NEW ISSUE — FULL BOOK ENTRY

In the opinion of McCarter & English, LLP, Bond Counsel to the Trust ("Bond Counsel"), assuming compliance by the Trust with the Tax Certificate (as defined herein) and compliance by the 1993 Borrowers (as defined herein) with certain tax covenants described herein, based upon existing law, interest on the 2003 Refunding Bonds is not includable for federal income tax purposes in the gross income of the owners of the 2003 Refunding Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Bond Counsel is further of the opinion that interest on the 2003 Refunding Bonds and any gain on the sale thereof are not includable in gross income under the existing New Jersey Gross Income Tax Act. In the case of certain corporate owners of the 2003 Refunding Bonds, interest on the 2003 Refunding Bonds will be included in the calculation of federal income tax liability under certain federal income taxes not solely based on items includable in gross income, including the calculation of alternative minimum tax as a result of the inclusion of interest on the 2003 Refunding Bonds in "adjusted current earnings." (See "TAX EXEMPTION" herein.)

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

$39,655,000 Wastewater Treatment Insured Refunding Bonds, Series 2003 (1993 Financing Program)

Dated: Date of Delivery

The captioned bonds (the "2003 Refunding Bonds") will be issued in one series by the New Jersey Environmental Infrastructure Trust (the "Trust"), a public body corporate and politic of the State of New Jersey (the "State"). The principal of the 2003 Refunding Bonds is scheduled to be payable on the dates shown on the inside cover hereof, upon presentation and surrender thereof at the corporate trust office of Wachovia Bank, National Association, formerly known as First Union National Bank, of Morristown, New Jersey, or any successors thereto (the "Trustee" and "Paying Agent"). Interest on the 2003 Refunding Bonds will accrue from the date of issuance thereof, and will be payable semiannually on March 1 and September 1 in each year, commencing September 1, 2003, to and including their final maturity. The 2003 Refunding Bonds will be issued as fully registered bonds in the denomination of one bond per aggregate principal amount of the stated maturity thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of beneficial interests in the 2003 Refunding Bonds will be made in book-entry-only form (without certificates) in the denomination of $5,000 or any whole multiple thereof. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2003 Refunding Bonds, payments of the principal of and interest on the 2003 Refunding Bonds will be made directly to Cede & Co., which will remit such payments to the DTC participants, which will in turn remit such payments to the beneficial owners of the 2003 Refunding Bonds. (See "THE 2003 REFUNDING BONDS" herein.)

The 2003 Refunding Bonds will not be subject to optional redemption or mandatory sinking fund redemption prior to their stated maturities. (See "THE 2003 REFUNDING BONDS — No Optional or Mandatory Sinking Fund Redemption" herein.)

The 2003 Refunding Bonds are being issued pursuant to (i) the Trust Act (as defined herein), (ii) all other applicable law and (iii) the 1993 Bond Resolution (as defined herein), pursuant to the financing program of the Trust (the "1993 Financing Program"), for the purpose of (i) funding a portion of the 1993 Escrow Fund (as defined herein) to currently refund and defease the entire remaining outstanding principal amount of the 1993 Prior Bonds (as defined herein) of the Trust, the proceeds of which originally were used by the Trust to make 1993 Trust Loans (as defined herein) to certain municipalities and certain local government sewerage or utilities authorities (the "1993 Borrowers") in the State to finance or refinance a portion of the costs of their wastewater treatment facilities and (ii) funding a portion of the costs of issuing the 2003 Refunding Bonds. (See "THE 1993 FINANCING PROGRAM" and "PLAN OF REFUNDING" herein.)

The 2003 Refunding Bonds will be issued as "Refunding Bonds" pursuant to the 1993 Bond Resolution and will be special obligations of the Trust payable by the Trust solely from the 1993 Trust Estate (as defined herein). The 1993 Trust Estate primarily consists of, among other things, the 1993 Trust Loan repayment obligations of the 1993 Borrowers in the 1993 Financing Program, as evidenced by (i) general obligation bonds of the municipal 1993 Borrowers, and (ii) revenue bonds of the authority 1993 Borrowers, most of which revenue bonds are in turn secured by general obligation service or deficiency agreements with municipal or county 1993 Participants (as defined herein). (See "SECURITY FOR THE 2003 REFUNDING BONDS" herein.)

The payment of the principal of and interest on the 2003 Refunding Bonds, when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 2003 Refunding Bonds.

Ambar


A detailed maturity and pricing schedule for the 2003 Refunding Bonds is set forth on the inside cover hereof.

The 2003 Refunding Bonds are offered when, as and if delivered, and subject to the receipt of the approving legal opinion of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Trust. Certain legal matters will be passed upon for the Trust by Peter C. Harvey, Acting Attorney General of the State, General Counsel to the Trust. The Trust expects that the 2003 Refunding Bonds in definitive form will be available for delivery to The Depository Trust Company in New York, New York and that payment for the 2003 Refunding Bonds will occur in Newark, New Jersey on or about May 7, 2003.

April 24, 2003
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

$39,655,000 Wastewater Treatment Insured Refunding Bonds, Series 2003 (1993 Financing Program)

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Initial Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>CUSIP</th>
<th>Maturity Date</th>
<th>Initial Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>CUSIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>(March 1)</td>
<td>(March 1)</td>
<td></td>
<td></td>
<td></td>
<td>(March 1)</td>
<td>(March 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$3,465,000</td>
<td>2.00%</td>
<td>1.20%</td>
<td>645788QJ2</td>
<td>2009</td>
<td>$4,055,000</td>
<td>5.00%</td>
<td>2.82%</td>
<td>645788QP8</td>
</tr>
<tr>
<td>2005</td>
<td>3,365,000</td>
<td>4.00</td>
<td>1.43</td>
<td>645788QK9</td>
<td>2010</td>
<td>4,260,000</td>
<td>5.00</td>
<td>3.10</td>
<td>645788QQ6</td>
</tr>
<tr>
<td>2006</td>
<td>3,500,000</td>
<td>5.00</td>
<td>1.74</td>
<td>645788QL7</td>
<td>2011</td>
<td>4,465,000</td>
<td>5.00</td>
<td>3.39</td>
<td>645788QR4</td>
</tr>
<tr>
<td>2007</td>
<td>3,675,000</td>
<td>5.00</td>
<td>2.18</td>
<td>645788QM5</td>
<td>2012</td>
<td>4,690,000</td>
<td>5.00</td>
<td>3.48</td>
<td>645788QS2</td>
</tr>
<tr>
<td>2008</td>
<td>3,860,000</td>
<td>5.00</td>
<td>2.47</td>
<td>645788QN3</td>
<td>2013</td>
<td>4,320,000</td>
<td>5.00</td>
<td>3.60</td>
<td>645788QT0</td>
</tr>
</tbody>
</table>

Copyright 2003, American Bankers Association. CUSIP data herein is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.
NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

DIRECTORS
ROBERT A. BRIANT, SR., Chairman
BARTON E. HARRISON, Vice-Chairman
WARREN H. VICTOR, Treasurer
EILEEN SWAN, Secretary
BRADLEY M. CAMPBELL, Commissioner of the New Jersey Department of Environmental Protection, Ex Officio
JOHN E. McCORMAC, New Jersey State Treasurer, Ex Officio
SUSAN BASS LEVIN, Commissioner of the New Jersey Department of Community Affairs, Ex Officio

EXECUTIVE STAFF
DIRK C. HOFMAN, P.E., Executive Director and Assistant Secretary

ADVISORS
McCARTER & ENGLISH, LLP, Bond Counsel
PETER C. HARVEY, ACTING ATTORNEY GENERAL OF THE STATE OF NEW JERSEY, General Counsel
PUBLIC FINANCIAL MANAGEMENT, INC., Financial Advisor

TRUSTEE FOR THE 2003 REFUNDING BONDS
WACHOVIA BANK, NATIONAL ASSOCIATION,
Formerly Known as First Union National Bank

LOAN SERVICER FOR THE 2003 REFUNDING BONDS
THE BANK OF NEW YORK
No dealer, broker, salesman or other person has been authorized by the Trust to give any information or to make any representations with respect to the Trust, the 1993 Financing Program, any Local Unit, the Bond Insurer, the 1993 Bond Resolution, the 2003 Refunding Bonds, the 1993 Prior Bonds, the 1993 Loan Servicing Agreement, the Bond Insurance Policy, the 1993 Loan Agreements, the 1993 Borrower Loan Bonds, the 1993 Service Agreements, the 1993 Indirect Service Agreements, the 1993 Escrow Deposit Agreement, the Continuing Disclosure Agreements or the 2003 Refunding of the 1993 Prior Bonds (as such terms are defined herein) other than as contained in this Official Statement in connection with the offering of the 2003 Refunding Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2003 Refunding Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the 2003 Refunding Bonds referred to herein and may not be used, in whole or in part, for any other purpose. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date hereof or any earlier date as of which any information contained herein is given.


FOR RESIDENTS OF NEW HAMPSHIRE IN ACCORDANCE WITH NEW HAMPSHIRE BLUE SKY LAW (UNIFORM SECURITIES ACT) SECTION 421-B:20

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.
TABLE OF CONTENTS

INTRODUCTION .........................................................................................................................1

THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST ............................................3
  -Creation, Legal Authority and Responsibilities .................................................................3
  -Membership of the Trust ..................................................................................................3
  -Powers of the Trust .........................................................................................................4

THE 1993 FINANCING PROGRAM ..........................................................................................5
  -General ..........................................................................................................................5
  -The 1993 Borrowers ......................................................................................................5
  -The 1993 Participants and 1993 Indirect Participants ......................................................8

THE 1993 PROJECTS ..........................................................................................................9
  -Description of the 1993 Projects ...................................................................................9

PLAN OF REFUNDING ........................................................................................................9
  -2003 Refunding of the 1993 Prior Bonds .......................................................................9
  -1993 Prior Bond Defeasance .........................................................................................10

THE 2003 REFUNDING BONDS .........................................................................................10
  -General Description .....................................................................................................10
  -No Optional or Mandatory Sinking Fund Redemption ................................................10
  -Book-Entry-Only System .............................................................................................10

SECURITY FOR THE 2003 REFUNDING BONDS ................................................................13
  -Refunding Bonds; Parity Obligations ...............................................................................13
  -General ........................................................................................................................13
  -1993 Trust Loan Agreements .........................................................................................13
  -1993 Service Agreements .............................................................................................15
  -1993 Borrower Debt Service Reserve Funds ................................................................15
  -1993 State Loan Agreements .........................................................................................15
  -1993 Loan Servicing Agreement ..................................................................................16
  -State Aid Intercept Powers of the Trust under the Trust Act ......................................16
  -1993 Debt Service Reserve Fund ................................................................................17
  -Bond Insurance Policy ................................................................................................18
  -Order of Available Security Provisions .........................................................................20
  -State General Taxing Power Not Pledged ....................................................................21

SOURCES AND USES OF FUNDS FOR THE 2003 REFUNDING BONDS ..........................22

TABLES AND SCHEDULES ............................................................................................23
  -1993 Borrower Trust Loan Repayments .......................................................................23, 24, 25
  -Aggregate 1993 Borrower Trust Loan Repayments and Aggregate Debt Service Schedule for the 2003 Refunding Bonds ........................................................................26

  iii
SECONDARY MARKET DISCLOSURE ........................................................................................................................................... 27
- The Trust and The 1993 Financing Programs .................................................................................................................. 27
- 1993 Borrowers and 1993 Participants .............................................................................................................................. 27

ABSENCE OF MATERIAL LITIGATION OF THE TRUST ........................................................................................................ 29

CERTAIN LEGAL MATTERS .................................................................................................................................................. 29

LEGALITY FOR INVESTMENT ............................................................................................................................................. 29

TAX EXEMPTION ..................................................................................................................................................................... 29
- Additional Federal Income Tax Consequences .................................................................................................................... 30

RATINGS ................................................................................................................................................................................ 30

MISCELLANEOUS .................................................................................................................................................................. 31

APPENDIX A: INFORMATION ON CERTAIN LOCAL UNITS ................................................................................................ A-1
(INCLUDING THE FOLLOWING DISCLOSURE ON LOCAL UNITS FOR THE 2003 REFUNDING BONDS (1993 FINANCING PROGRAM)).

I. NEW JERSEY STATUTES PERTAINING TO LOCAL UNITS ........................................................................................ A-I-1
A. Introduction
B. Municipal Financial Management
C. Municipal Indebtedness
D. Local Financing Authorities

II. BAYSHORE REGIONAL SEWERAGE AUTHORITY ........................................................................................................ A-II-1
III. TOWNSHIP OF MOUNT OLIVE ................................................................................................................................. A-III-1
IV. MUSCONETCONG SEWERAGE AUTHORITY ........................................................................................................... A-IV-1
V. NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY ......................................................................................... A-V-1

APPENDIX B: SELECTED FINANCIAL INFORMATION WITH RESPECT TO COVERAGE PROVIDING FINANCIAL PROGRAMS ........................................................................................................ B-1


APPENDIX D: SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS ........................................................................ D-1

APPENDIX E: PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP REGARDING THE 2003 REFUNDING BONDS .................................................................................................................... E-1

APPENDIX F: GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT .................................................................................. F-1
APPENDIX G: FORM OF BOND INSURANCE POLICY
OF AMBAC ASSURANCE CORPORATION REGARDING THE
2003 REFUNDING BONDS.............................................................................................................. G-1
OFFICIAL STATEMENT

of the

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

Relating to its

$39,655,000 Wastewater Treatment Insured Refunding Bonds,
Series 2003 (1993 Financing Program)

INTRODUCTION

This Official Statement, which includes the cover and inside cover pages and the Appendices attached hereto, has been provided by the New Jersey Environmental Infrastructure Trust (as successor to the New Jersey Wastewater Treatment Trust, the "Trust"), a public body corporate and politic of the State of New Jersey (the "State"), created 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 may from time to time be, amended and supplemented (the "Trust Act"), to provide certain information relating to, among other things, the Trust and to the proposed delivery of its "Wastewater Treatment Insured Refunding Bonds, Series 2003 (1993 Financing Program)" (the "2003 Refunding Bonds") to be issued in the original aggregate principal amount of $39,655,000. (See "THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST" and "THE 2003 REFUNDING BONDS" herein.)

Given the complexity of this transaction, a table of contents of all definitions used in this Official Statement is set forth in Appendix F hereto. (See "APPENDIX F - GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT" herein.)

The 2003 Refunding Bonds are being issued pursuant to: (i) the Trust Act; (ii) all other applicable law; and (iii) the 1993 Bond Resolution (as hereinafter defined), to provide moneys (a) together with certain other available moneys, to effect the 2003 Refunding of the 1993 Prior Bonds (as hereinafter defined) and (b) for a portion of the costs of issuing the 2003 Refunding Bonds, including, without limitation, the Cost Allowance (as provided for and defined in the hereinafter defined Refunding Agreements) payable to the 1993 Borrowers (as hereinafter defined). The savings achieved through the 2003 Refunding of the 1993 Prior Bonds will be passed on to the 1993 Borrowers as credits to their existing 1993 Trust Loan (as hereinafter defined) payment obligations, pursuant to the terms of the respective Refunding Agreements (as hereinafter defined). (See "PLAN OF REFUNDING" and "THE 2003 REFUNDING BONDS" herein.)

The principal of the 2003 Refunding Bonds is payable on the maturity dates shown on the inside cover pages hereof upon presentation and surrender thereof at the corporate trust office of Wachovia Bank, National Association, formerly known as First Union National Bank, Morristown, New Jersey, the successor organization to First Fidelity Bank, National Association, New Jersey, Newark, New Jersey (in such respective capacities, the "Trustee" and "Paying Agent").

The 2003 Refunding Bonds will bear interest from the date of issuance thereof, calculated based upon a 360-day year consisting of twelve 30-day months. Interest thereon will be payable in lawful money of the United States of America by check or draft mailed by the Paying Agent to the registered owners at their addresses appearing on the registration books held by the Trustee (as bond registrar) as of the Record Dates (as hereinafter defined).
Interest on the 2003 Refunding Bonds will be payable semiannually on March 1 and September 1 in each year, commencing September 1, 2003, to and including their final maturity. (See "THE 2003 REFUNDING BONDS" herein.)

The 2003 Refunding Bonds will not be subject to either optional redemption or mandatory sinking fund redemption prior to their stated maturities. (See "THE 2003 REFUNDING BONDS – No Optional or Mandatory Sinking Fund Redemption" herein.)

The 2003 Refunding Bonds will be issued as fully registered bonds in the denomination of one bond per aggregate principal amount of the stated maturity thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. (See "THE 2003 REFUNDING BONDS — Book-Entry-Only System" herein.) Purchases of the 2003 Refunding Bonds will be made in book-entry-only form (without certificates) in principal amounts of $5,000 or any integral multiple thereof.

The 2003 Refunding Bonds will be special obligations of the Trust, payable by or on behalf of the Trust solely from the 1993 Trust Estate (as hereinafter defined) that has been pledged to the Trustee for the 2003 Refunding Bonds pursuant to the 1993 Bond Resolution. The 2003 Refunding Bonds constitute "Refunding Bonds" pursuant to the Original 1993 Bond Resolution (as hereinafter defined). In addition, the principal of and interest on the 2003 Refunding Bonds shall be insured by Ambac Assurance Corporation (the "Bond Insurer"), the issuer of a financial guaranty insurance policy for the 2003 Refunding Bonds (the "Bond Insurance Policy"). For a more detailed discussion of the security for the 2003 Refunding Bonds, see "SECURITY FOR THE 2003 REFUNDING BONDS" herein.

