to close on or about May 21, 2015 (the “Loan Closing”).

As such, I am familiar with the plans and specifications of the environmental infrastructure system project, and I hereby certify that (i) the building cost of such project is a reasonable and accurate estimation thereof and (ii) the useful life of such project exceeds [twenty (20)] years from the expected date of the Loan Closing.

[NAME OF ENGINEERING FIRM]

By: __________________________
Name:
Title:
EXHIBIT E

[RESERVED]
EXHIBIT F

[RESERVED]
CERTIFICATE REGARDING REIMBURSEMENTS

I, [_______________________], an authorized representative of [NAME OF BORROWER] (the “Borrower”), a corporation of the State of New Jersey, HEREBY CERTIFY the following:

A portion of the proceeds of the loan (the “Trust Loan”) made by the New Jersey Environmental Infrastructure Trust (the “Trust”) to the Borrower out of the proceeds of the Trust’s Environmental Infrastructure Bonds, Series 2015[__] (the “Trust Bonds”), in accordance with the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”), will be used to reimburse the Borrower for expenditures paid prior to the date hereof for Costs of the Project (as such terms are defined in the Loan Agreement), such expenditures being more fully described in Schedule A attached hereto. With respect to such reimbursements:

(a) All allocations of the proceeds of the Trust Bonds and the Trust Loan to the reimbursement of expenditures for Costs of the Project made prior to the issuance of the Trust Bonds satisfy the criteria set forth in either clauses (i), (ii) or (iii) [circle one or more as applicable]:

(i) The Costs of the Project to be reimbursed were paid by the Borrower (A) subsequent to [DATE] (the date of adoption of a Declaration of Official Intent, as hereinafter defined) or (B) not more than 60 days prior to the date of adoption of the Declaration of Official Intent with equity of the Borrower as advances in anticipation of long-term tax-exempt financing by the Trust, as provided in a resolution declaring the Borrower’s official intent in accordance with Treasury Regulations §1.150-2 (or Treasury Regulations §1.103-18(f), if adopted by the Borrower between January 27, 1992 and June 30, 1993) (the “Declaration of Official Intent”);

(ii) The Costs of the Project to be reimbursed were paid by the Borrower for “preliminary expenditures” (within the meaning of Treasury Regulations §150-2(f)(2)) including architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that were incurred prior to commencement of construction, rehabilitation or acquisition of the Project, other than land acquisition, site preparation and similar costs incident to commencement of construction, which do not exceed 20 percent of the issue price of the Trust Loan that finances the Project; or

(iii) The Costs of the Project to be reimbursed were paid by the Borrower prior to March 3, 1992 and after September 8, 1989 for which there is objective evidence that, at the time the expenditure was paid, the Borrower expected to reimburse the expenditure with the proceeds of a borrowing, and because of the timing of the expenditure and such objective evidence, a basis exists for reimbursement under Treasury Regulations §1.150-2 independent of the official intent requirement described in clause (i) above or the preliminary expenditure exception described in clause (ii) above.
(b) On the date of the Declaration of Official Intent, in the case of reimbursements described in clause (i) of paragraph (a) above, or the date of payment, in the case of reimbursements described in clause (iii) of paragraph (a) above, the Borrower had a reasonable expectation (within the meaning of Treasury Regulations §1.150-2(e)) that it would reimburse the equity it advanced with the proceeds of a borrowing of debt obligations.

(c) All reimbursement allocations, other than reimbursement allocations for “preliminary expenditures” (as described in clause (ii) of paragraph (a) above), will occur not later than 18 months after the later of (i) the date on which the expenditure is paid or (ii) the date the Project is “placed in service” (within the meaning of Treasury Regulations §1.150-2) or abandoned, but in no event more than 3 years after the expenditure is paid.

(d) No reimbursement allocation will employ an “abusive arbitrage device” under Treasury Regulations §1.148-10 to avoid the arbitrage restrictions or to avoid the restrictions under Sections 142 through 147, inclusive, of the Internal Revenue Code of 1986, as amended (the “Code”).

