

RESOLUTION NO. 13 - 71

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST RELATING TO CERTAIN ACTION TO BE TAKEN BY THE TRUST IN ORDER TO AUTHORIZE THE DISSOLUTION OF THE ATLANTIC HIGHLANDS-HIGHLANDS REGIONAL SEWERAGE AUTHORITY AND THE ASSUMPTION OF THE DUTIES AND OBLIGATIONS THEREOF BY THE BOROUGH OF HIGHLANDS AND THE BOROUGH OF ATLANTIC HIGHLANDS, RESPECTIVELY

WHEREAS, the New Jersey Environmental Infrastructure Trust (the “Trust”), a public body corporate and politic under the laws of the State of New Jersey (the “State”), is organized and existing pursuant to 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 has been, and in the future may be, amended and supplemented from time to time (the “Act”); and

WHEREAS, pursuant to Sections 5(m) and 9(a) of the Act, the Trust is authorized (i) to make and contract to make loans (the “Trust Loans”) to certain borrowers (the “Borrowers”) to finance a portion of the cost of environmental infrastructure projects (the “Projects”) and (ii) to acquire and contract to acquire notes, bonds or other obligations issued or to be issued by the Borrowers to evidence and secure the Trust Loans, all in accordance with the provisions of the Act; and

WHEREAS, prior to the date hereof, the Trust entered into that certain Loan Agreement, dated as of March 1, 2010 (the “Authority Trust Loan Agreement”), by and between the Trust and the Atlantic Highlands-Highlands Regional Sewerage Authority (the “Authority”); and

WHEREAS, pursuant to Section 6(a) of the Act, the Trust may from time to time issue bonds, notes or other obligations in any principal amount as in the judgment of the Trust shall be necessary to provide sufficient funds for any of its corporate purposes, all in accordance with the provisions of the Act; and

WHEREAS, pursuant to Section 6(c) of the Act, bonds, notes or other obligations of the Trust shall be authorized by a resolution of the Trust; and

WHEREAS, the Trust adopted its “Environmental Infrastructure Bond Resolution, Series 2010A” on January 28, 2010 (the “Bond Resolution”), authorizing the issuance of its \$127,595,000 original aggregate principal amount of “Environmental Infrastructure Bonds, Series 2010A” (the “Series 2010A Bonds”), for the purpose of funding certain Trust Loans to those Borrowers set forth in Schedule I attached to the Bond Resolution, including, without limitation, a Trust Loan to the Authority, made, pursuant to the terms of the Authority Trust Loan Agreement, in the original aggregate principal amount of \$225,000 (the “Authority Trust Loan”), for the purpose of financing a portion of the cost of the Authority’s Project (the “Authority Project”), as more fully described in the Authority Trust Loan Agreement; and

WHEREAS, on August 22, 2013, pursuant to Section 9(d) of the Act and a Resolution adopted by the Trust on December 13, 2012 and entitled “Resolution of the New Jersey Environmental Infrastructure Trust Authorizing the Interim Financing State Fiscal Year 2014 Trust Loan Program” (the “IFP Resolution”), the Trust made an interim loan to the Authority in the principal amount of \$2,833,082 (the “Authority Interim Loan”), which Authority Interim Loan is evidenced and secured by a Note issued to the Trust by the Authority in the principal amount of \$2,833,082 (the “Authority Note”); and

WHEREAS, the Borough of Atlantic Highlands (“Atlantic Highlands”) and the Borough of Highlands (“Highlands”; Atlantic Highlands and Highlands shall be referred to collectively herein as the “Municipalities”) jointly have determined, pursuant to the provisions of Section 20 of 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.*), and the acts amendatory thereof and supplemental thereto, to dissolve the Authority; and

WHEREAS, each of the Municipalities, as part of the dissolution of the Authority, has determined by ordinance to assume responsibility for (i) the payment of fifty percent (50%), or such other percentage as may be approved by the LFB (as hereinafter defined), of the amounts due to all creditors and obligees of the Authority, (ii) all services provided by the Authority to such Municipality and deemed necessary for the health, safety and welfare of the recipients of such services located in such Municipality, and (iii) the payment of fifty percent (50%), or such other percentage as may be approved by the LFB, of the debt service with respect to the bonds or notes of the Authority previously issued and outstanding, including, without limitation, (a) the Borrower Bond (as defined in the Authority Trust Loan Agreement) issued by the Authority to evidence and secure the repayment obligations of the Authority to the Trust in connection with the Authority Trust Loan (the “Authority Bond”) and (b) the Authority Note (the Authority Bond and the Authority Note shall be referred to collectively herein as the “Authority Obligations”); and