Assuming continuing compliance by the Trust with the provisions and procedures set forth in the Tax Certificate (as hereinafter defined) to be executed by the Trust upon the issuance of the 2003 Refunding Bonds, and assuming the 1993 Borrowers observe their covenants with respect to continuing compliance with the Code (as hereinafter defined), McCarter & English, LLP, Bond Counsel to the Trust ("Bond Counsel"), is of the opinion that, for federal income tax purposes, based upon existing law, interest on the 2003 Refunding Bonds is not includable in the gross income of the owners thereof pursuant to Section 103 of the Code and interest thereon is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. (See "TAX EXEMPTION" herein.)

Brief descriptions of the Trust, the 1993 Financing Program (as hereinafter defined), the Local Units (as hereinafter defined), the Bond Insurer, the Bond Insurance Policy, the 1993 Bond Resolution, the 2003 Refunding Bonds, the 1993 Prior Bonds (as hereinafter defined), the 1993 Loan Servicing Agreement (as hereinafter defined), the 1993 Loan Agreements (as hereinafter defined), the 1993 Borrower Loan Bonds (as hereinafter defined), the 1993 Service Agreements (as hereinafter defined), the 1993 Escrow Deposit Agreement (as hereinafter defined), the Continuing Disclosure Agreements (as hereinafter defined) and the 2003 Refunding of the 1993 Prior Bonds follow. These descriptions are qualified in their entirety by reference to the definitive forms of the 1993 Bond Resolution, the 2003 Refunding Bonds, the 1993 Loan Servicing Agreement, the Bond Insurance Policy, the 1993 Loan Agreements, the 1993 Borrower Loan Bonds, the 1993 Service Agreements, the 1993 Escrow Deposit Agreement and the Continuing Disclosure Agreements, copies of which may be examined at the offices of the Trust located at 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey 08648, and reference is made to such documents for the provisions relating to, among other things, the terms of and the security for the 2003 Refunding Bonds and the 1993 Borrower Loan Bonds, the custody and application of the proceeds of the 2003 Refunding Bonds and the 1993 Borrower Loan Bonds, the rights and remedies of the holders of the 2003 Refunding Bonds and the 1993 Borrower Loan Bonds, the 2003 Refunding of the 1993 Prior Bonds and the rights, duties and obligations of the Trust, the State, the Department (as hereinafter defined), the 1993 Borrowers, the 1993 Loan Servicer, the Trustee and the Paying Agent. A brief description of the Local Units that constitute material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, is attached to this Official Statement as Appendix A hereto. The description of such Local Units has been furnished by such respective parties, and, accordingly, the Trust has not confirmed the accuracy or completeness of information relating thereto and the Trust disclaims any responsibility for the accuracy or completeness thereof. Nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by any underwriter of the 2003 Refunding Bonds.

2
This introduction is a brief description of certain of the matters set forth in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering a purchase of the 2003 Refunding Bonds should read this Official Statement in its entirety, including the cover and inside cover pages and the Appendices attached hereto. The summaries of and references to all documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is further qualified in its entirety by reference to such document, statute, report or instrument.

THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

Creation, Legal Authority and Responsibilities

The Trust, originally organized in August of 1986 as the New Jersey Wastewater Treatment Trust, is a public body corporate and politic with corporate succession, constituted as an instrumentality of the State, exercising public and essential government functions and organized and existing under and pursuant to the Trust Act. For the purpose of complying with Article V, Section IV, Paragraph 1, of the State Constitution, the Trust is allocated within, but is independent of any supervision or control by, the New Jersey Department of Environmental Protection (the "Department"). The purpose of the Trust is to make and contract to make loans to New Jersey local government units and, in certain cases, nonprofit and private entities authorized to construct, operate and maintain environmental infrastructure systems, which loans shall finance or refinance all or a portion of the costs of projects that such borrowers are authorized to undertake and that they may lawfully finance or refinance through such borrowings.

Pursuant to the Trust Act, the Trust may from time to time issue bonds, notes or other obligations in any principal amounts that the Trust shall deem necessary to provide moneys to finance a portion of the costs of projects. Each loan made by the Trust, and the terms and conditions thereof, are subject to the approval of the State Treasurer. Each loan to a local government unit shall be evidenced by bonds, notes or other obligations of the local government unit issued to the Trust, which bonds, notes or other obligations must be (i) authorized and issued in accordance with applicable law and (ii) approved by the Local Finance Board in the Division of Local Government Services in the New Jersey Department of Community Affairs or, in the case of certain private entities, approved by the New Jersey Board of Public Utilities. For a further description of the 1993 Financing Program, see "THE 1993 FINANCING PROGRAM" herein.

Membership of the Trust

The Trust consists of a seven member board of directors, three of whom, the State Treasurer, the Commissioner of the State Department of Community Affairs and the Commissioner of the State Department of Environmental Protection, are members ex officio. Of the four public directors, one is appointed by the Governor of the State (the "Governor") upon the recommendation of the President of the State Senate and one is appointed by the Governor upon the recommendation of the Speaker of the State General Assembly, both of whom serve during the two year legislative term in which they are appointed. The two other public directors are appointed by the Governor with the advice and consent of the State Senate for four year terms, except that the first two so appointed served terms of two and three years, respectively. Each appointed director serves until a successor is appointed and qualified. A director is eligible for reappointment. Any vacancy is filled in the same manner as the original appointment. The directors of the Trust serve without compensation, but they are reimbursed for actual and necessary expenses incurred in the performance of official duties.

The Trust Act provides that the Governor shall designate one of the appointed directors to be the chairman and chief executive officer of the Trust and that the directors shall elect biannually a vice-chairman from among the appointed directors. The chairman shall serve as such for a term of two years and until a successor has been designated.

The present directors and officers of the Trust are as follows:

Robert A. Briant, Sr., Chairman; Executive Director and Chief Executive Officer, Utility and Transportation Contractors Association of New Jersey. Appointed by the Governor upon the recommendation of the
President of the State Senate. Appointed Chairman after the passing of former Chairman Ellis Vieser in June, 2001. Mr. Briant’s term expired on January 11, 2002, but he continues to serve until reappointed or replaced.

Barton E. Harrison, Vice-Chairman; President, Harrison Consulting Corporation. Appointed by the Governor with the advice and consent of the State Senate. He has served since the inception of the Trust in August, 1986. Current term expires on May 13, 2004. Mr. Harrison has been continuously serving as Vice-Chairman of the Trust since August, 1986.


Eileen Swan, Secretary; Committee woman and Open Space Coordinator for Lebanon Township. Appointed by the Governor with the advice and consent of the State Senate. Current term expires on May 13, 2005.

Bradley M. Campbell, Director, *ex officio*; Commissioner of the New Jersey Department of Environmental Protection.

John E. McCormac, Director, *ex officio*; New Jersey State Treasurer.

Susan Bass Levin, Director, *ex officio*; Commissioner of the New Jersey Department of Community Affairs.

The Trust also has a non-member Executive Director, Dirk C. Hofman, P.E., who serves at the pleasure of the Board of Directors. Mr. Hofman has been continuously serving as Executive Director of the Trust since July, 1987. Mr. Hofman is also the Assistant Secretary of the Trust.

**Powers of the Trust**

Under the terms of the Trust Act, the powers of the Trust are vested in the Board of Directors, any four of which constitute a quorum for any meeting. Action may be taken and motions and resolutions adopted by the Trust at any meeting by the affirmative vote of at least four directors of the Trust. No action taken by the Trust at any meeting can take effect until ten (10) business days after a true copy of the minutes of the meeting is delivered by and under the certification of the Secretary or Assistant Secretary of the Trust to the Governor, unless during the ten (10) business day period the Governor approves such action in writing, in which case the action becomes effective upon such approval. A true copy of the minutes of every meeting of the Trust shall also be delivered to the State Senate and State General Assembly at the same time such minutes are delivered to the Governor.

The Trust has, among others, the following powers: (i) to borrow money and issue bonds, notes and other obligations and to secure the same by its revenues and other funds and to otherwise provide for and secure the payment thereof, and to provide for the refunding thereof; (ii) subject to any agreements with holders of its bonds, notes or other obligations, to obtain as security or to provide liquidity for payment of its bonds, notes or other obligations, lines of credit, letters of credit and other security agreements; (iii) subject to any agreements with holders of its bonds, notes or other obligations, to invest any moneys not required for immediate use or disbursement, including proceeds from the sale of its bonds, notes or other obligations, in any obligations, securities and other investments in accordance with the rules and regulations of the State Investment Council or as may otherwise be approved by the Director of the Division of Investment in the Department of the Treasury upon a finding that such investments are consistent with the corporate purposes of the Trust; (iv) to enter into agreements or other transactions with and to accept, subject to the provisions of the Trust Act, grants, appropriations and the cooperation of the State, or any State agency, in furtherance of the purposes of the Trust Act, and to receive and accept aid or contributions from any source of property, money, labor or other things of value to be held, used and applied to carry out the purposes of the Trust Act; (v) subject to any agreement with holders of its bonds, notes or other obligations, to purchase bonds, notes or other obligations of the Trust out of any funds or moneys or other obligations of the Trust available therefor, and to hold the same for resale or to provide for their cancellation; and (vi) to acquire, lease, hold and dispose of real and personal property or any interest therein in the exercise of its powers and the performance of its duties under the Trust Act.
No resolution or other action of the Trust providing for the issuance of bonds, refunding bonds, notes or other obligations can be adopted or otherwise made effective by the Trust without the prior written approval of the Governor and the State Treasurer. No series of refunding bonds, including, without limitation, the 2003 Refunding Bonds, can be issued without the approval of the Joint Budget Oversight Committee ("JBOC") created jointly by the State Senate and the State General Assembly. The Trust must provide the State Senate and the State General Assembly with written notice of any request for approval by the Governor and the State Treasurer at the time the request is made, and must also provide the State Senate and the State General Assembly written notice of the response of the Governor and the State Treasurer at the time the response is received by the Trust. For the approvals with respect to the 2003 Refunding Bonds, see "THE 1993 FINANCING PROGRAM - General" herein.

THE 1993 FINANCING PROGRAM

General

On November 10, 1993, as part of a comprehensive financing program (the "1993 Financing Program"), the Trust provided loan financing (the "1993 Trust Loans") to certain local government units located within the State and identified below (the "1993 Borrowers") for the purpose of financing (i) approximately 50% of the allowable costs of acquiring, constructing, improving, installing or refinancing their wastewater treatment projects (the "1993 Projects") for wastewater treatment systems (the "Systems") owned, operated, managed and/or used by the 1993 Borrowers, (ii) capitalized interest, if so requested by the 1993 Borrowers, and (iii) an allocable share of certain costs of issuance incurred by the Trust in connection with the issuance of the 1993 Prior Bonds. All such 1993 Trust Loans are evidenced by Loan Agreements, by and between the Trust and the respective 1993 Borrowers (the "1993 Trust Loan Agreements"). The Trust funded the 1993 Trust Loans for the 1993 Financing Program through the issuance on November 10, 1993 of its $64,285,000 original aggregate principal amount of "Wastewater Treatment Insured Bonds, Series 1993" (the "1993 Prior Bonds"). The 1993 Prior Bonds were authorized for issuance pursuant to (i) the Trust Act, (ii) other applicable law and (iii) a bond resolution of the Trust adopted on October 21, 1993 and entitled "WASTEWATER TREATMENT INSURED BOND RESOLUTION, SERIES 1993" (the "1993 Original Bond Resolution"). The 1993 Original Bond Resolution was adopted only after the receipt of various approvals and authorizations from, and the completion of certain actions taken by, the Governor, the State Treasurer and the State Legislature.

The 1993 Prior Bonds are secured by, among other things, (i) the 1993 Trust Loan repayments to be made by the 1993 Borrowers receiving 1993 Trust Loans and (ii) a debt service reserve fund established pursuant to the 1993 Original Bond Resolution (the "1993 Debt Service Reserve Fund") with (a) moneys previously on deposit in the hereinafter defined Wastewater Treatment Fund and (b) a portion of the proceeds of the 1993 Prior Bonds. The 1993 Trust Loan repayment obligations for all 1993 Borrowers participating in the 1993 Financing Program are established in amounts sufficient in the aggregate to pay the principal of and interest on the 1993 Prior Bonds.

The 1993 Trust Loan repayment obligations are evidenced, as the case may be, by revenue bonds issued to the Trust by the 1993 Special Obligation Borrowers (as hereinafter defined) and general obligation bonds issued to the Trust by the 1993 General Obligation Borrowers (as hereinafter defined) (collectively, the "1993 Borrower Trust Loan Bonds"). Such 1993 Borrower Trust Loan Bonds were issued by the 1993 Borrowers to the Trust simultaneously with the issuance by the Trust of the 1993 Prior Bonds and were assigned by the Trust to the Trustee as security for the 1993 Prior Bonds. Except as set forth below with respect to the Bayshore Regional Sewerage Authority and the Northwest Bergen County Utilities Authority, 1993 Borrower Trust Loan Bonds issued by 1993 Special Obligation Borrowers are secured by (i) general obligation deficiency or service agreements between such 1993 Special Obligation Borrowers and underlying municipal or county local government units or (ii) deficiency or service agreements (all service agreements between 1993 Special Obligation Borrowers and 1993 Participants (as hereinafter defined) may be collectively referred to herein as "1993 Service Agreements") with underlying authority local governmental units (all underlying municipal, county or authority local governmental units that have entered into 1993 Service Agreements with 1993 Borrowers may be collectively referred to herein as "1993 Participants"); which in turn have entered into general obligation deficiency or service agreements (the "1993 Indirect Service Agreements") with underlying municipal or county local governmental units (the "1993 Indirect Participants" and together with the 1993 Borrowers and the 1993 Participants, the "Local Units"). Except for the 1993 Participants
that have entered into a 1993 Service Agreement with the Northwest Bergen County Utilities Authority and the Bayshore Regional Sewerage Authority, each 1993 Participant is required, pursuant to its respective 1993 Service Agreement, to pay the debt service payment obligations of the respective 1993 Special Obligation Borrower whether or not such 1993 Participant receives any wastewater treatment or other services from the System of such 1993 Special Obligation Borrower. The 1993 Participants that have entered into a 1993 Service Agreement with the Northwest Bergen County Utilities Authority and the Bayshore Regional Sewerage Authority are required to pay 1993 Annual Charges (as hereinafter defined) to the Northwest Bergen County Utilities Authority and the Bayshore Regional Sewerage Authority, respectively, only to the extent that sewerage treatment services are actually rendered to such 1993 Participants by the Northwest Bergen County Utilities Authority and the Bayshore Regional Sewerage Authority, respectively. If the Northwest Bergen County Utilities Authority renders no service to a particular 1993 Participant, such 1993 Participant is not required to pay 1993 Annual Charges or any amounts that may be necessary to satisfy any operating budget or debt service shortfall experienced by the Northwest Bergen County Utilities Authority. If the Bayshore Regional Sewerage Authority renders no service to a particular 1993 Participant, although such 1993 Participant is not required to pay 1993 Annual Charges or any amounts that may be necessary to satisfy any operating budget or debt service shortfall experienced by the Bayshore Regional Sewerage Authority, the 1993 Annual Charges of the 1993 Participants of the Bayshore Regional Sewerage Authority receiving service would include amounts necessary to satisfy any such budget or debt service shortfall. (See "THE 1993 FINANCING PROGRAM" and "SECURITY FOR THE SERIES 2003 REFUNDING BONDS" herein.)

ACCORDINGLY, EXCEPT FOR THE LIMITED SITUATIONS OF BAYSHORE REGIONAL SEWERAGE AUTHORITY AND NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY, ALL 1993 BORROWER TRUST LOAN BONDS ARE DIRECTLY OR INDIRECTLY FULLY SECURED BY GENERAL OBLIGATION PLEDGES OF LOCAL GOVERNMENTAL UNITS IN THE STATE. (See "SECURITY FOR THE 2003 REFUNDING BONDS" herein.)

Simultaneously with the issuance of the 1993 Trust Loans, the State, acting by and through the Department, funded the balance of the allowable costs of the 1993 Projects with companion zero interest loans to each 1993 Borrower (the "1993 State Loans", and together with the 1993 Trust Loans, the "Loans"), made from moneys on deposit in the Wastewater Treatment Fund (the "Wastewater Treatment Fund"), as defined in the Wastewater Treatment Bond Act of 1985, constituting Chapter 329 of the Pamphlet Laws of 1985 of the State, as the same may from time to time be amended and supplemented (the "Wastewater Bond Act of 1985"). All such 1993 State Loans are evidenced by Loan Agreements, and by and between the State, acting by and through the Department, and the respective 1993 Borrowers (the "1993 State Loan Agreements", and together with the 1993 Trust Loan Agreements, the "1993 Loan Agreements"). The Wastewater Treatment Fund has been funded through a combination of (i) State appropriations, (ii) proceeds of general obligation bonds of the State, (iii) repayments of prior loans made by the State and (iv) Federal capitalization grants from the United States Environmental Protection Agency under its State Revolving Fund loan program created in accordance with the Federal Clean Water Act, as amended (the "Clean Water Act").

The obligations of the 1993 Borrowers to repay the 1993 State Loans are evidenced, as the case may be, by revenue bonds issued to the State by 1993 Special Obligation Borrowers or general obligation bonds issued to the State by 1993 General Obligation Borrowers (collectively, the "1993 Borrower State Loan Bonds", and together with the 1993 Borrower Trust Loan Bonds, the "1993 Borrower Loan Bonds"). Except as set forth below with respect to the relationship between 1993 Borrower Trust Loan Bonds and 1993 Borrower State Loan Bonds, 1993 Borrower State Loan Bonds are secured to the same extent as 1993 Borrower Trust Loan Bonds.