(e) The proceeds of the Trust Bonds used to reimburse the Borrower for Costs of the Project, or funds corresponding to such amounts, will not be used in a manner that results in the creation of “replacement proceeds”, including “sinking funds”, “pledged funds” or funds subject to a “negative pledge” (as such terms are defined in Treasury Regulations §1.148-1), of the Trust Bonds or another issue of debt obligations, other than amounts deposited into a “bona fide debt service fund” (as defined in Treasury Regulations §1.148-1).

(f) The Costs of the Project to be reimbursed with the proceeds of the Trust Bonds will be “capital expenditures” within the meaning of Treasury Regulations §1.150-1(b).

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: ________________________
Name: ________________________
Title: ________________________
SCHEDULE A

[Description of Expenditures Being Reimbursed]
EXHIBIT G-2

CERTIFICATE REGARDING NO REIMBURSEMENTS

I, [_______________________], an authorized representative of [NAME OF BORROWER] (the “Borrower”), a corporation of the State of New Jersey, HEREBY CERTIFY the following:

No portion of the proceeds of the loan made by the New Jersey Environmental Infrastructure Trust (the “Trust”) to the Borrower out of the proceeds of the Trust’s Environmental Infrastructure Bonds, Series 2015[__], in accordance with the Loan Agreement dated as of May 1, 2015 by and between the Trust and the Borrower (the “Loan Agreement”), will be used to reimburse the Borrower for expenditures paid prior to the date hereof for Costs of the Project (as such terms are defined in the Loan Agreement).

IN WITNESS WHEREOF, I have hereunto set my hand on May 21, 2015.

[NAME OF BORROWER]

By: __________________________
Name: _________________________
Title: __________________________

G-2
SUMMARY OF ANNOUNCEMENTS:

Executive Director Zimmer summarized the substantive events and correspondence issued since the last Trust Board meeting.

- On December 5, 2014 – Executive Director Zimmer participated in a CSO round table discussion hosted by NJ Future.

- On November 24, 2014 – Executive Director Zimmer, Assistant Director Scangarella, DEP Assistant Commissioner Dan Kennedy and members of his senior staff met with the Mayor of the City of Hoboken and her team to discuss responsibilities and prepare a schedule for funding the City’s CSO project.


- On November 19, 2014 – Executive Director Zimmer participated in a panel discussion on SAIL disaster relief funding at the NJ State League of Municipalities Annual Meeting in Atlantic City.

- On November 17-20, 2014 – Assistant Director Scangarella and Chief Budget Officer Hansbury attended the NJ State League of Municipalities in Atlantic City, NJ.

- Trust senior staff participated in the following client project pre-planning meetings or conference calls to discuss program funding issues:
  - Passaic Valley Water Commission – SFY2015 Financing Program
  - Middletown Sewerage Authority – SFY2015 Project Pre-meeting

- H2LOans computer system meetings continue between the Trust and DEP technology and process staffs.

- A copy of the proposed 2015 Board meeting dates was distributed in today’s Agenda packet.

- The next Board meeting is scheduled for Thursday, January 15, 2015 at 10:00 am at the Trust’s offices.
**SUMMARY OF CORRESPONDENCE:**

During the past month, the Trust received or sent the following noteworthy correspondence. Pursuant to the Trust’s Green Initiative, the agenda package does not include copies of the following correspondence. Board members should contact the Trust Secretary if they wish to receive hard copies.

- 5.02 Certificates were sent to the following Program borrowers:
  
<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Project No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A</td>
<td>Ocean Gate Borough</td>
<td>S340151-01</td>
</tr>
<tr>
<td>2014A</td>
<td>Watchung Borough</td>
<td>S340823-02</td>
</tr>
<tr>
<td>2010B</td>
<td>Middlesex County UA</td>
<td>S340699-09</td>
</tr>
</tbody>
</table>

A copy of the full list of announcements is available on the Trust’s webpage in a format that allows for copying under the General Information tab at: [http://www.njeit.org/general-information/miscellaneous/board-meeting-agendas](http://www.njeit.org/general-information/miscellaneous/board-meeting-agendas)