WHEREAS, pursuant to Section 4.02 of the Authority Trust Loan Agreement, neither the Authority Trust Loan Agreement nor the Authority Bond may be assigned or assumed by the Authority for any reason, unless (i) the Trust and U.S. Bank National Association, Morristown, New Jersey (the “Trustee”), shall have approved said assignment or assumption in writing, (ii) the Municipalities, as assignees, shall have expressly assumed in writing the full and faithful observance and performance of the Authority’s duties, covenants, agreements and obligations under the Authority Trust Loan Agreement and, to the extent permitted under applicable law, the Authority Bond, (iii) immediately after such assignment or assumption, each Municipality, as assignee, shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Authority under the Authority Trust Loan Agreement or the Authority Bond, and (iv) the Trust shall have received an opinion of Bond Counsel (as defined in the Bond Resolution) to the effect that such assignment or assumption will not adversely affect the exclusion of interest on the Series 2010A Bonds from gross income for the purpose of Federal income taxation pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, pursuant to Section 2.02(e) of the Authority Trust Loan Agreement, the Authority 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 (i) in accordance with Section 4.02 of the Authority Trust Loan Agreement, the acquirer or lessee of the Environmental Infrastructure System shall assume the covenants, obligations and agreements of the Authority under the Authority Trust Loan Agreement and the Authority Bond, and (ii) the Trust shall by appropriate action determine, in the reasonable exercise of its sole discretion, that such sale, lease, abandonment or other disposition will not adversely affect the Trust's ability to meet its duties, covenants, obligations and agreements under the Bond Resolution, and will not adversely affect the value of the Authority Trust Loan Agreement or the Authority Bond as security for the payment of the Series 2010A Bonds and interest thereon or adversely affect the excludability from gross income for Federal income tax purposes of interest on the Series 2010A Bonds then outstanding or which could be issued in the future; and

WHEREAS, pursuant to Sections 3(c) and 3(h) of the Authority Note, the dissolution of the Authority may not take effect, and the Authority shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System, without the express written consent of the Trust; and

WHEREAS, it is the desire of the Trust to approve and consent to the dissolution of the Authority and the assumption by the Municipalities of the obligations of the Authority to the Trust pursuant to the Authority Trust Loan Agreement and the Authority Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST (the "Board"), as follows:

Section 1. Pursuant to the requirements of Section 4.02(i) of the Authority Trust Loan Agreement and Sections 3(c) and 3(h) of the Authority Note, the Board hereby consents to, and approves of, (i) the assumption of the duties and obligations of the Authority, pursuant to the Authority Trust Loan Agreement and the Authority Note, by the Municipalities, in such manner as is further described in the Application, dated October 23, 2013 (the "LFB Application"), submitted by the Municipalities to the Local Finance Board of the Division of Local Government Services within the New Jersey Department of Community Affairs (the "LFB"), and (ii) the assumption by each of the Municipalities of fifty percent (50%), or such other percentage as may be approved by the LFB, of the obligations of the Authority pursuant to the Authority Obligations, all pursuant to the "Assumption Agreement among the New Jersey Environmental Infrastructure Trust, the Borough of Atlantic Highlands, and the Borough of Highlands" (the "Assumption Agreement"), in substantially the form attached hereto as Exhibit A and made a part hereof, and the Board hereby authorizes and directs the execution and delivery of the Assumption Agreement by the Chairman, the Vice Chairman or the Executive Director of the Trust, acting as an authorized officer on behalf of the Trust (each an "Authorized Officer"), and the attestation thereof by the Secretary of the Trust or the Assistant Secretary of the Trust (the "Secretary"), who also shall apply the seal of the Trust thereto, the consents and approvals set forth in this

Resolution shall be conditioned upon (a) the approval of the Dissolution (as hereinafter defined) by the LFB, and (b) the final adoption by each of the Municipalities of all ordinances and resolutions necessary to effect the Dissolution.