Where the original Loan amounts proved insufficient to finance all allowable costs of any such 1993 Project, such 1993 Borrowers were eligible to receive a supplemental loan from each of the Trust and the State, acting by and through the Department, for the balance of such allowable costs. Allowable costs were determined by the Trust and the Department pursuant to their respective regulations promulgated pursuant to applicable law, including, without limitation, the Trust Act and the Clean Water Act. Unallowable costs that may have constituted the balance of any 1993 Project cost were funded by the 1993 Borrowers from any source available to them, including, without limitation, revenues from their Systems or capital debt of such 1993 Borrowers. All of the 1993 Projects have been completed.
In the 1993 Financing Program, all 1993 Borrowers make Loan repayments over the course of a period not exceeding twenty (20) years to The Bank of New York, West Paterson, New Jersey, which previously has assumed all of the rights, duties and obligations of loan servicer from New Jersey National Bank, West Trenton, New Jersey, which itself was the successor organization to First Peoples Bank of New Jersey, Haddon, New Jersey, acting as loan servicer for the 1993 Financing Program (the "1993 Loan Servicer") pursuant to an agreement among the Trust, the State, acting by and through the State Treasurer on behalf of the Department, and the 1993 Loan Servicer (the "1993 Loan Servicing Agreement"). All Loan repayments are scheduled to be made by the 1993 Borrowers at least fifteen (15) days prior to the debt service payment dates for the 1993 Prior Bonds.

Pursuant to the 1993 Loan Servicing Agreement, the 1993 Loan Servicer immediately deposits all 1993 Trust Loan payments and 1993 State Loan payments into the "1993 Trust Bonds Security Account" established for the 1993 Financing Program, and thereupon immediately pays over to the Trustee for payment of debt service on the 1993 Prior Bonds amounts on deposit in the 1993 Trust Bonds Security Account in the amount sufficient to make the debt service payments on the 1993 Prior Bonds. In approving this repayment mechanism in the 1993 Loan Servicing Agreement, the State has agreed to subordinate its right to receive 1993 State Loan payments to the prior right of the 1993 Loan Servicer and the Trustee to apply said 1993 State Loan payments to satisfy any deficiency that may arise in the 1993 Financing Program should one or more 1993 Borrowers in the 1993 Financing Program fail to make their respective 1993 Trust Loan repayments on time and in full. The 1993 Financing Program is not secured by the payments in any other financing program and, therefore, the 1993 Loan Servicer may not satisfy any Trust loan deficiency in a particular financing program with the State loan repayments of any other financing program. All 1993 State Loan repayments no longer needed to secure 1993 Prior Bond repayments are paid over to the State by the 1993 Loan Servicer.

In the 1993 Financing Program, the 1993 Borrower Trust Loan Bond is either senior to or on a parity with the 1993 Borrower State Loan Bond of any such 1993 Borrower, depending on applicable law and upon the terms of the bond resolution of the 1993 Borrower authorizing the issuance of the 1993 Borrower Loan Bonds (the "Borrower Bond Resolutions"). If the 1993 Borrower Trust Loan Bond is senior to the 1993 Borrower State Loan Bond issued by any such 1993 Borrower, Loan repayments made by such 1993 Borrower will be applied by the 1993 Loan Servicer, and will be credited on behalf of the 1993 Borrower, to repayment of the 1993 Trust Loan prior to the 1993 State Loan. If the 1993 Borrower Trust Loan Bond is on a parity with the 1993 Borrower State Loan Bond issued by any 1993 Borrower, Loan repayments by such 1993 Borrower will be applied by the 1993 Loan Servicer to the repayment of the 1993 Trust Loan prior to the 1993 State Loan, but will be credited on behalf of such 1993 Borrower to repayment of each Loan on a pro-rata basis.

Although the Trust Act precludes the Trust from issuing bonds in an aggregate principal amount not to exceed $1,600,000,000, bonds issued by the Trust to refund outstanding bonds of the Trust are exempt from this cap. The 2003 Refunding Bonds are being issued to currently refund and defease the 1993 Trust Loan, but will be credited on behalf of such 1993 Borrower to repayment of each Loan on a pro-rata basis.

Although the Trust Act precludes the Trust from issuing bonds in an aggregate principal amount not to exceed $1,600,000,000, bonds issued by the Trust to refund outstanding bonds of the Trust are exempt from this cap. The 2003 Refunding Bonds are being issued to currently refund and defease the 1993 Prior Bonds issued pursuant to the 1993 Financing Program. Accordingly, the 2003 Refunding Bonds are not subject to this $1,600,000,000 cap.

Although the Trust and the State have made loans for wastewater treatment projects of local government units in the State under other financing programs from 1987 to the present, the bonds and loans made by the Trust and the State in these other financing programs do not secure the 2003 Refunding Bonds.

For a summary of the remaining outstanding 1993 Trust Loan indebtedness and repayment schedule for each 1993 Borrower, see "TABLES AND SCHEDULES - 1993 Borrower Trust Loan Repayments" herein.

The 1993 Borrowers

The 1993 Borrowers consist of: (i) the Borough of Chatham, Township of Long Hill, Borough of Manville, Borough of Mount Arlington, Township of Mount Olive, Borough of Old Tappan, Town of Phillipsburg, Township of Wall and Township of West Deptford (collectively, the "1993 General Obligation Borrowers"), and (ii) the Bayshore Regional Sewerage Authority, Cape May County Municipal Utilities Authority, Delran Sewerage Authority, Middlesex County Utilities Authority, Musconetcong Sewerage Authority, Northwest Bergen County Utilities Authority, Old Bridge Municipal Utilities Authority, The Riverside Water Reclamation Authority (f/k/a Riverside Sewerage Authority), Sussex County Municipal Utilities Authority and the Woodstown Sewerage Authority (collectively, the "1993 Special Obligation Borrowers").
The 1993 Participants and 1993 Indirect Participants

**Bayshore Regional Sewerage Authority:** The following 1993 Participants have entered into a 1993 Service Agreement with the Bayshore Regional Sewerage Authority: the Boroughs of Keansburg, Keyport, Matawan and Union Beach; the Townships of Hazlet and Holmdel; the Aberdeen Township Municipal Utilities Authority, the Hazlet Township Sewerage Authority, the Keansburg Municipal Utilities Authority and the Western Monmouth Utilities Authority. In addition, the following 1993 Indirect Participants have entered into a 1993 Indirect Service Agreement with a 1993 Participant: the Township of Aberdeen, as a 1993 Indirect Participant, has entered into a 1993 Indirect Service Agreement with the Aberdeen Township Municipal Utilities Authority; and the Townships of Marlboro and Manalapan, as 1993 Indirect Participants, have entered into a 1993 Indirect Service Agreement with the Western Monmouth Utilities Authority.

**Cape May County Municipal Utilities Authority:** The following 1993 Participants have entered into a 1993 Service Agreement with the Cape May County Municipal Utilities Authority: the County of Cape May, the Cities of Cape May, North Wildwood, Ocean City, Sea Isle City, Wildwood; the Boroughs of Avalon, Cape May Point, Stone Harbor, West Cape May, West Wildwood and Wildwood Crest; the Townships of Lower and Middle; and the Lower Township Municipal Utilities Authority. The Township of Lower, as a 1993 Indirect Participant, has entered into a 1993 Indirect Service Agreement with the Lower Township Municipal Utilities Authority. In addition to the 1993 Service Agreements that the Cape May County Municipal Utilities Authority has entered into with its 1993 Participants, the Cape May County Municipal Utilities Authority has entered into a service agreement with a private water company, The New Jersey Water Company.

**Delran Sewerage Authority:** The Township of Delran has entered into a 1993 Service Agreement with the Delran Sewerage Authority.

**Middlesex County Utilities Authority:** The following 1993 Participants have entered into a 1993 Service Agreement with the Middlesex County Utilities Authority: the Borough of Bound Brook, the Borough of Carteret, the Township of Cranbury, the Borough of Dunellen, the Township of East Brunswick Sewerage Authority, the Township of Edison, the Franklin Township Utilities Authority, the Township of Green Brook, the Borough of Highland Park, the Borough of Metuchen, the Borough of Middlesex, the Monroe Township Utilities Authority, the City of New Brunswick, the Township of North Brunswick, the Borough of North Plainfield, the Old Bridge Township Municipal Utilities Authority, the City of Perth Amboy, the Township of Piscataway, the City of Plainfield, the Plainfield Joint Meeting, the Borough of Sayreville, the City of South Amboy, the Borough of South Bound Brook, the Township of South Brunswick, the Borough of South Plainfield, the Borough of South River, the Borough of Spotswood and the Township of Woodbridge. In addition, the following 1993 Indirect Participants have entered into a 1993 Indirect Service Agreement with a 1993 Participant: the Township of East Brunswick, as a 1993 Indirect Participant, has entered into a 1993 Indirect Service Agreement with the Township of East Brunswick Sewerage Authority; Franklin Township, as a 1993 Indirect Participant, has entered into a 1993 Indirect Service Agreement with the Franklin Township Utilities Authority; Monroe Township, as a 1993 Indirect Participant, has entered into a 1993 Indirect Service Agreement with the Monroe Township Utilities Authority; Old Bridge Township, as a 1993 Indirect Participant, has entered into a 1993 Indirect Service Agreement with the Old Bridge Township Municipal Utilities Authority; and the participants in the Plainfield Joint Meeting, as a 1993 Indirect Participant, have entered into a 1993 Indirect Service Agreement with the Plainfield Joint Meeting. In addition to the 1993 Service Agreements that the Middlesex County Utilities Authority has entered into with its 1993 Participants, the Middlesex County Utilities Authority has entered into service agreements with the following private companies: Anheuser Busch-Gist Brocades, Sherwin Williams-PMC, W.R. Grace-Hatco & Co., Green Tree Technologies, Inc. & Green Tree Chemical Technologies, Inc., Hercules, Inc., P.J. Schweitzer-Kimberly Clark, Stauffer Chemical-Akzo, Superior Air-Union Carbide, Nuodex Inc.-Huls America, Zagar Fab Techs and N.L. Industries.

**Musconetcong Sewerage Authority:** The following 1993 Participants have entered into a 1993 Service Agreement with the Musconetcong Sewerage Authority: the Borough of Mont Arlington, the Township of Mont Olive and the Township of Roxbury.

**Northwest Bergen County Utilities Authority:** The following 1993 Participants have entered into a 1993 Service Agreement with the Northwest Bergen County Utilities Authority: the Boroughs of Allendale, Ho-Ho-Kus,
Midland Park, Ramsey, Upper Saddle River and Waldwick; the Townships of Mahwah and Wykoff; and the Village of Ridgewood.

_Old Bridge Municipal Utilities Authority:_ The Township of Old Bridge has entered into a 1993 Service Agreement with the Old Bridge Municipal Utilities Authority.

_The Riverside Water Reclamation Authority:_ The Township of Riverside has entered into a 1993 Service Agreement with The Riverside Water Reclamation Authority.

_Sussex County Municipal Utilities Authority:_ The following 1993 Participants have entered into a 1993 Service Agreement with the Sussex County Municipal Utilities Authority: the Boroughs of Franklin, Hamburg and Sussex; the County of Sussex; and the Hardyston Township Municipal Utilities Authority.

_Woodstown Sewerage Authority:_ The Borough of Woodstown has entered into a 1993 Service Agreement with the Woodstown Sewerage Authority.

**THE 1993 PROJECTS**

_Description of the 1993 Projects_

Each 1993 Borrower has covenanted in its respective 1993 Loan Agreements to undertake and complete its respective 1993 Project, as described in Exhibit B to each such 1993 Loan Agreement. All of the 1993 Projects have been completed.

Each such 1993 Borrower has covenanted to the Trust that all remaining Project Fund moneys allocable to such 1993 Borrower are either (i) needed for the completion of their respective 1993 Project or (ii) are to be deposited by the Trust in the 1993 Escrow Fund (as hereinafter defined) for the 2003 Refunding of the 1993 Prior Bonds. (See "PLAN OF REFUNDING" herein.) In order to examine the list of the 1993 Projects, please contact the Trust at its principal corporate offices located at 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey 08648, (609) 219-8600.

**PLAN OF REFUNDING**

_2003 Refunding of the 1993 Prior Bonds_

The 2003 Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the "2003 Refunding of the 1993 Prior Bonds") and (ii) the defeasance (the "1993 Prior Bond Defeasance") of the entire remaining Outstanding principal amount of the 1993 Prior Bonds. The 1993 Prior Bond Defeasance is scheduled to occur upon issuance of the 2003 Refunding Bonds. Therefore, upon issuance of the 2003 Refunding Bonds and the 1993 Prior Bond Defeasance, no 1993 Prior Bonds will remain Outstanding. Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the 2003 Refunding Bonds (the "1993 Escrow Deposit Agreement"), by and between the Trust and Wachovia Bank, National Association, formerly known as First Union National Bank, in its capacity as Trustee and as escrow agent for the 1993 Prior Bonds (the "1993 Escrow Agent"), the 1993 Escrow Agent will be irrevocably instructed to pay on or about June 23, 2003 (the "1993 Redemption Date"), from amounts deposited and earned in an escrow fund (the "1993 Escrow Fund") created thereunder:

(i) all of the accrued but unpaid interest on the 1993 Prior Bonds, through and including the 1993 Redemption Date;

(ii) all of the principal due with respect to the 1993 Prior Bonds, on the 1993 Redemption Date; and

(iii) the redemption premium applicable to redeeming the 1993 Prior Bonds, on the 1993 Redemption Date.
1993 Prior Bond Defeasance

Upon the 1993 Prior Bond Defeasance, the holders of the 1993 Prior Bonds will have no interest in and to the 1993 Trust Estate pledged pursuant to the 1993 Original Bond Resolution, and the holders of the 1993 Prior Bonds shall be entitled solely to the moneys and securities in the 1993 Escrow Fund for payment of the principal and redemption premium of and interest on the 1993 Prior Bonds.

THE 2003 REFUNDING BONDS

General Description

The principal of the 2003 Refunding Bonds is payable on the maturity dates shown on the inside cover pages hereof upon presentation and surrender thereof at the corporate trust offices of the Trustee. The 2003 Refunding Bonds will bear interest from the date of issuance thereof, calculated based upon a 360-day year consisting of twelve 30-day months. Interest thereon will be payable in lawful money of the United States of America by check or draft mailed by the Paying Agent to the registered owners at their addresses appearing on the registration books held by the Trustee (as bond registrar) as of the Record Date. For purposes hereof, "Record Date" shall mean, if the interest payment date is scheduled for the first (1st) day of any month, the fifteenth (15th) day (whether or not such day shall be a Business Day) of the month prior to such interest payment date or, if the interest payment date is scheduled for the fifteenth (15th) day of any month, the first (1st) day (whether or not such day shall be a Business Day) of the month in which such interest payment date occurs.

Interest on the 2003 Refunding Bonds will be payable semiannually on March 1 and September 1 in each year, commencing September 1, 2003, to and including their final maturity.

The 2003 Refunding Bonds will be issued as fully registered bonds in book-entry-only form in the denomination of one bond per aggregate principal amount of the stated maturity thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for DTC. For so long as DTC or its nominee, Cede & Co., is the registered owner of the 2003 Refunding Bonds, payments of the principal of and interest on the 2003 Refunding Bonds will be made directly by wire transfer by the Paying Agent to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and further disbursement of such payments from the DTC Participants to the Beneficial Owners (as hereinafter defined) of the 2003 Refunding Bonds is the responsibility of the DTC Participants. Purchases of the 2003 Refunding Bonds will be made in book-entry-only form (without certificates) in principal amounts of $5,000 or any integral multiple thereof.

No Optional or Mandatory Sinking Fund Redemption

The 2003 Refunding Bonds will not be subject to either optional or mandatory sinking fund redemption prior to their stated maturity.

Book-Entry-Only System

The information contained in this section concerning DTC and the DTC Book-Entry-Only System has been obtained from sources that the Trust believes to be reliable. However, the Trust takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the information with DTC or the Direct Participants, as the case may be.

Initially, the 2003 Refunding Bonds will be available in book-entry form only. Purchasers of the 2003 Refunding Bonds will not receive certificates representing their interests in the 2003 Refunding Bonds purchased. DTC will act as the initial securities depository for the 2003 Refunding Bonds. The 2003 Refunding Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate
will be issued for each maturity of the 2003 Refunding Bonds as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation ("NSCC"), Government Securities Clearing Corporation ("GSCC"), MBS Clearing Corporation ("MBSSC"), and Emerging Markets Clearing Corporation ("EMCC"). NSCC, GSCC, MBSSC and EMCC, also subsidiaries of DTCC, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission ("SEC"). More information about DTC can be found at www.dtcc.com. So long as the 2003 Refunding Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the 2003 Refunding Bonds.

Purchases of 2003 Refunding Bonds under the DTC Book-Entry-Only System must be made by or through Direct Participants, which will receive a credit for the 2003 Refunding Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2003 Refunding Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Refunding Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2003 Refunding Bonds, except in the event that use of the DTC Book-Entry-Only System for the 2003 Refunding Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Refunding Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2003 Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003 Refunding Bonds; DTC’s records reflect only the identity of the Direct Participants to whom accounts such 2003 Refunding Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2003 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest with respect to the 2003 Refunding Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trust or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee or the Trust, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest with respect to the 2003 Refunding Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trust or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2003 Refunding Bonds at any time by giving reasonable notice to the Trust or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2003 Refunding Bond certificates are required to be printed and delivered.

In addition, the Trust may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2003 Refunding Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the 2003 Refunding Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the 2003 Refunding Bonds means Cede & Co., not the Beneficial Owners of the 2003 Refunding Bonds.