Section 2. Pursuant to the requirements of Section 4.02(i) of the Authority Trust Loan Agreement, the Board hereby authorizes and directs the Authorized Officer to seek from the Trustee written approval of the assumption by the Municipalities of the obligations of the Authority pursuant to the Authority Trust Loan Agreement and the Authority Bond, all pursuant to the Assumption Agreement.

Section 3. Pursuant to the requirements of Section 4.02(iv) of the Authority Trust Loan Agreement, the Board hereby authorizes and directs the Authorized Officer to obtain the written opinion of Bond Counsel, which opinion shall state that the assumption, pursuant to the Assumption Agreement, described in Section 1 hereof will not adversely affect the exclusion of interest on the Series 2010A Bonds from gross income for the purpose of Federal income taxation pursuant to Section 103(a) of the Code.

Section 4. Pursuant to the requirements of Section 2.02(e) of the Authority Trust Loan Agreement, the Board hereby acknowledges receipt of written evidence of the desire and intent of the Municipalities to assume the ownership and operation of the Environmental Infrastructure System in such manner as is set forth in the LFB Application.

Section 5. Upon receipt and in reliance thereon of the opinion described in Section 3 hereof, the Authorized Officer is authorized and directed, after consultation with Bond Counsel, the office of the Attorney General of the State, acting as general counsel to the Trust (the "General Counsel"), and, if necessary, Public Financial Management, Inc., acting as financial advisor to the Trust (the "Financial Advisor"; Bond Counsel, General Counsel and the Financial Advisor shall be referred to collectively herein as the "Consultants"), to execute a certificate pursuant to the requirements of Section 2.02(e)(ii) of the Authority Trust Loan Agreement stating that the Trust, in the reasonable exercise of its sole discretion, has determined that the assumption of the Environmental Infrastructure System by the Municipalities will not adversely affect the Trust's ability to meet its duties, covenants, obligations and agreements under the Bond Resolution, and will not adversely affect the value of the Authority Trust Loan Agreement or the Authority Bond as security for the payment of the Series 2010A Bonds and interest thereon, or adversely affect the exclusion of interest on the Series 2010A Bonds then outstanding, or that could be issued in the future, from gross income for the purpose of Federal income taxation pursuant to Section 103(a) of the Code.

Section 6. The Authorized Officer is hereby authorized and directed to take all actions deemed necessary or desirable by the Authorized Officer in consultation with the Consultants to complete the dissolution of the Authority and the assumption of the duties and obligations thereof, pursuant to the Authority Trust Loan Agreement and the Authority Obligations, by the Municipalities, in such manner as is set forth in the LFB Application (collectively, the "Dissolution"), including, without limitation, the execution of any certificates in furtherance thereof. The Authorized Officer is further authorized and directed to obtain from Bond Counsel

and General Counsel those letters of opinion that the Authorized Officer, in consultation with the Consultants, deems necessary and desirable in order to complete the Dissolution.

Section 7. The Authorized Officer is hereby authorized and directed to make such changes to the form of the Assumption Agreement as the Authorized Officer, after consultation with the Consultants, deems in his sole discretion to be necessary or desirable for the execution thereof and to consummate the transactions contemplated and authorized hereby, which execution thereof shall conclusively evidence the Authorized Officer's approval of the final form thereof.

Section 8. The Authorized Officer is hereby authorized and directed to take all actions deemed necessary or desirable thereby, in consultation with the Consultants, to complete the Dissolution, including, without limitation, the execution of any certificates in furtherance thereof.

Section 9. This resolution shall become effective in accordance with the terms of Section 4(i) of the Act (N.J.S.A. 58:11B-4(i)).

Adopted Date:	December 12, 2013
Motion Made By:	Mr. Barrack
Motion Seconded By:	Mr. Requa
Ayes:	6
Nays:	0
Abstentions:	0

EXHIBIT A

Form of Assumption Agreement

Summary Report:	
Litéra® Change-Pro TDC 7.0.0.365 Document Comparison done on 12/9/2013 11:53:22 AM	
Style Name: McCarter	
Original DMS: iw://WORKSITE/ME1/16869296/2	
Modified DMS: iw://WORKSITE/ME1/16869296/3	
Changes:	
<u>Add</u>	5
Delete	7
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format Changes	0
Total Changes:	12

**RESOLUTION NO. 13-71
ATTACHMENT**

**ASSUMPTION AGREEMENT
(with respect to the obligations of the Atlantic Highlands-Highlands
Regional Sewerage Authority)**

by and among

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST,

THE BOROUGH OF ATLANTIC HIGHLANDS

and

THE BOROUGH OF HIGHLANDS

Dated as of [December 31], 2013

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, dated as of [December 31], 2013, by and among the NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST, a public body corporate and politic with corporate succession, the BOROUGH OF ATLANTIC HIGHLANDS (“Atlantic Highlands”), a municipal corporation duly created and validly existing under the laws of the State of New Jersey (the “State”), and the BOROUGH OF HIGHLANDS (“Highlands”), a municipal corporation duly created and validly existing under the laws of the State.

WITNESSETH:

WHEREAS, 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 (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 Sections 5(m) and 9(a) of the Act, the Trust is authorized (i) to make and contract to make loans (the “Loans”) to certain borrowers (the “Borrowers”) to finance a portion of the cost of Environmental Infrastructure System projects and (ii) to acquire and contract to acquire notes, bonds or other obligations issued or to be issued by the Borrowers to evidence and secure the Loans, all in accordance with the provisions of the Act; and

WHEREAS, in accordance with the Act and the terms of that certain “Loan Agreement” dated as of March 1, 2010 (the “Authority Trust Loan Agreement”) by and between the Trust and the Atlantic Highlands-Highlands Regional Sewerage Authority (the “Authority”), the Trust made a loan in the original aggregate principal amount of \$225,000 to the Authority (the “Authority Trust Loan”) from a portion of the proceeds of the Trust’s \$127,595,000 original aggregate principal amount of “Environmental Infrastructure Bonds, Series 2010A” (the “Bonds”) to finance a portion of the cost of the “Project” as defined in the Authority Trust Loan Agreement (the “2010 Project”); and

WHEREAS, the Authority Trust Loan was evidenced and secured by the Authority’s revenue bond, dated March 10, 2010 (the “Authority Bond”), originally issued to the Trust and contemporaneously assigned to U.S. Bank National Association, as trustee for the Series 2010A Bonds (the “Trustee”), for the benefit of the owners of the Bonds; and

WHEREAS, the Bonds were issued in accordance with the Act and the terms of the Trust’s “Environmental Bond Resolution, Series 2010A”, adopted on January 28, 2013, as amended and supplemented (the “Bond Resolution”); and

WHEREAS, on August 22, 2013, pursuant to Section 9(d) of the Act and a Resolution adopted by the Trust on December 13, 2012 and entitled “Resolution of the New Jersey Environmental Infrastructure Trust Authorizing the Interim Financing State Fiscal Year 2014 Trust Loan Program”, the Trust made an interim loan to the Authority in the principal amount of \$2,833,082 (the “Authority Interim Loan”), which Authority Interim Loan is evidenced and secured by a Note issued to the Trust by the Authority in the principal amount of \$2,833,082 (the “Authority Note”), and which Authority Interim Loan was made by the Trust to the Authority for the purpose of financing a portion of the costs of the “Project” as defined in the Authority Note

(the “2013 Project”; the 2010 Project and the 2013 Project shall be referred to collectively herein as the “Project”); and

WHEREAS, Atlantic Highlands and Highlands (collectively, the “Municipalities”) jointly have determined, pursuant to the provisions of Section 20 of 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.*), and the acts amendatory thereof and supplemental thereto, to dissolve the Authority (the “Dissolution”); and

WHEREAS, each of the Municipalities, as part of the dissolution of the Authority, has determined by ordinance to assume responsibility for (i) the payment of fifty percent (50%) of the amounts due to all creditors and obligees of the Authority, (ii) all services provided by the Authority to such Municipality and deemed necessary for the health, safety and welfare of the recipients of such services located in such Municipality, and (iii) the payment of fifty percent (50%) of the debt service with respect to the bonds or notes of the Authority previously issued and outstanding, including, without limitation, (a) the Authority Bond and (b) the Authority Note (the Authority Bond and the Authority Note shall be referred to collectively herein as the “Authority Obligations”); and

WHEREAS, each of the Authority Trust Loan Agreement and the Authority Note allow for the assignment or assumption of the Authority’s duties and obligations under the terms and conditions respectively set forth therein, the express satisfaction of which constitutes the basis upon which the Trust has rendered its consent to such assumption as detailed herein.