THE TRUST, THE TRUSTEE, THE REGISTRAR AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2003 REFUNDING BONDS (1) PAYMENTS OF THE PRINCIPAL OR INTEREST ON THE 2003 REFUNDING BONDS, OR (2) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2003 REFUNDING BONDS, OR (3) ANY NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE TRUST, THE TRUSTEE, THE REGISTRAR OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE 2003 REFUNDING BONDS WITH RESPECT TO: (1) THE 2003 REFUNDING BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ITS NOMINEE, OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR INTEREST ON ANY 2003 REFUNDING BONDS; (4) THE DELIVERY BY DTC, ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE 1993 BOND RESOLUTION TO BE
GIVEN TO THE BONDHOLDERS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

SECURITY FOR THE 2003 REFUNDING BONDS

Refunding Bonds; Parity Obligations

The 2003 Refunding Bonds have been authorized for issuance as "Refunding Bonds" pursuant to the 1993 Original Bond Resolution, as amended and supplemented by that certain "SUPPLEMENTAL BOND RESOLUTION AUTHORIZING THE ISSUANCE OF WASTEWATER TREATMENT INSURED REFUNDING BONDS, SERIES 2003 (1993 FINANCING PROGRAM) OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST", adopted by the Trust on March 27, 2003 (the "2003 Supplemental Bond Resolution" and together with the 1993 Original Bond Resolution, and as the same may be further amended and supplemented from time to time in accordance with its terms, the "1993 Bond Resolution"). Upon their issuance, the 2003 Refunding Bonds shall be on a parity with the Outstanding 1993 Prior Bonds and shall be entitled to the same benefit and security of the 1993 Bond Resolution, including without limitation the pledge of the 1993 Trust Estate (as hereinafter defined), as the Outstanding 1993 Prior Bonds. The Outstanding 1993 Prior Bonds and the 2003 Refunding Bonds may be referred to collectively herein as the "1993 Bonds". The 1993 Bond Defeasance is scheduled to occur upon issuance of the 2003 Refunding Bonds. Therefore, upon issuance of the 2003 Refunding Bonds and the 1993 Prior Bond Defeasance, no 1993 Prior Bonds will remain Outstanding.

General

The 2003 Refunding Bonds are special obligations of the Trust pursuant to the 1993 Bond Resolution payable by the Trust from and secured solely by a pledge of and lien upon: (i) all right, title and security interest of the Trust in, to and under the 1993 Trust Loan Agreements (except for the Trust’s right, title and interest in (A) those certain 1993 Trust Loan repayments that, upon receipt by the 1993 Loan Servicer, were not deposited in the 1993 Trust Bonds Security Account, and (B) the administrative fees (the “Administrative Fee”) due and owing to the Trust thereunder on each interest payment date), including the 1993 Trust Loan repayment obligations as evidenced by the 1993 Borrower Trust Loan Bonds; (ii) the 1993 Trust Loan repayments and 1993 State Loan repayments that, upon receipt by the 1993 Loan Servicer, were deposited in the 1993 Trust Bonds Security Account, whether held by the Trustee or the 1993 Loan Servicer; (iii) proceeds derived from the foregoing, including without limitation investment income; and (iv) all funds and accounts, including the 1993 Debt Service Reserve Fund, established by the 1993 Bond Resolution (other than the Project Fund, the Operating Expense Fund and the Rebate Fund), including the investments, if any, thereof (collectively, the "1993 Trust Estate").

Pursuant to the 1993 Bond Resolution, the 1993 Trust Estate has been pledged and assigned as security for the payment of the principal of and interest on the 1993 Bonds, subject only to the provisions of the 1993 Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the 1993 Bond Resolution. Upon the issuance of the 1993 Bonds, the 1993 Trust Estate shall have immediately become and shall be subject to the lien of said pledge without any physical delivery thereof or further act, and such lien shall be valid and binding against all persons having claims of any kind in tort, contract or other against the Trust.

The full faith and credit of the Trust are not pledged, either expressly or by implication, to the payment of the principal of or interest on the 1993 Bonds. The Trust has no taxing power. The Trust has no claim on any revenues or receipts of the State or any agency or political subdivision thereof (except for the 1993 Borrowers and, derivatively, the 1993 Participants, but only as provided in the 1993 Trust Loan Agreements and 1993 Borrower Trust Loan Bonds).

1993 Trust Loan Agreements

The 1993 Trust Loan Agreements set forth the 1993 Trust Loan repayment obligations of the 1993 Borrowers, which obligations are evidenced by the 1993 Borrower Trust Loan Bonds. These repayment obligations were originally established in amounts sufficient, in the aggregate, to pay the principal of and interest on all of the 1993 Prior Bonds.
Upon the 1993 Prior Bond Defeasance (scheduled to occur upon issuance of the 2003 Refunding Bonds), debt service for the 1993 Prior Bonds will be satisfied from amounts on deposit in the 1993 Escrow Fund. The 1993 Trust Loan repayment amounts previously allocable to payment of debt service on the 1993 Prior Bonds are no longer needed to secure same. Therefore, all 1993 Trust Loan repayments made by 1993 Borrowers to the 1993 Loan Servicer upon their deposit in the 1993 Trust Bonds Security Account will be immediately turned over to the Trustee for payment of the principal of and interest on the 2003 Refunding Bonds.

The original 1993 Trust Loan repayment obligations would otherwise exceed the amount necessary to pay debt service on all of the 2003 Refunding Bonds. Therefore, that portion of the original 1993 Trust Loan repayment obligations of the 1993 Borrowers not required to pay debt service on the 2003 Refunding Bonds will constitute a savings and will be applied as a credit to the 1993 Trust Loan repayment obligations of the 1993 Borrowers in accordance with the terms of the Refunding Agreements, to be dated the date of issuance of the 2003 Refunding Bonds (the "Refunding Agreements"), by and between the Trust and each 1993 Borrower. Pursuant to the Refunding Agreements, the 1993 Borrowers have acknowledged that the portion of their original 1993 Trust Loan repayments remaining after application of the savings credit will be applied to pay the principal of and interest on the 2003 Refunding Bonds.

1993 General Obligation Borrowers. The respective obligations of the 1993 General Obligation Borrowers to repay their 1993 Trust Loans are direct and general obligations of such 1993 Borrowers payable, if necessary, from ad valorem taxes on all of the taxable property within their respective jurisdictions without limitation as to rate or amount. Pursuant to the 1993 Trust Loan Agreements, the 1993 General Obligation Borrowers have covenanted to exercise their respective unlimited taxing power for the payment, when due, of the principal of and interest on their 1993 Trust Loans as evidenced by the 1993 Borrower Trust Loan Bonds. The 1993 Borrower Trust Loan Bonds of such 1993 General Obligation Borrowers have been issued in accordance with the Local Bond Law of the State, constituting Chapter 169 of the Pamphlet Laws of 1960 of the State (codified at N.J.S.A. 40A:2-1 et seq., the "Local Bond Law"), and all other applicable law. No 1993 Borrower Trust Loan Bonds have been issued pursuant to the Municipal Qualified Bond Act, constituting Chapter 38 of the Pamphlet Laws of 1976 of the State (codified at N.J.S.A. 40A:3-1 et seq., the "Municipal Qualified Bond Act"). Pursuant to the Local Bond Law, no bonds, notes or other debt obligations can be issued that are superior to senior to the 1993 Borrower Trust Loan Bonds as to the pledge of and lien on the general tax revenues of the 1993 General Obligation Borrowers. The 1993 Borrower Trust Loan Bonds issued by the 1993 General Obligation Borrowers are parity obligations with the 1993 Borrower State Loan Bonds issued by such 1993 General Obligation Borrowers.

1993 Special Obligation Borrowers. The respective obligations of the 1993 Special Obligation Borrowers to repay their respective 1993 Trust Loans are special and limited obligations of the 1993 Special Obligation Borrowers payable solely from the pledged revenues or other receipts of their respective Systems. Under the terms of the 1993 Trust Loan Agreements, the 1993 Special Obligation Borrowers have pledged (i) to maintain their respective Systems in good repair and operating condition and (ii) to establish, levy and collect rents, rates and other charges for the products and services provided by their respective Systems which shall be at least sufficient (a) to meet the operation and maintenance expenses of such respective Systems and (b) to generate funds sufficient to fulfill the terms and conditions of all contracts and agreements made by them, including, without limitation, their payment obligations pursuant to the 1993 Trust Loan Agreements and their 1993 Borrower Trust Loan Bonds. The 1993 Special Obligation Borrowers have no bonds, notes or other debt obligations outstanding that are senior to their respective 1993 Borrower Trust Loan Bonds as to the pledge of and lien on the pledged revenues of their respective Systems, except for certain senior debt obligations of the Bayshore Regional Sewerage Authority, The Delran Sewerage Authority and the Middlesex County Utilities Authority (each of which have adopted a resolution precluding it from issuing any additional senior debt obligation under its senior bond resolution). The 1993 Borrower Trust Loan Bonds issued by the 1993 Special Obligation Borrowers are either parity obligations with or senior obligations to the 1993 Borrower State Loan Bonds issued by such 1993 Special Obligation Borrowers.

If any 1993 Special Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from pledged System revenues, any such deficiency may be timely satisfied by any such 1993 Special Obligation Borrower without creating a payment default under its 1993 Trust Loan Agreement. Although the source of payment is different from pledged System revenues, payment in full on the applicable 1993 Trust Loan payment date from moneys payable under the respective 1993 Service Agreements, as applicable, and, if still not satisfied, from moneys on deposit in the respective 1993 Borrower Debt Service Reserve Funds (as hereinafter defined) (to
the extent that such 1993 Special Obligation Borrower has funded a 1993 Borrower Debt Service Reserve Fund securing its 1993 Borrower Trust Loan Bond, as applicable, would constitute timely and complete payment of such 1993 Special Obligation Borrower's 1993 Trust Loan.

For additional information regarding the provisions, terms and conditions of the 1993 Trust Loan Agreement, see Appendix C hereto, "SUMMARY OF THE 1993 BOND RESOLUTION, THE 1993 LOAN SERVICING AGREEMENT, THE 1993 TRUST LOAN AGREEMENTS AND THE 1993 STATE LOAN AGREEMENTS."

1993 Service Agreements

If any 1993 Special Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from pledged System revenues, such 1993 Special Obligation Borrower has covenanted in its 1993 Trust Loan Agreement to take all measures permitted pursuant to its 1993 Service Agreements to collect such deficiency from its 1993 Participants. This obligation arises immediately on the 1993 Trust Loan payment date.

The 1993 Service Agreements require that 1993 Participants pay certain deficiencies, if any, or other amounts ("1993 Annual Charges"), including the 1993 Participant's share of debt service on all 1993 Borrower Loan Bonds. Pursuant to the terms of certain 1993 Service Agreements, any deficiency giving rise to 1993 Annual Charges is calculated at the end of each fiscal year of any such 1993 Special Obligation Borrower, and submitted to the applicable 1993 Participant for payment as provided therein. Under the terms of the respective 1993 Service Agreements and applicable laws, the municipal 1993 Participants are required to levy ad valorem taxes upon all of the taxable property within the jurisdiction of such 1993 Participants in order to pay any such 1993 Annual Charges.

As discussed below under "State Aid Intercept Powers of the Trust under the Trust Act," upon the failure of the municipal 1993 Participants to pay their respective 1993 Annual Charges, the Trust is authorized to intercept the State aid payable to such municipal 1993 Participant in an amount sufficient to satisfy the payment of their 1993 Annual Charges.

1993 Borrower Debt Service Reserve Funds

If any 1993 Special Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from pledged System revenues and if any such 1993 Special Obligation Borrower is unable or is not then entitled to collect any such deficiency from its 1993 Participants on the 1993 Trust Loan payment date, the trustee for the applicable 1993 Borrower Trust Loan Bonds is required to satisfy any such deficiency on the 1993 Trust Loan payment date from a draw on the debt service reserve fund created and existing under the Borrower Bond Resolutions adopted in connection with the 1993 Financing Program (the "1993 Borrower Debt Service Reserve Fund") for any such 1993 Special Obligation Borrower. The 1993 Borrower Debt Service Reserve Fund of each 1993 Special Obligation Borrower is required to be funded in an amount at least equal to the approximately average annual debt service payable on the applicable 1993 Borrower Loan Bonds. Each 1993 Special Obligation Borrower has funded a 1993 Borrower Debt Service Reserve Fund, securing its 1993 Borrower Trust Loan Bond, except the Riverside Water Reclamation Authority.

1993 State Loan Agreements

The 1993 State Loan Agreements set forth the 1993 State Loan repayment obligations of the 1993 Borrowers, which obligations are evidenced by the 1993 Borrower State Loan Bonds.

1993 General Obligation Borrowers. The respective obligations of the 1993 General Obligation Borrowers to repay their 1993 State Loans are direct and general obligations of such 1993 Borrowers payable, if necessary, from ad valorem taxes on all of the taxable property within their respective jurisdictions without limitation as to rate or amount. Under the 1993 State Loan Agreements, the 1993 General Obligation Borrowers have covenanted to exercise their respective unlimited taxing power for the payment, when due, of the principal of and interest on their 1993 State Loans as evidenced by the 1993 Borrower State Loan Bonds. The 1993 Borrower State Loan Bonds of such 1993 General Obligation Borrowers have been issued in accordance with the Local Bond Law and all other applicable law. No 1993 Borrower State Loan Bonds have been issued under the Municipal Qualified Bond Act.
Under the Local Bond Law, no bonds, notes or other debt obligations can be outstanding that are superior or senior to the 1993 Borrower State Loan Bonds as to the pledge of and lien on the general tax revenues of the 1993 General Obligation Borrowers.

1993 Special Obligation Borrowers. The respective obligations of the 1993 Special Obligation Borrowers to repay their respective 1993 State Loans will be special obligations of the 1993 Special Obligation Borrowers payable solely from the pledged revenues or other receipts of their respective Systems. Under the terms of the 1993 State Loan Agreements, the 1993 Special Obligation Borrowers have pledged (i) to maintain their respective Systems in good repair and operating condition and (ii) to establish, levy and collect rents, rates and other charges for the products and services provided by their respective Systems which shall be at least sufficient (a) to meet the operation and maintenance expenses of such respective Systems and (b) to generate funds sufficient to fulfill the terms and conditions of all contracts and agreements made by them, including, without limitation, their payment obligations under the 1993 State Loan Agreements and their 1993 Borrower State Loan Bonds. If any 1993 Special Obligation Borrower is unable to make its 1993 State Loan payment in full when due from pledged System revenues, such 1993 Special Obligation Borrower has covenanted in its 1993 State Loan Agreement to take all measures permitted under its 1993 Service Agreements to collect such deficiency from its 1993 Participants. This obligation arises immediately on the 1993 State Loan payment date.

If any 1993 Special Obligation Borrower is unable to make its 1993 State Loan payment in full when due from pledged System revenues, any such deficiency may be timely satisfied by any such 1993 Special Obligation Borrower without creating a payment default under its 1993 State Loan Agreement. Although the source of payment is different from pledged System revenues, payment in full on the applicable 1993 State Loan payment date from moneys payable under the respective 1993 Service Agreements, as applicable, and, if still not satisfied, from moneys on deposit in the respective 1993 Borrower Debt Service Reserve Funds (to the extent that such 1993 Special Obligation Borrower has funded a 1993 Borrower Debt Service Reserve Fund securing its 1993 Borrower State Loan Bond), as applicable, would constitute timely and complete payment of such 1993 Special Obligation Borrower’s 1993 State Loan.

1993 Loan Servicing Agreement

The 1993 Borrowers make the Loan repayments to the 1993 Loan Servicer in accordance with the terms of the 1993 Loan Agreements and the 1993 Loan Servicing Agreement. To the extent (i) a 1993 General Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from its general obligation tax revenues, or (ii) a 1993 Special Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from pledged System revenues, (b) its 1993 Participants or (c) a draw on its 1993 Borrower Debt Service Reserve Fund (to the extent that such 1993 Special Obligation Borrower has funded a 1993 Borrower Debt Service Reserve Fund securing its 1993 Borrower Trust Loan Bond), any such deficiency (which now gives rise to a payment default under the applicable 1993 Trust Loan Agreement) will be automatically satisfied to the extent of any 1993 State Loan repayments (from any of the above noted sources) made by any 1993 Borrowers, received by the 1993 Loan Servicer and deposited in the 1993 Trust Bonds Security Account. Immediately upon the receipt of such Loan repayments, the 1993 Loan Servicer, acting in accordance with the 1993 Loan Servicing Agreement, transfers to the Trustee such Loan repayments received and on deposit in the 1993 Trust Bonds Security Account.

Under the 1993 Loan Servicing Agreement, the 1993 Loan Servicer also receives the payment of the Administrative Fee from the 1993 Borrowers on the Loan repayment dates, which fee is turned over to the Trust after payment to the Trustee, as described above, has been made. After payment of the Trust’s Administrative Fee, the 1993 Loan Servicer immediately turns over the balance of the Loan repayments to or on behalf of the State.

State Aid Intercept Powers of the Trust under the Trust Act

As authorized by, and in accordance with, certain procedures set forth in the Trust Act, the Trust shall require that, if a 1993 Borrower fails or is unable to pay to the Trust in full any of its "obligations" (including without limitation its 1993 Trust Loan payment obligation) to the Trust remaining unpaid for a period of 30 days, the State Treasurer shall pay to the Trust the following amounts. If the 1993 Borrower is a 1993 General Obligation Borrower, the State Treasurer shall pay an amount sufficient to satisfy such unpaid obligations from State aid.
payable to the 1993 General Obligation Borrower. If the 1993 Borrower is a 1993 Special Obligation Borrower, the State Treasurer shall pay an amount sufficient to satisfy such unpaid obligations from State aid payable to any municipal 1993 Participant that has executed a 1993 Service Agreement with any such 1993 Special Obligation Borrower. As defined in the Trust Act, "obligations" of the 1993 Borrowers include, but are not limited to, principal of and interest on the 1993 Borrower Trust Loan Bonds issued by the 1993 Borrowers to the Trust, and any 1993 Annual Charges payable by the municipal 1993 Participants pursuant to any such 1993 Service Agreement.

The State aid subject to interception by the Trust for the 1993 General Obligation Borrowers or such municipal 1993 Participants includes franchise and gross receipts taxes, business personal property tax replacement revenues, insurance franchise tax replacement revenues, taxes on financial businesses and revenues from the municipal purposes tax assistance fund, and other similar forms of State aid payable to such local governments, the 1993 General Obligation Borrowers and such municipal 1993 Participants. ALL STATE AID IS SUBJECT TO ANNUAL APPROPRIATIONS BY THE STATE LEGISLATURE, AND IF PREVIOUSLY PAID OUT, MAY NOT BE AVAILABLE FOR THE TRUST PURPOSES. State aid may include, to the extent permitted by federal law, federal moneys appropriated or apportioned to the 1993 General Obligation Borrowers and the municipal 1993 Participants under any such 1993 Service Agreement by the State.

No 1993 Borrowers and no municipal 1993 Participants have any "qualified bonds" outstanding under the Municipal Qualified Bond Act. The obligation of the State Treasurer to make such State aid payments to the Trust is subordinate to the rights thereto of holders of "qualified bonds" which may be issued by any 1993 General Obligation Borrower or municipal 1993 Participant in the future pursuant to the Municipal Qualified Bond Act. Each 1993 General Obligation Borrower has covenanted in its respective 1993 Trust Loan Agreement not to issue any "qualified bonds" unless the amount of State aid payable to it in its then current fiscal year and subject to interception by the Trust under the Trust Act shall be at least two times the sum of (i) the maximum annual debt service payable on said "qualified bonds" and any of the 1993 General Obligation Borrower's other "qualified bonds" then outstanding and (ii) one year's 1993 Trust Loan repayments due pursuant to the 1993 Trust Loan Agreement.

1993 Debt Service Reserve Fund

The 1993 Bond Resolution establishes a Debt Service Reserve Fund (the "1993 Debt Service Reserve Fund") for the security of the 1993 Bonds. The 1993 Debt Service Reserve Fund shall at all times contain an amount equal to the Debt Service Reserve Requirement (the "1993 Debt Service Reserve Requirement"), which upon issuance of the 2003 Refunding Bonds and the 1993 Prior Bond Defeasance is $5,452,440.

In the event that a 1993 Borrower is deficient in the payment of a 1993 Trust Loan repayment under its 1993 Trust Loan Agreement, the Trustee shall transfer on the interest payment date or maturity date, as the case may be, the amount of such deficiency to the appropriate account in the Debt Service Fund created pursuant to the 1993 Bond Resolution (the "1993 Debt Service Fund"); provided, however, that the Trustee may only transfer such amount which, when added to all unreimbursed prior transfers made from the 1993 Debt Service Reserve Fund as a result of deficient 1993 Trust Loan repayments by said 1993 Borrower, does not exceed said 1993 Borrower's pro rata share of the 1993 Debt Service Reserve Fund. A 1993 Borrower's pro rata share of the 1993 Debt Service Reserve Fund shall be an amount equal to the product of: (i) the 1993 Debt Service Reserve Requirement and (ii) the 1993 Borrower's Allocable Share (as defined in the 1993 Bond Resolution).

Each 1993 Borrower has acknowledged in its 1993 Trust Loan Agreement that payment of the 1993 Bonds by the Trust, including payment from moneys drawn by the Trustee from the 1993 Debt Service Reserve Fund, does not constitute payment of the amounts due under its 1993 Trust Loan Agreement and 1993 Borrower Trust Loan Bond. Each 1993 Borrower has further agreed that if at any time the amount in the 1993 Debt Service Reserve Fund shall be less than the 1993 Debt Service Reserve Requirement as the result of any transfer of moneys from the 1993 Debt Service Reserve Fund to the 1993 Debt Service Fund due to a failure by the 1993 Borrower to make any required 1993 Trust Loan repayments, it shall (i) replenish such moneys so transferred, and (ii) replenish any deficiency, including interest, arising from losses incurred in making such transfer as the result of the liquidation by the Trust of Investment Securities acquired as an investment of moneys in the 1993 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 1993 Trust Loan in an amount sufficient to replenish its pro rata share of the 1993 Debt Service Reserve Fund.
**Bond Insurance Policy**

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to Appendix G for a specimen of the Bond Insurance Policy.

**Payment Pursuant to Bond Insurance Policy**

The Bond Insurer has made a commitment to issue the Bond Insurance Policy relating to the 2003 Refunding Bonds effective as of the date of issuance of the 2003 Refunding Bonds. Under the terms of the Bond Insurance Policy, the Bond Insurer will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the 2003 Refunding Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Bond Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 2003 Refunding Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2003 Refunding Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 2003 Refunding Bonds, the Bond Insurer will remain obligated to pay principal of and interest on outstanding 2003 Refunding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 2003 Refunding Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration. In the event the Trustee has notice that any payment of principal of or interest on a 2003 Refunding Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Trust has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Bond Insurance Policy. Specifically, the Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of 2003 Refunding Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2003 Refunding Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the 2003 Refunding Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 2003 Refunding Bond and will be fully subrogated to the surrendering Holder's rights to payment.
Ambac Assurance Corporation is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $6,115,000,000 (unaudited) and statutory capital of $3,703,000,000 (unaudited) as of December 31, 2002. Statutory capital consists of the Bond Insurer’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Trust of the 2003 Refunding Bonds.

The Bond Insurer makes no representation regarding the 2003 Refunding Bonds or the advisability of investing in the 2003 Refunding Bonds and makes no representation regarding, nor has it participated in the preparation of, this Official Statement, other than the information supplied by the Bond Insurer and presented under the heading "SECURITY FOR THE 2003 REFUNDING BONDS-Bond Insurance Policy."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of the Bond Insurer’s financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer’s administrative offices and its telephone number are Ambac Assurance Corporation, One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

5. The Company’s Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company’s Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003; and


All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “Available Information”.


1. At least one month prior to any interest payment date or principal payment date with respect to the 2003 Refunding Bonds, each 1993 Borrower is obligated to make its required 1993 Trust Loan and 1993 State Loan repayments under its respective 1993 Trust Loan Agreement and companion 1993 State Loan Agreement. The 1993 General Obligation Borrowers have covenanted to make such Loan repayments from their general obligation tax revenues and the 1993 Special Obligation Borrowers have covenanted to make such Loan repayments from pledged System revenues. The sum of all 1993 Trust Loan repayments of all 1993 Borrowers is sufficient to pay in full when due the principal of and interest on all 2003 Refunding Bonds on such payment dates. (See “SECURITY FOR THE 2003 REFUNDING BONDS - 1993 Trust Loan Agreements” and “SECURITY FOR THE 2003 REFUNDING BONDS - 1993 State Loan Agreements” herein.)

2. If any 1993 Special Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from pledged System revenues, any such deficiency may be timely satisfied by any such 1993 Special Obligation Borrower without creating a payment default under its 1993 Trust Loan Agreement. Although the source of payment is different from pledged System revenues, payment in full on the applicable 1993 Trust Loan payment date from any of the following sources would constitute timely and complete payment of such 1993 Special Obligation Borrower’s Trust Loan.

   (i) Each such 1993 Special Obligation Borrower has covenanted in its 1993 Trust Loan Agreement to take all measures permitted pursuant to its 1993 Service Agreement to collect such deficiency from its 1993 Participants. Although this obligation arises immediately under the 1993 Trust Loan Agreement as of the 1993 Trust Loan payment date, such 1993 Special Obligation Borrower is not entitled under its 1993 Service Agreement (except in limited circumstances described therein) to calculate and collect any deficiency giving rise to 1993 Annual Charges until the end of such 1993 Special Obligation Borrower’s fiscal year in which such deficiency arose. (See “SECURITY FOR THE 2003 REFUNDING BONDS - 1993 Service Agreements” herein.)

   (ii) If any such deficiency is still not satisfied and if such a deficiency arises with respect to a 1993 Special Obligation Borrower, the trustee for the 1993 Borrower Loan Bonds of any such 1993 Special Obligation Borrower is required to satisfy any such deficiency on the 1993 Trust Loan payment date from a draw on the applicable 1993 Borrower Debt Service Reserve Fund (to the extent that such 1993 Special Obligation Borrower has funded a 1993 Borrower Debt Service Reserve Fund securing its 1993 Borrower Trust Loan Bond). (See “SECURITY FOR THE 2003 REFUNDING BONDS - 1993 Borrower Debt Service Reserve Funds” herein.)

3. If a 1993 General Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due from its general obligation tax revenues and if any 1993 Special Obligation Borrower is unable to make its 1993 Trust Loan payment in full when due (i) from pledged System revenues, (ii) from collection from its 1993 Participants or (iii) from a draw on its 1993 Borrower Debt Service Reserve Fund (to the extent that such 1993 Special Obligation Borrower has funded a 1993 Borrower Debt Service Reserve Fund securing its 1993 Borrower Trust Loan Bond), as applicable, any such deficiency (which now gives rise to a payment default under the applicable 1993 Trust Loan Agreement) will be automatically satisfied to the extent of 1993 State Loan repayments made (from any available source) by any 1993 Borrower and received by the 1993 Loan Servicer for immediate deposit in the 1993 Trust Bonds Security Account that are immediately transferred to the Trustee. (See “SECURITY FOR THE 2003 REFUNDING BONDS - 1993 State Loan Agreements” and “SECURITY FOR THE 2003 REFUNDING BONDS - 1993 Loan Servicing Agreement” herein.)

4. If the 1993 Trust Loan repayment deficiency has not been satisfied by any of the above (i) for 1993 General Obligation Borrowers or (ii) for 1993 Special Obligation Borrowers that have entered into a 1993 Service
Agreement, once thirty (30) days have passed from the original 1993 Trust Loan payment date the Trust has the right to seek reimbursement from the State Treasurer in the amount of such deficiency from State aid otherwise payable to any such 1993 General Obligation Borrower or municipal 1993 Participants. (See "SECURITY FOR THE 2003 REFUNDING BONDS - State Aid Intercept Powers of the Trust Under the Trust Act" herein.)

5. Once the Interest Payment Date and/or the Principal Payment Date, as the case may be, has been reached and the Trustee is still unable to satisfy the debt service payments due on the 2003 Refunding Bonds on any such date, the Trustee shall immediately draw on that portion of the 1993 Debt Service Reserve Fund allocable to the 1993 Borrowers whose delinquent 1993 Trust Loan Payments caused any such deficiency in order to satisfy any such residual deficiency in the debt service payment due and owing on the 2003 Refunding Bonds on such date. (See "SECURITY FOR THE 2003 REFUNDING BONDS - 1993 Debt Service Reserve Fund" herein.)

6. If a draw on the 1993 Debt Service Reserve Fund does not satisfy any remaining deficiency in the payment of the principal of and interest on the 2003 Refunding Bonds, the Bond Insurer shall pay any such deficiency attributable to the 2003 Refunding Bonds when due pursuant to the Bond Insurance Policy. (See "SECURITY FOR THE 2003 REFUNDING BONDS - Bond Insurance Policy" herein.)

State General Taxing Power Not Pledged

Pursuant to the Trust Act and the 1993 Bond Resolution, the 2003 Refunding Bonds shall be special obligations of the Trust and shall not be a debt of the State or any political subdivision thereof (other than the Trust, but solely to the extent of the 1993 Trust Estate) and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof (other than the Trust, but solely to the extent of the 1993 Trust Estate). The principal of and interest on the 2003 Refunding Bonds shall be payable by the Trust solely from and secured by the pledge by the Trust of the 1993 Trust Estate to the extent provided in the 1993 Bond Resolution.
### SOURCES AND USES OF FUNDS FOR THE 2003 REFUNDING BONDS

#### Sources

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Principal Amount of 2003 Refunding Bonds</td>
<td>$39,655,000.00</td>
</tr>
<tr>
<td>Original Issue Premium</td>
<td>3,794,913.65</td>
</tr>
<tr>
<td>1993 Borrower Contributions</td>
<td>666,819.79</td>
</tr>
<tr>
<td><strong>Total Sources of Funds</strong></td>
<td><strong>$44,116,733.44</strong></td>
</tr>
</tbody>
</table>

#### Uses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of 1993 Escrow Fund</td>
<td>$43,595,136.65</td>
</tr>
<tr>
<td>Underwriter’s Discount</td>
<td>53,653.22</td>
</tr>
<tr>
<td>Cost of Issuance (1)</td>
<td>366,943.57</td>
</tr>
<tr>
<td>1993 Borrower Allowances</td>
<td>101,000.00</td>
</tr>
<tr>
<td><strong>Total Uses of Funds</strong></td>
<td><strong>$44,116,733.44</strong></td>
</tr>
</tbody>
</table>

(1) Includes Bond Insurance Premium

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]
<table>
<thead>
<tr>
<th>Year Ending March 1,</th>
<th>Bayshore Regional Authority</th>
<th>Cape May County Municipal Authority</th>
<th>Borough of Chatham Authority</th>
<th>Delran Borough of Sewerage Authority</th>
<th>Township of Long Hill Authority</th>
<th>Borough of Manville Utilities Authority</th>
<th>Middlesex County Municipal Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$ 602,248</td>
<td>$ 101,858</td>
<td>$ 14,680</td>
<td>$ 118,918</td>
<td>$ 128,153</td>
<td>$ 54,485</td>
<td>$ 505,973</td>
</tr>
<tr>
<td>2005</td>
<td>599,648</td>
<td>98,998</td>
<td>14,240</td>
<td>120,618</td>
<td>129,633</td>
<td>52,945</td>
<td>506,893</td>
</tr>
<tr>
<td>2006</td>
<td>600,973</td>
<td>101,073</td>
<td>13,790</td>
<td>117,018</td>
<td>130,808</td>
<td>51,370</td>
<td>506,818</td>
</tr>
<tr>
<td>2007</td>
<td>600,963</td>
<td>102,853</td>
<td>13,330</td>
<td>118,338</td>
<td>131,668</td>
<td>54,760</td>
<td>505,718</td>
</tr>
<tr>
<td>2008</td>
<td>600,033</td>
<td>99,403</td>
<td>12,870</td>
<td>119,428</td>
<td>132,298</td>
<td>52,920</td>
<td>508,928</td>
</tr>
<tr>
<td>2009</td>
<td>602,470</td>
<td>100,840</td>
<td>12,395</td>
<td>120,153</td>
<td>132,548</td>
<td>51,020</td>
<td>505,640</td>
</tr>
<tr>
<td>2010</td>
<td>598,720</td>
<td>102,040</td>
<td>11,920</td>
<td>120,640</td>
<td>132,560</td>
<td>54,120</td>
<td>506,640</td>
</tr>
<tr>
<td>2011</td>
<td>598,760</td>
<td>97,960</td>
<td>11,440</td>
<td>120,840</td>
<td>132,280</td>
<td>51,960</td>
<td>506,480</td>
</tr>
<tr>
<td>2012</td>
<td>602,600</td>
<td>98,880</td>
<td>10,960</td>
<td>120,800</td>
<td>131,760</td>
<td>54,800</td>
<td>505,360</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>99,560</td>
<td>10,480</td>
<td>120,520</td>
<td>131,000</td>
<td>52,400</td>
<td>508,280</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 5,406,413</strong></td>
<td><strong>$ 1,003,463</strong></td>
<td><strong>$ 126,105</strong></td>
<td><strong>$ 1,197,270</strong></td>
<td><strong>$ 1,312,705</strong></td>
<td><strong>$ 530,780</strong></td>
<td><strong>$ 5,066,728</strong></td>
</tr>
</tbody>
</table>
### 1993 BORROWER TRUST LOAN REPAYMENTS (continued)

#### Aggregate Trust Loan Repayments

<table>
<thead>
<tr>
<th>Year Ending March 1,</th>
<th>Borough of</th>
<th>Township of</th>
<th>Musconetcong Sewerage Authority</th>
<th>Northwest Bergen County Municipal Utilities Authority</th>
<th>Oldbridge Old Phillipsburg Authority</th>
<th>Borough of</th>
<th>Town of Tappan (S340580-03-02)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$ 450,780</td>
<td>$ 970,493</td>
<td>$ 702,583</td>
<td>$ 601,195</td>
<td>$ 86,468</td>
<td>$ 95,220</td>
<td>$ 9,235</td>
</tr>
<tr>
<td>2005</td>
<td>453,240</td>
<td>968,433</td>
<td>703,003</td>
<td>604,475</td>
<td>84,048</td>
<td>97,580</td>
<td>9,015</td>
</tr>
<tr>
<td>2006</td>
<td>449,740</td>
<td>969,633</td>
<td>702,078</td>
<td>601,475</td>
<td>86,573</td>
<td>94,655</td>
<td>13,790</td>
</tr>
<tr>
<td>2007</td>
<td>450,480</td>
<td>968,813</td>
<td>699,768</td>
<td>602,385</td>
<td>83,813</td>
<td>96,665</td>
<td>13,330</td>
</tr>
<tr>
<td>2008</td>
<td>450,530</td>
<td>966,613</td>
<td>701,538</td>
<td>602,375</td>
<td>86,053</td>
<td>98,445</td>
<td>12,870</td>
</tr>
<tr>
<td>2009</td>
<td>454,380</td>
<td>966,938</td>
<td>701,363</td>
<td>600,763</td>
<td>87,965</td>
<td>94,883</td>
<td>12,395</td>
</tr>
<tr>
<td>2010</td>
<td>452,280</td>
<td>970,600</td>
<td>700,000</td>
<td>603,200</td>
<td>84,640</td>
<td>96,320</td>
<td>11,920</td>
</tr>
<tr>
<td>2011</td>
<td>454,280</td>
<td>966,960</td>
<td>702,160</td>
<td>604,200</td>
<td>86,280</td>
<td>97,480</td>
<td>11,440</td>
</tr>
<tr>
<td>2012</td>
<td>450,320</td>
<td>966,640</td>
<td>702,830</td>
<td>604,000</td>
<td>87,680</td>
<td>93,400</td>
<td>10,960</td>
</tr>
<tr>
<td>2013</td>
<td>450,640</td>
<td>969,400</td>
<td>702,160</td>
<td>602,600</td>
<td>83,840</td>
<td>94,320</td>
<td>10,480</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 4,516,670</strong></td>
<td><strong>$ 9,684,520</strong></td>
<td><strong>$ 7,017,530</strong></td>
<td><strong>$ 6,026,668</strong></td>
<td><strong>$ 857,358</strong></td>
<td><strong>$ 958,968</strong></td>
<td><strong>$ 115,435</strong></td>
</tr>
</tbody>
</table>
## 1993 BORROWER TRUST LOAN REPAYMENTS (continued)