NOW, THEREFORE, in consideration of the premises and certain other consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions. (a) All of the terms defined in the preambles hereof shall have the respective meanings set forth therein for all purposes of this Assumption Agreement.

(b) The following additional terms shall have the meanings specified below:

“Assumption” shall mean the assignment to and assumption by the Municipalities of the Authority’s duties and obligations under the Authority Trust Loan Agreement, the Authority Bond and the Authority Note as set forth in Section 2 hereof.

“Assumption Agreement” shall mean this Assumption Agreement, dated as of December [31], 2013, by and among the Trust, Highlands and Atlantic Highlands, as the same may be further amended or supplemented from time to time in accordance with the terms hereof.

“Conveyance” shall mean the conveyance of the Environmental Infrastructure System by the Authority to the Municipalities by operation of law as set forth in Section 3 hereof.

“Department” shall mean the New Jersey Department of Environmental Protection and any successor entity thereto.

“Environmental Infrastructure System” shall have the meaning ascribed to such term in the Trust Loan Agreement.

“LFB” shall mean the Local Finance Board of the Division of Local Government Services within the New Jersey Department of Community Affairs.

“LFB Application” the Application, dated October 23, 2013, submitted by the Municipalities to the LFB in connection with the Dissolution, and attached hereto as Exhibit C.

Section 2. Assumption. (a) Pursuant to the Dissolution, each Municipality hereby accepts the Assumption of, to the extent allocated to such Municipality pursuant to the LFB Application and the Proceedings the rights, interests, duties, covenants, agreements and obligations of the Authority in and to the Authority Trust Loan Agreement, the Authority Bond and the Authority Note, including without limitation the covenant 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.

(b) Each Municipality hereby agrees that it shall NOT raise the following as a defense under any claim, request, action or other proceeding, judicial, administrative or otherwise, against such Municipality arising under the Trust Loan Agreement, the Authority Bond or the Authority Note, made by the Trust, the Trustee, the owner or beneficiary of any Bond or any other party:

(i) any potential liability of the Municipality arising out of its duties and obligations under the Authority Trust Loan Agreement, the Authority Bond or the Authority Note are not primary duties and obligations enforceable in the first instance against the Municipality; or

(ii) satisfaction of any such claim, request, action or proceeding must be sought first from the Authority or any successor entity thereto or any party responsible for the affairs thereof (other than the Municipalities).

(c) Upon and immediately after the Assumption, each Municipality hereby states that it is not, and covenants that it will not be, in default in the performance or observance of any duties, covenants, obligations or agreements under the Authority Trust Loan Agreement, the Authority Bond or the authority Note.

(d) The Trust’s consent to the Assumption required by Section 4.02(i) of the Authority Trust Loan Agreement and by Sections 3(c) and 3(h) of the Authority Note, is set forth in Section 8 hereof. The Trustee’s consent thereto is attached as Exhibit A hereto and made a part hereof as if fully set forth herein. The requirements of Sections 4.02(ii) and (iii) of the Authority Trust Loan Agreement, as amended, have been satisfied in Sections 2(a) and (c) hereof, respectively. The opinion of bond counsel to the Trust required pursuant to Section 4.02(iv) of the Authority Trust Loan Agreement, as amended, is attached as Exhibit B hereto. Accordingly, all of the conditions precedent to the Assumption set forth in the Authority Trust Loan Agreement have been satisfied, and the Assumption shall be effective upon the effective date of this Assumption Agreement.

(e) In connection with the Assumption, (i) Atlantic Highlands will assume the obligations to pay fifty percent (50%) of the debt service due on the Authority Bond, in such amounts and on such dates as set forth in Exhibit D-1 hereto, (ii) Highlands will assume the

obligations to pay fifty percent (50%) of the debt service due on the Authority Bond, in such amounts and on such dates as set forth in Exhibit D-2 hereto, (iii) Atlantic Highlands will assume the obligations to pay fifty percent (50%) of the principal amount of the Authority Note on the stated maturity date thereof, and (iv) Highlands will assume the obligations to pay fifty percent (50%) of the principal amount of the Authority Note on the stated maturity date thereof.