### Aggregate Trust Loan Repayments

<table>
<thead>
<tr>
<th>Year Ending March 1,</th>
<th>Town of Phillipsburg (s340874-01-02)</th>
<th>Riverside Sewerage Authority</th>
<th>Sussex County Municipal Utilities Authority</th>
<th>Township of Wall</th>
<th>Township of West Deptford</th>
<th>Woodstown Sewerage Authority</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$1,198</td>
<td>$267,910</td>
<td>$252,975</td>
<td>$300,595</td>
<td>$140,953</td>
<td>$39,795</td>
<td>$5,445,710</td>
</tr>
<tr>
<td>2005</td>
<td>1,198</td>
<td>265,430</td>
<td>255,935</td>
<td>302,235</td>
<td>136,993</td>
<td>38,695</td>
<td>5,443,250</td>
</tr>
<tr>
<td>2006</td>
<td>1,198</td>
<td>267,555</td>
<td>253,285</td>
<td>303,235</td>
<td>137,943</td>
<td>42,570</td>
<td>5,445,575</td>
</tr>
<tr>
<td>2007</td>
<td>1,198</td>
<td>269,045</td>
<td>255,235</td>
<td>298,575</td>
<td>138,573</td>
<td>41,190</td>
<td>5,446,695</td>
</tr>
<tr>
<td>2008</td>
<td>1,198</td>
<td>265,075</td>
<td>251,725</td>
<td>303,685</td>
<td>138,973</td>
<td>39,810</td>
<td>5,444,765</td>
</tr>
<tr>
<td>2009</td>
<td>6,198</td>
<td>265,575</td>
<td>252,700</td>
<td>302,760</td>
<td>138,985</td>
<td>38,385</td>
<td>5,448,353</td>
</tr>
<tr>
<td>2010</td>
<td>5,960</td>
<td>265,600</td>
<td>253,200</td>
<td>301,360</td>
<td>138,760</td>
<td>41,960</td>
<td>5,452,440</td>
</tr>
<tr>
<td>2011</td>
<td>5,720</td>
<td>265,040</td>
<td>253,120</td>
<td>299,360</td>
<td>138,240</td>
<td>40,280</td>
<td>5,444,280</td>
</tr>
<tr>
<td>2012</td>
<td>5,480</td>
<td>269,000</td>
<td>252,560</td>
<td>301,880</td>
<td>137,480</td>
<td>38,600</td>
<td>5,446,040</td>
</tr>
<tr>
<td>2013</td>
<td>5,240</td>
<td>267,240</td>
<td>251,520</td>
<td>298,680</td>
<td>141,480</td>
<td>41,920</td>
<td>4,841,760</td>
</tr>
<tr>
<td>Total</td>
<td>$34,585</td>
<td>$2,667,470</td>
<td>$2,532,255</td>
<td>$3,012,365</td>
<td>$1,388,378</td>
<td>$403,205</td>
<td>$53,858,868</td>
</tr>
</tbody>
</table>
AGGREGATE 1993 BORROWER TRUST LOAN REPAYMENTS AND AGGREGATE DEBT SERVICE SCHEDULE
FOR THE
2003 REFUNDING BONDS

The following table sets forth the aggregate annual loan repayments from the 1993 Borrowers to the Trust and annual debt service requirements of the principal of and interest on the 2003 Refunding Bonds.

<table>
<thead>
<tr>
<th>Year Ending March 1</th>
<th>Aggregate 1993 Borrower Trust Loan Repayments</th>
<th>Debt Service Requirements for the 2003 Refunding Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2004</td>
<td>$5,445,710</td>
<td>$3,465,000</td>
</tr>
<tr>
<td>2005</td>
<td>5,443,250</td>
<td>3,365,000</td>
</tr>
<tr>
<td>2006</td>
<td>5,445,575</td>
<td>3,500,000</td>
</tr>
<tr>
<td>2007</td>
<td>5,446,695</td>
<td>3,675,000</td>
</tr>
<tr>
<td>2008</td>
<td>5,444,765</td>
<td>3,860,000</td>
</tr>
<tr>
<td>2009</td>
<td>5,448,353</td>
<td>4,055,000</td>
</tr>
<tr>
<td>2010</td>
<td>5,452,440</td>
<td>4,260,000</td>
</tr>
<tr>
<td>2011</td>
<td>5,444,280</td>
<td>4,465,000</td>
</tr>
<tr>
<td>2012</td>
<td>5,446,040</td>
<td>4,690,000</td>
</tr>
<tr>
<td>2013</td>
<td>4,841,760</td>
<td>4,320,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$53,858,868</strong></td>
<td><strong>$39,655,000</strong></td>
</tr>
</tbody>
</table>
SECONDARY MARKET DISCLOSURE

The Trust and the 1993 Financing Program

In connection with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Trust has determined that it is not an "obligated person" as defined therein. Nevertheless, the Trust has determined in the 1993 Bond Resolution (i) that the 1993 Financing Program is an "obligated person" (see "APPENDIX B — SELECTED FINANCIAL INFORMATION WITH RESPECT TO COVERAGE PROVIDING FINANCING PROGRAMS" herein) and (ii) to provide notice of certain events, if material, to each Nationally Recognized Municipal Securities Information Repository recognized by the SEC ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB") and the State Information Depository ("SID"), if any, recognized by the SEC. (See "APPENDIX D — SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS" herein.)

Accordingly, the Trust has covenanted in the 1993 Bond Resolution and in the "2003 Trust Continuing Disclosure Agreement (1993 Financing Program)" (the "Trust Continuing Disclosure Agreement") to provide notice of (i) certain financial information and operating data relating to the 1993 Financing Program, including, without limitation, audited financial statements and information similar to that provided herein in Appendix B hereto, within 225 days after the end of each fiscal year for which the Trust Continuing Disclosure Agreement is in effect (the "Trust Annual Report"), and (ii) Bond Disclosure Events (as defined in the Trust Continuing Disclosure Agreement) with respect to the 2003 Refunding Bonds, if material, to each NRMSIR or to the MSRB and the SID, if any, recognized by the SEC. The specific nature of the information to be contained in the Trust Annual Reports or the notices of material events is summarized in "APPENDIX D — SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS" hereto.

The obligations of the Trust pursuant to the Trust Continuing Disclosure Agreement shall be in full force and effect from the date of issuance of the 2003 Refunding Bonds, and shall continue in effect until the date either (i) the 2003 Refunding Bonds are no longer Outstanding in accordance with the terms of the 1993 Bond Resolution or (ii) the 1993 Financing Program no longer remains a material "obligated person" (as the term "obligated person" is defined in Rule 15c2-12(f)(10)) as a result of an interpretation of Rule 15c2-12, and in either event only after the Trust delivers written notice to such effect to each NRMSIR or to the MSRB and the SID, if any. (See "APPENDIX D — SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS" herein.)

1993 Borrowers and 1993 Participants

Upon the execution and delivery of the respective Refunding Agreements, the Trust has determined which 1993 Borrowers are material "obligated persons" for the 1993 Financing Program (within the meaning and for the purposes of Rule 15c2-12) by designating such 1993 Borrowers as such based upon the following criteria established pursuant to the 1993 Bond Resolution (as the means of satisfying the meaning and purposes of Rule 15c2-12): 1993 Borrowers in the 1993 Financing Program were so designated as material "obligated persons" because the remaining 1993 State Loan repayments of any such 1993 Borrower in the 1993 Financing Program, when aggregated with such 1993 Borrower's remaining 1993 Trust Loan repayments in the 1993 Financing Program, exceed ten percent (10%) of the sum of (i) the aggregate of all remaining 1993 State Loan repayments from all 1993 Borrowers in the 1993 Financing Program and (ii) the aggregate of all remaining 1993 Trust Loan repayments from all 1993 Borrowers in the 1993 Financing Program.

In addition, to the extent any 1993 Borrowers that have been determined to be material "obligated persons" within the meaning and for the purposes of Rule 15c2-12, pursuant to the criteria set forth above, have entered into 1993 Service Agreements with 1993 Participants whereby 1993 Annual Charges materially secure the remaining Loan repayments of such 1993 Borrowers in the 1993 Financing Program to such an extent that such 1993 Annual Charges would, in and of themselves, exceed the ten percent (10%) test described above, any such 1993 Participants shall also be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12.

Finally, to the extent any 1993 Participants that have been determined to be material "obligated persons" within the meaning and for the purposes of Rule 15c2-12, pursuant to the criteria set forth above, have entered into 1993 Indirect Service Agreements with 1993 Indirect Participants whereby annual charges pursuant to the 1993

27
Indirect Service Agreements materially secure the remaining Loan repayments of such 1993 Borrower that has entered into a 1993 Service Agreements with any such 1993 Participants in the 1993 Financing Program to such an extent that such annual charges (under the 1993 Indirect Service Agreement) would, in and of themselves, exceed the ten percent (10%) test described above, any such 1993 Indirect Participants shall also be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12.

Pursuant to these criteria, the Trust has determined that the following 1993 Borrowers shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 for the 1993 Financing Program:

Bayshore Regional Sewerage Authority
Township of Mount Olive
The Musconetcong Sewerage Authority
Northwest Bergen County Utilities Authority

Pursuant to these criteria, the Trust has determined that the following 1993 Participant (which is also a 1993 Borrower and, therefore, already has been determined to be a material "obligated person" within the meaning and for the purposes of Rule 15c2-12) shall be considered a material "obligated person" within the meaning and for the purposes of Rule 15c2-12 for the 1993 Financing Program: Township of Mount Olive.

Pursuant to these criteria, the Trust has determined that no 1993 Indirect Participants shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 for the 1993 Financing Program.

Each 1993 Borrower determined to be a material "obligated person" based upon the criteria set forth herein (the only 1993 Participant determined to be a material "obligated person" is also a 1993 Borrower) shall be required to enter into a Continuing Disclosure Agreement (collectively, the "Borrower Continuing Disclosure Agreements" and together with the Trust Continuing Disclosure Agreement, the "Continuing Disclosure Agreements") with respect to the obligation of such 1993 Borrower, with a term as specified therein, by and among such 1993 Borrower, the Trust and the Trustee for the 1993 Financing Program. Such Borrower Continuing Disclosure Agreements obligate any such 1993 Borrowers to provide (i) certain financial information and operating data relating to such 1993 Borrowers and the 1993 Participants (collectively, the "Disclosure Local Units"), if applicable, including, without limitation, audited financial statements and information similar to that provided herein in Appendix A hereto relating to the Disclosure Local Units, within 225 days after the end of each fiscal year for which any such Borrower Continuing Disclosure Agreement is in effect (the "Borrower Annual Reports"), and (ii) notice to the Trust of the occurrence of certain enumerated events, if material. The specific nature of the information to be contained in the Borrower Annual Reports or the notices of material events is summarized in "APPENDIX D — SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS" hereto.

Such Borrower Continuing Disclosure Agreements further require that the Borrower Annual Reports will be delivered by or on behalf of such 1993 Borrowers to each NRMSIR and SID, if any. Notices of material events relating to the 1993 Borrower Trust Loan Bonds of such 1993 Borrowers will be filed by such 1993 Borrowers with the Trust, and the notices of material events relating to the 2003 Refunding Bonds will be filed directly by the Trust with each NRMSIR or with the MSRB and the SID, if any. The obligations under the Borrower Continuing Disclosure Agreements shall continue in effect until the date either (i) the applicable 1993 Borrower Trust Loan Bond is no longer outstanding in accordance with the terms of the documents pursuant to which it was issued or (ii) neither such 1993 Borrower nor any 1993 Participant that has entered into a 1993 Service Agreement with any such 1993 Borrower remains a material "obligated person" (as the term "obligated person" is defined in Rule 15c2-12(f)(10), with materiality being determined by the Trust in its sole discretion pursuant to criteria set forth in the 1993 Bond Resolution and in this Official Statement) with respect to the 2003 Refunding Bonds, and in either event only after the Trust delivers written notice to such effect to each NRMSIR or to the MSRB and the SID, if any.

The Trust shall have no liability to the Holders of the 2003 Refunding Bonds or to any other person with respect to the secondary market disclosure of any such material "obligated persons." (See "APPENDIX D — SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS" herein.)
ABSENCE OF MATERIAL LITIGATION OF THE TRUST

In the opinion of counsel to the Trust, there is no controversy or litigation now pending or, to its knowledge, threatened concerning the issuance, sale or delivery of the 2003 Refunding Bonds or in any way contesting or affecting the validity of the Trust Act, the validity or enforceability on behalf of the Trust of the 2003 Refunding Bonds, the 1993 Loan Agreements or the proceedings of the Trust taken with respect to the issuance and sale of the 2003 Refunding Bonds, including, without limitation, the adoption of the 1993 Bond Resolution, or the pledge of the 1993 Trust Estate.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization, issuance and delivery of the 2003 Refunding Bonds are subject to the approval of McCarter & English, LLP, Newark, New Jersey, as Bond Counsel. The opinion of Bond Counsel will be delivered with the 2003 Refunding Bonds in substantially the form included in Appendix E to this Official Statement. Certain legal matters in connection with the 2003 Refunding Bonds will be passed upon by the Trust’s General Counsel, Peter C. Harvey, the Acting Attorney General of the State of New Jersey.

LEGALITY FOR INVESTMENT

The Trust Act provides that the State and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes, including, without limitation, the 2003 Refunding Bonds, and the bonds or notes shall be authorized security for any and all public deposits.

TAX EXEMPTION

Exclusion of Interest on the 2003 Refunding Bonds from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that may have to be met or must be met on a continuing basis subsequent to the issuance and delivery of the 2003 Refunding Bonds in order to assure that interest on the 2003 Refunding Bonds will be excluded from gross income for purposes of federal income taxation under Section 103 of the Code, including requirements relating to the use and investment of proceeds of the 2003 Refunding Bonds and rebate to the United States of America of certain arbitrage earnings. Failure of the Trust or the 1993 Borrowers to observe such requirements may cause the interest on the 2003 Refunding Bonds to lose the exclusion from gross income provided under Section 103 of the Code, retroactive to the date of issuance of the 2003 Refunding Bonds. In the "Tax Certificate as to Arbitrage and Instructions as to Compliance with the Provisions of Section 103(a) of the Internal Revenue Code of 1986, as Amended" (the "Tax Certificate"), which will be delivered in connection with the issuance of the 2003 Refunding Bonds (which do not constitute covenants under the 1993 Bond Resolution), the Trust will represent that it expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Tax Certificate and will do and perform all acts and things necessary or desirable in order to assure that, under the Code as currently in force, interest on the 2003 Refunding Bonds will, for purposes of federal income taxation, be excluded from the gross income of the owners thereof. The 1993 Borrowers have made certain covenants that permit Bond Counsel to conclude that the 1993 Borrowers will not to take any action or fail to take any action that would cause the interest on the 2003 Refunding Bonds to lose the exclusion from gross income under Section 103 of the Code or that would cause the 2003 Refunding Bonds to be "private activity bonds" as defined in Section 141(a) of the Code so as to cause interest on the 2003 Refunding Bonds to be treated as an item of tax preference under Section 57 of the Code.
Assuming continuing compliance by the Trust with the provisions and procedures set forth in the Tax Certificate and assuming the 1993 Borrowers observe their covenants with respect to continuing compliance with the Code, McCarter & English, LLP, Bond Counsel to the Trust, is of the opinion that, for federal income tax purposes, based upon existing law, interest on the 2003 Refunding Bonds is not includable in the gross income of the owners of the 2003 Refunding Bonds pursuant to Section 103 of the Code, and interest on the 2003 Refunding Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

Exclusion of Interest on the 2003 Refunding Bonds from Gross Income for State Income Tax Purposes

Interest on the 2003 Refunding Bonds and any gain on the sale thereof are not includable in gross income under the existing New Jersey Gross Income Tax Act.

The opinion of McCarter & English, LLP will be delivered with respect to the Federal and State income tax consequences of the 2003 Refunding Bonds in substantially the forms attached to this Official Statement as Appendix E hereto.

Additional Federal Income Tax Consequences

Interest on the 2003 Refunding Bonds will be included in calculating federal income tax liability under certain federal income taxes that are calculated by including items, such as interest on the 2003 Refunding Bonds, which are not included in gross income. In the case of certain corporate holders of the 2003 Refunding Bonds, interest on the 2003 Refunding Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the 2003 Refunding Bonds in "adjusted current earnings" of certain corporations.

Although Bond Counsel has rendered an opinion that interest on the 2003 Refunding Bonds is not includable for federal income tax purposes in the gross income of the owners of the 2003 Refunding Bonds pursuant to Section 103 of the Code, prospective purchasers of the 2003 Refunding Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the 2003 Refunding Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2003 Refunding Bonds from gross income pursuant to Section 103 of the Code and interest on the 2003 Refunding Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the 2003 Refunding Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2003 Refunding Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("Standard & Poor's") have assigned a long-term debt rating of Aaa and AAA, respectively, to the 2003 Refunding Bonds, based upon the Trust's expectation that the 2003 Refunding Bonds will be insured by the Bond Insurance Policy.

These ratings reflect only the views of Moody's and Standard & Poor's, respectively, and an explanation thereof may be obtained directly from Moody's and Standard & Poor's. Such ratings are not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's or Standard & Poor's if, in their respective judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating on the 2003 Refunding Bonds may have an adverse effect on the market price of the 2003 Refunding Bonds.
MISCELLANEOUS

Information contained in this Official Statement with respect to the 1993 Financing Program and the Trust and copies of the 1993 Bond Resolution, the 1993 Loan Agreements, the 1993 Loan Servicing Agreement, the 1993 Service Agreements, the Bond Insurance Policy, the Continuing Disclosure Agreements and the Refunding Agreements may be obtained from Dirk C. Hofman, P.E., Executive Director, New Jersey Environmental Infrastructure Trust, 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey 08648 (telephone (609) 219-8600) (email dhofman@njbeit.org).

This Official Statement is submitted in connection with the sale and issuance of the 2003 Refunding Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement has been duly authorized and approved by the Trust and duly executed and delivered on its behalf by the official signing below.

This Official Statement includes the cover and inside cover pages and the Appendices attached hereto and should be read in its entirety. With respect to Appendix B ("SELECTED FINANCIAL INFORMATION WITH RESPECT TO COVERAGE PROVIDING FINANCING PROGRAMS") attached hereto, your attention is called to the fact that only the 1993 Financing Program, described therein, secures the 2003 Refunding Bonds. None of the other financing programs described in Appendix B secures the 2003 Refunding Bonds.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Trust are fully set forth in the 1993 Bond Resolution in accordance with the Trust Act, and this Official Statement is not to be construed as a contract or an agreement between the Trust and the purchasers or owners of any of the 2003 Refunding Bonds.

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

By: /s/ Robert A. Briant, Sr.
    Robert A. Briant, Sr.
    Chairman

DATED: April 24, 2003
[THIS PAGE INTENTIONALLY LEFT BLANK]
APPENDIX A

INFORMATION ON CERTAIN LOCAL UNITS
APPENDIX A-I

NEW JERSEY STATUTES PERTAINING TO LOCAL UNITS
NEW JERSEY STATUTES PERTAINING TO LOCAL UNITS

A. Introduction

New Jersey's local finance system is regulated by various statutes designed to assure that all municipal governments and municipal or county utilities and sewerage authorities remain on a sound financial basis. Regulatory and remedial statutes are enforced by the Division of Local Government Services (the "Division") in the Department of Community Affairs. The following summaries do not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

B. Municipal Financial Management

Set forth below is a summary of various statutory requirements relevant to the municipal budget process.

The Local Budget Law

State Budget Requirements: Under the Local Budget Law, constituting Chapter 4 of Title 40A of the New Jersey Statutes (the "Local Budget Law"), every municipality must adopt a budget for each fiscal year in the form required by the Division. Most municipalities in the State operate on a calendar fiscal year, i.e., from January 1 to December 31. By virtue of the enactment of Chapter 75 of the Pamphlet Laws of 1991 of the State, certain municipalities operate on a State fiscal year, i.e., July 1 to June 30. Items of revenue and appropriation are examined by the Director of the Division (the "Director") prior to final adoption of the budget. Revenue items are only permitted to be included in the budget in such amounts as may be reasonably expected to be realized in cash during the fiscal year. Appropriation items must be set forth in the form required by the Local Budget Law, and appropriations for certain purposes such as debt service, any preceding year's cash deficit and reserve for uncollected taxes are subject to the Director's approval in accordance with the requirements of the Local Budget Law. Upon adoption, the budget constitutes an appropriation for the purposes stated therein and an authorization of the amount to be raised by taxation. The amount to be raised by taxation as stated in the municipal budget shall be the amount to be raised by taxation for municipal purposes and for school purposes where school district costs are required to be included in the municipal budget.

The Director has no authority over individual operating appropriations unless a specific amount is required by law. However, the review functions, focusing on anticipated revenues, serve to protect the solvency of all local units.

The operating budgets of municipalities must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations. If in any year the municipality's expenditures exceed its realized revenues for that year, such excess (deficit) must then be raised in the succeeding year's budget.

Budget Process: The operating budget process includes submission of the budget to the governing body of the municipality, its approval by the governing body, its certification by the Director and its adoption thereafter by the governing body. The budget process usually consists of the review and, if appropriate, the modification of estimated appropriation requests of the operating directors and managers of the various municipal departments and agencies. Revenue estimates are made throughout the process to determine the amount of ad valorem taxes needed to balance the budget. Revenue estimates are provided by the various collecting agencies of the municipality and are based on previous years' receipts and instructions from the State as to what level of revenue to anticipate.

The governing body of each municipality is required to prepare and introduce an annual budget, after which it is advertised and reviewed at public hearings. Following introduction and initial approval of the budget, the governing body may amend the budget as it deems appropriate. If such amendments add a new item of appropriation in an amount in excess of 1% of the total amount of appropriations as stated in the approved budget, increase or decrease any item of appropriation by more than 10% or increase the amount to be raised by taxes by more than 5%, unless the same is made to include an emergency temporary appropriation only, the governing body must conduct a further public hearing with regard to such amendments. After the close of the hearing, and provided that the Director has approved the budget and any amendments thereto, the governing body may adopt the budget.
In order to provide for expenditures to be made in the period commencing with the beginning of a municipality's fiscal year and ending with adoption of the regular budget, temporary appropriations may be made by the governing body of the municipality through a resolution adopted within the first 30 days of the beginning of the municipality's fiscal year. Such temporary appropriations are normally made after the commencement of the fiscal year, and are generally limited to 25% of the total appropriations made for all purposes during the preceding fiscal year. Temporary appropriations required to be made for debt service, capital improvement funds and public assistance are not subject to this 25% limitation. All expenditures made against temporary appropriations must be provided for within the adopted budget.

Each municipality is required to forward to the County Board of Taxation (the "County Board") a certified copy of its operating budget, as adopted. Municipalities operating on a calendar fiscal year must transmit a copy of their budget to the County Board not later than 15 days following the adoption of the budget. Municipalities operating on the State fiscal year must transmit a copy of their budget to the County Board not later than 5 days following the adoption of the budget. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the County Board shall immediately notify the Director, who is authorized then to transmit to the County Board a certificate setting forth the amount required for the operation of the municipality for that fiscal year.

Capital Budget: In accordance with the Local Budget Law, each municipality must adopt and annually revise a six year capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures that the municipality may contemplate over the six-year period. Expenditures for capital purposes may be made either by ordinances adopted by the governing body of the municipality setting forth the items and the method of financing (including the authorization of bonds) or from the annual operating budget if the items were detailed.

The CAP Law

Sections 45.2 and 45.3 of Chapter 4 of Title 40A of the New Jersey Statutes (the "CAP Law") limit municipal expenditures. The CAP Law has been in effect since 1977 and has been amended several times. The CAP Law, as amended, generally limits increases of municipal appropriations over the previous year to no more than five percent (5%) or the index rate (the annual percentage increase in the U.S. Department of Commerce Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the year preceding the current year), whichever is less. However, certain expenditures, including expenditures for debt service, expenditures funded from new or increased service fees, expenditures mandated by federal or State law (after the effective date of the most recent amendments, January 1, 1991) and capital expenditures, are excluded from the calculation of the permissible annual increase in municipal appropriations prescribed under the CAP Law. Further, two procedures exist under which a municipality may increase the total amount of its municipal appropriations in excess of the applicable limitation: (i) by approval of the voters of the municipality; or (ii) to a limited extent, by adoption of an ordinance authorizing appropriations in excess of the applicable limitation.

The Local Fiscal Affairs Law

The Local Fiscal Affairs Law, constituting Chapter 5 of Title 40A of the New Jersey Statutes (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. The chief financial officer of every municipality must file with the Director a verified statement of the financial condition of the municipality and all constituent boards, committees or commissions as of the close of each fiscal year. For municipalities operating on a calendar fiscal year, this statement must be filed by February 10 following the close of the fiscal year. For municipalities operating on a State fiscal year, this statement must be filed not later than 21 days after the close of the State fiscal year.

An independent examination of the municipality's books, financial transactions and accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the municipality's financial procedures and must be filed with the Director following the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.
C. Municipal Indebtedness

The Local Bond Law

Pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), a municipality may incur indebtedness, borrow money and authorize and issue negotiable obligations for financing any capital improvement or property that it may lawfully acquire or for any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financing). The power and obligation of any municipality to pay any and all bonds and notes issued pursuant to the Local Bond Law, including the Local Unit Bond issued to the Trust to evidence the Loan, is unlimited, and the municipality shall levy ad valorem taxes upon all of the taxable property within its boundaries, without limitation as to rate or amount, for the payment of the principal of and interest on such bonds or notes. Each municipality is required to include the total amount of interest and debt redemption charges payable on all of its general obligation indebtedness in its annual budget for the forthcoming fiscal year.

Enforcement of a claim for payment of principal of or interest on bonds and notes of any municipality will be subject to applicable provisions of federal bankruptcy laws and to statutory provisions, if any, heretofore or hereafter enacted by the Congress of the United States or by the Legislature of the State. Under State law, a county, municipality or other political subdivision may file a petition for readjustment of its debts under federal bankruptcy laws, but only after first receiving approval of the Local Finance Board in the Department of Community Affairs (the "Board").

A municipality has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes. Moreover, a municipality's net debt may not exceed 3.5% of the equalized valuation basis (as defined in the Local Bond Law) unless authorized by the Board. The authorization and issuance of municipal debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof and other related matters, are statutory. A municipality is not required to submit the proposed incurrence of indebtedness to a public referendum.

A municipality authorizes and issues obligations by adoption of a bond ordinance. Bond ordinances must be finally approved by the recorded affirmative vote of at least two-thirds of the full membership of the governing body of the municipality. The Local Bond Law requires publication and, in certain instances, posting of the ordinance. In addition, a public hearing must be held prior to the final passage of the bond ordinance. Under certain circumstances, the Board is required to approve or endorse an ordinance, in which case, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty days after the first publication thereof after final adoption. At the conclusion of the twenty-day estoppel period, all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded, except for constitutional matters. Moreover, pursuant to the terms of the Local Bond Law, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be estopped from questioning the sale, execution or delivery of such obligations by the municipality.

Bonds issued by a municipality under the Local Bond Law must mature within the average period of the useful lives of the purposes for which such bonds were issued as determined from the date of issuance of the bonds. Subject to certain exceptions, the authorization of obligations must usually be accompanied by a cash down payment of not less than 5% of the amount of obligations authorized. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for said purpose or by emergency resolution pursuant to the Local Budget Law.

D. Local Financing Authorities

The Local Authorities Fiscal Control Law Under the Local Authorities Fiscal Control Law, constituting Chapter 5A of Title 40A of the New Jersey Statutes (the "Authorities Law"), local financing authorities are subject to regulation by the Division and the Board. The Authorities Law provides for State oversight of financial operations and debt of independent local authorities. The Authorities Law applies to all autonomous local public authorities such as municipal utilities authorities and sewerage authorities created by municipalities and counties.
The Board exercises approval power over the creation of new authorities as well as over the dissolution of authorities. The Board also reviews, conducts public hearings and issues findings and recommendations regarding any proposed project financing of an authority and any service agreement between a local government and an authority. The Board may prescribe minimum audit requirements to be followed by authorities in the conduct of their annual audits. In addition, the Director reviews and approves annual budgets of authorities.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]
APPENDIX A-II
BAYSHORE REGIONAL SEWERAGE AUTHORITY
## BAYSHORE REGIONAL SEWERAGE AUTHORITY

### STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$10,514,615</td>
<td>$10,422,925</td>
<td>$10,191,960</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>3,944,809</td>
<td>4,250,815</td>
<td>3,902,363</td>
</tr>
<tr>
<td>Operating Income</td>
<td>6,569,806</td>
<td>6,172,110</td>
<td>6,289,397</td>
</tr>
<tr>
<td>Non-Operating Revenues (Expenses)</td>
<td>(1,449,777)</td>
<td>(107,069)</td>
<td>(822,008)</td>
</tr>
<tr>
<td>Income Before Depreciation</td>
<td>5,120,029</td>
<td>6,065,041</td>
<td>5,467,389</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>3,307,912</td>
<td>3,416,025</td>
<td>3,327,946</td>
</tr>
<tr>
<td>Net Income Before Transfer of Depreciation to Contributed Capital</td>
<td>1,812,117</td>
<td>2,649,016</td>
<td>2,139,443</td>
</tr>
<tr>
<td>Transfer of Depreciation to Contributed Capital</td>
<td>(382,340)</td>
<td>(382,340)</td>
<td>(382,340)</td>
</tr>
<tr>
<td>Net Income</td>
<td>2,194,457</td>
<td>3,031,356</td>
<td>2,521,783</td>
</tr>
<tr>
<td>Less Prior Year Flow Settlement</td>
<td>549,060</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Retained Earnings, January 1</td>
<td>21,259,415</td>
<td>18,228,059</td>
<td>15,706,276</td>
</tr>
<tr>
<td>Retained Earnings, December 31</td>
<td>22,904,812</td>
<td>21,259,415</td>
<td>18,288,059</td>
</tr>
<tr>
<td>Contributed Capital - Net January 1</td>
<td>7,237,288</td>
<td>7,619,628</td>
<td>8,001,968</td>
</tr>
<tr>
<td>Add: Capital Contributed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Transfer of Depreciation from Operations to Contributed Capital</td>
<td>(382,340)</td>
<td>(382,340)</td>
<td>(382,340)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Contributed Capital - Net December 31</td>
<td>6,854,948</td>
<td>7,237,288</td>
<td>7,619,628</td>
</tr>
<tr>
<td>Fund Equity, December 31</td>
<td>$29,759,760</td>
<td>$28,496,703</td>
<td>$25,847,687</td>
</tr>
</tbody>
</table>
APPENDIX A-III
TOWNSHIP OF MOUNT OLIVE
# Township of Mt. Olive
## Current Fund
### Comparative Statement of Operations and Changes in Fund Balance

<table>
<thead>
<tr>
<th>Revenue and Other Income Realized</th>
<th>December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance Utilized</td>
<td>$ 2,363,756</td>
<td>$ 1,735,856</td>
<td>$ 2,013,513</td>
</tr>
<tr>
<td>Miscellaneous Revenue Anticipated</td>
<td>5,747,803</td>
<td>5,462,209</td>
<td>4,972,453</td>
</tr>
<tr>
<td>Receipts from Delinquent Taxes</td>
<td>766,677</td>
<td>1,092,489</td>
<td>750,887</td>
</tr>
<tr>
<td>Receipts from Current Taxes</td>
<td>49,959,831</td>
<td>45,847,473</td>
<td>41,102,170</td>
</tr>
<tr>
<td>Non-Budget Revenue</td>
<td>656,844</td>
<td>345,966</td>
<td>265,487</td>
</tr>
<tr>
<td>Other Credits to Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unexpended Balances of Appropriations of Reserves</td>
<td>332,261</td>
<td>166,715</td>
<td>143,635</td>
</tr>
<tr>
<td>Overpayments Cancelled</td>
<td>5,116</td>
<td>1,379</td>
<td>--</td>
</tr>
<tr>
<td>Prior Year Senior Citizens Deductions Allowed</td>
<td>450</td>
<td>3,350</td>
<td>--</td>
</tr>
<tr>
<td>Premiums Forfeited</td>
<td>1,000</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Reserves Cancelled</td>
<td>17,441</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Interfunds Returned</td>
<td>--</td>
<td>258,102</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>59,851,179</td>
<td>54,913,539</td>
<td>49,248,145</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Appropriations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>7,136,639</td>
<td>6,271,349</td>
<td>5,909,950</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>5,812,651</td>
<td>5,786,466</td>
<td>5,283,714</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>475,000</td>
<td>200,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Municipal Debt Service</td>
<td>1,891,278</td>
<td>1,952,012</td>
<td>1,779,948</td>
</tr>
<tr>
<td>Deferred Charges and Statutory Expenditures- Municipal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>873,801</td>
<td>1,160,996</td>
<td>914,622</td>
</tr>
<tr>
<td>Expenditures Without Appropriation</td>
<td>--</td>
<td>--</td>
<td>35,015</td>
</tr>
<tr>
<td>County Taxes</td>
<td>4,957,659</td>
<td>4,775,376</td>
<td>4,407,287</td>
</tr>
<tr>
<td>County Taxes – Added Taxes</td>
<td>81,525</td>
<td>104,853</td>
<td>124,779</td>
</tr>
<tr>
<td>County Taxes – Open Space Preservation</td>
<td>604,603</td>
<td>564,589</td>
<td>416,470</td>
</tr>
<tr>
<td>Local District School Taxes</td>
<td>33,464,951</td>
<td>30,283,344</td>
<td>27,289,612</td>
</tr>
<tr>
<td>Sanitation District Taxes</td>
<td>1,145,029</td>
<td>1,125,268</td>
<td>1,055,768</td>
</tr>
<tr>
<td>Sanitation District Taxes – Added Taxes</td>
<td>26,273</td>
<td>18,366</td>
<td>35,483</td>
</tr>
<tr>
<td>Municipal – Open Space Preservation</td>
<td>540,857</td>
<td>281,116</td>
<td>240,575</td>
</tr>
<tr>
<td>Other Debits to Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interfunds Advanced</td>
<td>--</td>
<td>--</td>
<td>338,048</td>
</tr>
<tr>
<td>Refund of Prior Year Revenue</td>
<td>42,487</td>
<td>1,544</td>
<td>99,131</td>
</tr>
<tr>
<td>Prior Year Senior Citizens’ Deductions Disallowed</td>
<td>2,726</td>
<td>8,764</td>
<td>2,546</td>
</tr>
<tr>
<td>Prior Year Grant Reserve Adjustment</td>
<td>6,251</td>
<td>--</td>
<td>14,250</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>57,061,730</td>
<td>52,534,043</td>
<td>48,022,198</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess in Revenue</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2,789,449</td>
<td>$ 2,379,496</td>
<td>$ 1,225,947</td>
</tr>
</tbody>
</table>

Source: Township of Mt. Olive
TOWNSHIP OF MT. OLIVE
DEBT SUMMARY AS OF DECEMBER 31, 2002

<table>
<thead>
<tr>
<th></th>
<th>GROSS</th>
<th>NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality's Portion of School District Debt (1)</td>
<td>$36,460,552</td>
<td>--</td>
</tr>
<tr>
<td>Self-liquidating Debt (Affordable Housing Utility including Refunded Bond)</td>
<td>25,268,106</td>
<td>--</td>
</tr>
<tr>
<td>Total Other Bonds, Notes and Loans</td>
<td>33,243,588</td>
<td>$32,643,588</td>
</tr>
<tr>
<td>Total Gross Debt</td>
<td>$94,972,246</td>
<td>--</td>
</tr>
<tr>
<td>Total Net Debt</td>
<td>$32,643,588</td>
<td></td>
</tr>
</tbody>
</table>

(1) The Municipality's portion of School District debt is determined by multiplying the District's Total Debt by the ratio of the Municipality's Equalized Value to the District's Equalized Value.