(f) The Municipalities hereby agree that any requisition for payment of moneys due and owing to the Authority under the terms of the Authority Trust Loan Agreement or the Authority Note that has been submitted by the Authority to the Trust but has not been paid as of the date of the Dissolution may be paid by the Trust (i) in an amount equal to fifty percent (50%) of such amount, to Atlantic Highlands, and (ii) in an amount equal to fifty percent (50%) of such amount, to Highlands.

Section 3. Conveyance of Project. Upon the Dissolution, the Authority, by operation of law, will convey all of its right, title and interest in and to the Project to the Municipalities in such manner as further set forth in the LFB Application and the Proceedings. By copy of the LFB Application, the Trust has received written notification of the intent of the Authority and the Municipalities to make the Conveyance as part of the Dissolution. By the Trust's execution and delivery of this Assumption Agreement by an authorized officer thereof, the Trust hereby waives the requirement that it be notified of the Assumption at least ninety (90) days prior to the effective date of this Assumption Agreement. The requirements of Section 2.02(e)(i) of the Authority Trust Loan Agreement, as amended, have been satisfied in Section 2 hereof. The Trust's consent to the Conveyance required by Section 2.02(e)(ii) of the Authority Trust Loan Agreement and Sections 3(c) and 3(h) of the Authority Note is set forth in Section 8 hereof. Accordingly, all of the conditions precedent to the Conveyance set forth in the Authority Trust Loan Agreement have been satisfied. Each Municipality hereby represents to the Trust that all other conditions to the Conveyance set forth in documents other than the Authority Trust Loan Agreement and the Authority Note have been satisfied. Therefore, the Conveyance shall be effective upon the effective date of the Dissolution, which Dissolution shall be effective on the effective date of this Assumption Agreement.

Section 4. Continued Operation of Environmental Infrastructure System. Each Municipality hereby covenants that substantially all of the personnel operating the Environmental Infrastructure System on behalf of the Authority will continue to operate the Environmental Infrastructure System upon its ownership by the Municipalities, to the respective extents set forth in the LFB Application, during the transition phase of the Conveyance. Each Municipality further covenants that such personnel will continue to operate the Environmental Infrastructure System for a period that will enable such Municipality to operate its portion of the Environmental Infrastructure System in an efficient manner, to maintain it in good repair and operation and to otherwise comply with Article II and Exhibit G of the Authority Trust Loan Agreement. This Section 4 is not intended in any way to limit the requirements of Article II or Exhibit G of the Authority Trust Loan Agreement.

Section 5. Reserved.

Section 6. Reserved.

Section 7. Reserved.

Section 8. Trust's Consent to Assignment, Assumption and Conveyance. (a) Simultaneously herewith, the Trust has received original or certified copies of each of Exhibits A through D hereof. In addition, the Trust simultaneously herewith has received each of the items set forth in subclauses (i) through (v) below, of which (i) through (iv) shall be attached as Exhibits F through K hereto and made a part hereof:

(i) A letter from an authorized officer of each Municipality or its consulting engineer, certifying that such Municipality has received all Department permits necessary to operate its portion of the Environmental Infrastructure System;

(ii) A letter from any governmental entity that had previously issued to the Authority, or had received an application submitted by or on behalf of the Authority for, a permit, license or approval with respect to the Project to the effect that any such permit, license or approval has been issued to one or both of the Municipalities;

(iii) All official proceedings relating to the authorization for the Dissolution, including, without limitation, the resolution of the LFB and the resolutions and dissolution and bond ordinances of each Municipality (collectively, the "Proceedings");

(iv) An opinion letter of counsel to each Municipality to the effect, among other things, that (1) the construction of the Project has been completed pursuant to the terms of the Trust Loan Agreement and the Authority Note, (2) the Project is operating as part of the Environmental Infrastructure System, (3) the terms of this Assumption Agreement, the Authority Obligations and the Authority Trust Loan Agreement are valid, binding and enforceable against such Municipality to the extent applicable thereto, in accordance with their respective terms, (4) the Conveyance of the applicable portion of the Environmental Infrastructure System and the Authority's fee interest therein to the Municipality shall be completed by operation of law upon dissolution of the Authority, and (5) all permits required pursuant to applicable statutes and regulations necessary for the operation and maintenance of the applicable portion of the Environmental Infrastructure System have been obtained by the Municipality, provided that in rendering the opinions set forth in clauses (1), (2) and (5) of this paragraph (v), such counsel may rely upon certifications of the Municipality's consulting engineer; and

(v) Payment by the Municipalities for all of the costs of the Trust and the Trustee and any of their administrative staff, counsel, financial advisors or other professional advisors incurred in connection with the Assumption and the Conveyance, which payment shall occur not later than thirty (30) days after the receipt of an invoice therefor.

(b) Based upon receipt of the foregoing and the representations, covenants and warranties of the Municipalities set forth therein and herein, the Trust hereby gives its consent to the Assumption and the Conveyance. In providing the Trust's consent to the Assumption and the Conveyance, the Trust has determined that the Conveyance and the execution and delivery of this Assumption Agreement will not adversely affect (i) the Trust's ability to meet its duties, covenants, obligations and agreements as set forth under the Bond Resolution, (ii) the value originally provided by the Authority Trust Loan Agreement or the Authority Borrower Bond as

security for the payment of the principal of and interest on the Bonds, or (iii) the excludability from gross income for federal income tax purposes of interest on the Bonds or any additional bonds that could be issued pursuant to the Bond Resolution in the future. In making this determination, the Trust has particularly relied upon the opinion of bond counsel to the Trust and the official proceedings of the Municipalities set forth in Exhibits H and I hereto.

Section 9. Severability. In the event any provision of this Assumption 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 10. Amendments, Supplements and Modifications. This Assumption Agreement may not be amended, supplemented or modified without the prior written consent of the Trust and each Municipality.

Section 11. Execution in Counterparts. This Assumption 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 12. Applicable Law and Regulations. This Assumption Agreement shall be governed by and construed in accordance with the laws of the State, including the Act.

Section 13. Captions. The captions or headings in this Assumption 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 Assumption Agreement.

Section 14. Further Assurances. The Municipalities shall, at the request of the Trust, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better conveying, assuring, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Assumption Agreement.

Section 15. Effective Date. This Assumption Agreement shall become effective as of [December 31], 2013.

IN WITNESS WHEREOF, the Trust, Atlantic Highlands and Highlands have caused this Assumption Agreement to be executed, sealed and delivered as of the date first above written.

**NEW JERSEY ENVIRONMENTAL
INFRASTRUCTURE TRUST**

[SEAL]

ATTEST:

By: _____
Warren H. Victor
Chairman

David E. Zimmer
Assistant Secretary

**BOROUGH OF ATLANTIC
HIGHLANDS**

[SEAL]

ATTEST:

By: _____
Authorized Officer

Authorized Officer

BOROUGH OF HIGHLANDS

[SEAL]

ATTEST:

By: _____
Authorized Officer

Authorized Officer

EXHIBIT A

CONSENT OF TRUSTEE

EXHIBIT B

OPINION OF BOND COUNSEL TO THE TRUST

EXHIBIT C

LFB APPLICATION

EXHIBIT D-1

DEBT SERVICE SCHEDULE – ATLANTIC HIGHLANDS

EXHIBIT D-2

DEBT SERVICE SCHEDULE – HIGHLANDS

EXHIBIT E

RESERVED

EXHIBIT F

**LETTERS FROM AUTHORIZED OFFICER OF EACH MUNICIPALITY PURSUANT
TO SECTION 8(i) HEREOF**

EXHIBIT G

**LETTER(S) FROM GOVERNMENTAL ENTITY PURSUANT TO SECTION 8(ii)
HEREOF**

EXHIBIT H

OFFICIAL PROCEEDINGS OF ATLANTIC HIGHLANDS

EXHIBIT I

OFFICIAL PROCEEDINGS OF HIGHLANDS

EXHIBIT J

OPINION OF COUNSEL TO ATLANTIC HIGHLANDS

EXHIBIT K

OPINIONS OF COUNSEL TO HIGHLANDS