CURRENT DEBT RATIOS AS OF DECEMBER 31, 2002

<table>
<thead>
<tr>
<th></th>
<th>Per Capita (1)</th>
<th>Ratio to Assessed Value (2)</th>
<th>Ratio to Avg. Equalized Value (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Debt</td>
<td>1349.29</td>
<td>1.68%</td>
<td>1.67%</td>
</tr>
<tr>
<td>Net and Overlapping Debt</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(1) The 2000 U.S. Census of the Population is 24,193.
(2) Municipality Assessed Value for 2003 is $1,934,299,613.
(3) Municipality 3-Year Average Equalized Value is $1,953,575,353.

LEGAL DEBT LIMITATIONS AS OF DECEMBER 31, 2002

<table>
<thead>
<tr>
<th>3-Year Avg. Equalized Value (1)</th>
<th>3.5% Statutory Borrowing Capacity</th>
<th>Statutory Net Debt (2)</th>
<th>Remaining Borrowing Capacity</th>
<th>Percentage Net Debt to Average Equalized Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,953,575,353</td>
<td>68,375,137</td>
<td>32,643,588</td>
<td>35,731,549</td>
<td>1.67%</td>
</tr>
</tbody>
</table>

Source:
(2) Includes General Obligation Debt, Assessment Bonds, Bonds authorized but not issued and current and operating debt.

ASSESSED VALUE OF TAXABLE PROPERTY

<table>
<thead>
<tr>
<th>Year</th>
<th>Equalized Valuation (1)</th>
<th>Assessed Valuation</th>
<th>Ratio of Assessed to Equalized Valuation (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2,047,408,537</td>
<td>1,856,999,543</td>
<td>90.72%</td>
</tr>
<tr>
<td>2001</td>
<td>1,857,107,443</td>
<td>1,776,508,980</td>
<td>95.66%</td>
</tr>
<tr>
<td>2000</td>
<td>1,773,702,503</td>
<td>1,722,260,066</td>
<td>99.34%</td>
</tr>
<tr>
<td>1999</td>
<td>1,582,639,294</td>
<td>1,641,038,684</td>
<td>103.69%</td>
</tr>
<tr>
<td>1998</td>
<td>1,522,127,681</td>
<td>801,552,437</td>
<td>52.66%</td>
</tr>
<tr>
<td>1997</td>
<td>1,459,328,480</td>
<td>779,719,207</td>
<td>53.43%</td>
</tr>
</tbody>
</table>

Source: Township of Mt. Olive

*Revaluation
(1) Equalized Valuation here refers to that statistic reported on each Local Unit's Annual Debt Statement as submitted to the New Jersey Division of Local Government as of December 31, 2002, which includes the assessed valuation of class II railroad property.
### TOWNSHIP OF MT. OLIVE
#### PROPERTY TAX LEVIES AND COLLECTIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Total Levy</td>
<td>57,422,846</td>
<td>50,910,165</td>
<td>46,871,435</td>
<td>42,093,128</td>
<td>38,290,605</td>
</tr>
<tr>
<td>Current Levy Collected</td>
<td>156,694,628</td>
<td>49,959,831</td>
<td>45,847,473</td>
<td>41,202,170</td>
<td>37,450,228</td>
</tr>
<tr>
<td>Percent of Current Levy</td>
<td>97.78%</td>
<td>98.13%</td>
<td>97.81%</td>
<td>97.88%</td>
<td>97.80%</td>
</tr>
<tr>
<td>Delinquent Collections</td>
<td>869.619</td>
<td>917,116</td>
<td>895,531</td>
<td>918,033</td>
<td>751,803</td>
</tr>
</tbody>
</table>

Source: Township of Mt. Olive

### PRINCIPAL TAXPAYERS FOR 2002

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Assessed Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASF</td>
<td>160,000,000</td>
</tr>
<tr>
<td>Oakwood Village Apartments</td>
<td>50,300,004</td>
</tr>
<tr>
<td>Toy R US</td>
<td>49,170,000</td>
</tr>
<tr>
<td>Segal Realty Apartments</td>
<td>48,700,000</td>
</tr>
<tr>
<td>Conopco-Calvin Klein</td>
<td>34,200,000</td>
</tr>
<tr>
<td>Eagle Rock Village Apartments</td>
<td>23,465,000</td>
</tr>
<tr>
<td>DE-149 Corp</td>
<td>14,200,000</td>
</tr>
<tr>
<td>Lucent</td>
<td>13,650,000</td>
</tr>
<tr>
<td>Givaudan</td>
<td>13,000,000</td>
</tr>
<tr>
<td>Riad Development</td>
<td>12,574,200</td>
</tr>
</tbody>
</table>

### PRINCIPAL EMPLOYERS FOR 2002

<table>
<thead>
<tr>
<th>Employer</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASF</td>
<td>1,722</td>
</tr>
<tr>
<td>Mt. Olive Board of Education</td>
<td>600</td>
</tr>
<tr>
<td>Unilever</td>
<td>500</td>
</tr>
<tr>
<td>DPC Cirrus</td>
<td>450</td>
</tr>
<tr>
<td>Toy R US</td>
<td>300</td>
</tr>
<tr>
<td>United Parcel Service</td>
<td>300</td>
</tr>
<tr>
<td>Township of Mt. Olive</td>
<td>175</td>
</tr>
</tbody>
</table>

Source: Township of Mt. Olive

### POPULATION

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1990</th>
<th>1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Township of Mt. Olive</td>
<td>24,193</td>
<td>21,282</td>
<td>18,748</td>
</tr>
</tbody>
</table>


### UNEMPLOYMENT RATES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey</td>
<td>5.8%</td>
<td>4.2%</td>
<td>3.7%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>United States</td>
<td>5.8%</td>
<td>4.8%</td>
<td>4.0%</td>
<td>4.2%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Labor, Bureau of Labor Statistics
APPENDIX A-IV
MUSCONETCONG SEWERAGE AUTHORITY
MUSCONETCONG SEWERAGE AUTHORITY

STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$4,631,598</td>
<td>$4,463,182</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,555,546</td>
<td>1,537,896</td>
</tr>
<tr>
<td>Operating Income</td>
<td>3,076,052</td>
<td>2,925,286</td>
</tr>
<tr>
<td>Non-Operating Revenues (Expenses)</td>
<td>315,853</td>
<td>320,760</td>
</tr>
<tr>
<td>Income Before Depreciation</td>
<td>1,873,725</td>
<td>1,588,750</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Net Income Before Transfer of Depreciation to Contributed Capital</td>
<td>1,873,725</td>
<td>1,588,750</td>
</tr>
<tr>
<td>Transfer of Depreciation to Contributed Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>1,873,725</td>
<td>1,588,750</td>
</tr>
<tr>
<td>Retained Earnings, January 1</td>
<td>13,038,175</td>
<td>11,449,425</td>
</tr>
<tr>
<td>Retained Earnings, December 31</td>
<td>14,911,900</td>
<td>13,038,175</td>
</tr>
<tr>
<td>Contributed Capital - Net January 1</td>
<td>21,687,875</td>
<td>21,687,875</td>
</tr>
<tr>
<td>Add: Capital Contributed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Transfer of Depreciation from Operations to Contributed Capital</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Contributed Capital - Net December 31</td>
<td>21,687,875</td>
<td>21,687,875</td>
</tr>
<tr>
<td>Fund Equity, December 31</td>
<td>$36,599,775</td>
<td>$34,726,050</td>
</tr>
</tbody>
</table>
APPENDIX A-V
NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY
## NORTHWEST BERGEN COUNTY UTILITIES AUTHORITY

### STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2002*</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$11,553,067</td>
<td>$10,679,084</td>
<td>$10,549,295</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5,810,480</td>
<td>5,989,156</td>
<td>6,084,850</td>
</tr>
<tr>
<td>Operating Income</td>
<td>5,742,587</td>
<td>4,689,928</td>
<td>4,464,445</td>
</tr>
<tr>
<td>Non-Operating Revenues (Expenses)</td>
<td>(1,856,007)</td>
<td>(1,764,371)</td>
<td>(751,051)</td>
</tr>
<tr>
<td>Income Before Depreciation</td>
<td>3,886,580</td>
<td>2,925,557</td>
<td>3,713,393</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>1,996,897</td>
<td>2,028,258</td>
<td>2,059,619</td>
</tr>
<tr>
<td>Net Income Before Transfer of Depreciation to Contributed Capital</td>
<td>1,889,683</td>
<td>897,299</td>
<td>1,653,774</td>
</tr>
<tr>
<td>Transfer of Depreciation to Contributed Capital</td>
<td>500,000</td>
<td>518,507</td>
<td>518,507</td>
</tr>
<tr>
<td>Net Income</td>
<td>2,389,683</td>
<td>1,415,806</td>
<td>2,172,281</td>
</tr>
<tr>
<td>Retained Earnings, January 1</td>
<td>9,500,869</td>
<td>8,085,063</td>
<td>5,912,782</td>
</tr>
<tr>
<td>Retained Earnings, December 31</td>
<td>11,890,552</td>
<td>9,500,869</td>
<td>8,085,063</td>
</tr>
<tr>
<td>Contributed Capital - Net January 1</td>
<td>7,335,556</td>
<td>7,854,063</td>
<td>8,372,570</td>
</tr>
<tr>
<td>Add: Capital Contributed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Transfer of Depreciation from Operations to Contributed Capital</td>
<td>(500,000)</td>
<td>(518,507)</td>
<td>(518,507)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed Capital - Net December 31</td>
<td>6,835,556</td>
<td>7,335,556</td>
<td>7,854,063</td>
</tr>
<tr>
<td>Fund Equity, December 31</td>
<td>$18,726,108</td>
<td>$16,836,425</td>
<td>$15,939,126</td>
</tr>
</tbody>
</table>

* Unaudited
APPENDIX B

SELECTED FINANCIAL INFORMATION WITH RESPECT TO
COVERAGE PROVIDING FINANCING PROGRAMS

(Only the 1993 Financing Program, described herein, secures the 2003 Refunding Bonds. None of the other financing programs described herein secures the 2003 Refunding Bonds.)
COMPREHENSIVE ANNUAL FINANCIAL REPORT
New Jersey Environmental Infrastructure Trust
(A Component Unit of the State of New Jersey)
Years ended June 30, 2002 and 2001 with Report of Independent Auditors
New Jersey Environmental Infrastructure Trust

Comprehensive Annual Financial Report

June 30, 2002 and 2001

Contents

Report of Independent Auditors ................................................................. 1
Management's Discussion and Analysis ...................................................... 2

Financial Statements

Balance Sheets............................................................................................... 6
Statements of Revenues, Expenses and Changes in Net Assets ................... 7
Statements of Cash Flows ............................................................................. 8
Notes to Financial Statements ...................................................................... 9

Additional Information

Balance Sheet–State Revolving Fund–Clean Water ........................................ 19
Statement of Revenues, Expenses and Changes in Net Assets–State
  Revolving Fund–Clean Water ..................................................................... 20
Balance Sheet–State Revolving Fund–Drinking Water .................................... 21
Statement of Revenues, Expenses and Changes in Net Assets–State
  Revolving Fund–Drinking Water ................................................................. 22
Combining Balance Sheet by Bond Issue ...................................................... 23
Combining Statement of Revenues, Expenses and Changes in Net Assets ........ 25
Report of Independent Auditors

The Board of Directors
New Jersey Environmental Infrastructure Trust
Trenton, New Jersey

We have audited the accompanying balance sheets of the New Jersey Environmental Infrastructure Trust (the "Trust"), a component unit of the State of New Jersey, at June 30, 2002 and 2001, and the related statements of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust at June 30, 2002 and 2001, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Management’s Discussion and Analysis on pages 2 through 5 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Trust’s financial statements taken as a whole. The accompanying additional information for the year ended June 30, 2002 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 2002 financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2002 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2002 financial statements of the Trust taken as a whole.

August 15, 2002

A Member Practice of Ernst & Young Global
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2002

This section of the New Jersey Environmental Infrastructure Trust’s ("Trust") annual financial report presents our discussion and analysis of the Trust's financial performance during the fiscal year ended June 30, 2002. Please read in conjunction with the Trust’s financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Trust’s net assets increased by $22,374,436 or 13%
- Cash and investments increased by $152,091,859 or 45%
- Bonds payable increased by $133,215,353 or 19%

State contributions for the Debt Service Reserve Fund decreased in the Drinking Water State Revolving Fund to $1,542,657 by 12%; the Clean Water State Revolving Fund increased to $8,258,878 by 56%; State projects increased to $7,481,297 by 1,295.72%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts, the Management’s Discussion and Analysis and the basic financial statements including notes. The Trust is an independent State financing authority. The accounting policies of the Trust conform with accounting principles generally accepted in the United States 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 its 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 assets. 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
Management's Discussion and Analysis

Year ended June 30, 2002

Operations, investing, and non-capital financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Trust

Since the purpose of the Trust is to improve the environment by making loans to government entities and water companies throughout the State, the Trust must sell bonds in order to provide the necessary funding for these projects. Therefore, when reviewing the Trust's balance sheet, our performance can be measured by our liabilities, not our assets. The bonds payable reflects the amount of bonds outstanding. The current assets consists of committed funds, which have not been requested by the borrowers. The due from borrowers is the amount of loans net of funds not yet requisitioned. As a result analyzing the assets would not be the appropriate measurement of the Trust's success. In addition the Trust does not hold any capital assets. All capital assets are held by the borrowers.

Net Assets--The following table summarizes the changes in net assets between June 30, 2002 and 2001:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$7,933,292</td>
<td>$6,993,924</td>
<td>13%</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>1,476,049</td>
<td>1,238,704</td>
<td>19%</td>
</tr>
<tr>
<td>Restricted assets</td>
<td>1,053,248,059</td>
<td>895,372,810</td>
<td>18%</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,062,657,400</td>
<td>903,605,438</td>
<td>18%</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>847,676,508</td>
<td>714,461,155</td>
<td>19%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>15,143,011</td>
<td>11,680,838</td>
<td>30%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>862,819,519</td>
<td>726,141,993</td>
<td>19%</td>
</tr>
<tr>
<td>Restricted</td>
<td>189,380,112</td>
<td>170,022,449</td>
<td>11%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>10,457,769</td>
<td>7,440,996</td>
<td>41%</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$199,837,881</td>
<td>$177,463,445</td>
<td>13%</td>
</tr>
</tbody>
</table>
Management’s Discussion and Analysis

Year ended June 30, 2002

The table above illustrates that the Trust’s net assets have increased from $177,463,445 to $199,837,881. Net assets increased as a result of the size of the 2001 financing program. The total amount deposited to the Project Fund from bond proceeds was $169,984,503 and the Debt Service Reserve Deposit supplied by the State of $12,813,425. The remaining amount is unrestricted funds. At June 30, 2002, bonds payable amounted to $847,676,508. During the year, the Trust issued bonds in the amount of $168,600,000 and retired $47,580,000.

The following table summarizes the changes in net assets between fiscal years 2002 and 2001:

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2001</th>
<th>Percent Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>$48,846,356</td>
<td>$36,789,145</td>
<td>33%</td>
</tr>
<tr>
<td>State appropriations</td>
<td>17,282,832</td>
<td>15,722,041</td>
<td>10%</td>
</tr>
<tr>
<td>Total revenue</td>
<td>66,129,188</td>
<td>52,511,186</td>
<td>26%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>41,207,692</td>
<td>35,999,183</td>
<td>14%</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>2,547,060</td>
<td>2,036,232</td>
<td>25%</td>
</tr>
<tr>
<td>Total expenses</td>
<td>43,754,752</td>
<td>38,035,415</td>
<td>15%</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$22,374,436</td>
<td>$14,475,771</td>
<td>55%</td>
</tr>
</tbody>
</table>

While the balance sheets show the change in financial position of net assets, the statements of revenues, expenses, and changes in net assets illustrate the investment income and interest repayments from the borrowers as compared to the interest expense payments made on the outstanding bonds. The difference is investment income earned on the Project Fund investments and the Debt Service Fund. In both cases these funds are credited to the borrowers; the Trust does not benefit from this income. The Trust collects an administrative fee from all borrowers for the duration of their loans. This covers the operating expenses of the Trust.
OTHER FINANCIAL INFORMATION

During fiscal year 2002, the Trust sold by competitive bid, three series of bonds in the par amount of $168,600,000 to capitalize the 2001 NJ Environmental Infrastructure Financing Program. As a result of this issue 63 projects received funding.

The first series of bonds, $139,175,000 of Environmental Infrastructure Bonds Series 2001A, tax exempt, was sold to Goldman Sachs, who was the low bidder with a true interest cost of 4.37%. Merrill Lynch & Co. was low bidder for the $28,095,000 Environmental Infrastructure Bonds Series 2001B, AMT, with a true interest cost of 4.65%.

The last series, $1,330,000 of Environmental Infrastructure Bonds Series 2001C, was sold to Tucker Anthony, with a true interest cost of 6.19%.

All three series of bonds were rated AAA, Aaa and AAA by Fitch Investors Services, Inc., Moody’s Investors Service, and Standard & Poor’s Corp., respectively. All series are uninsured.

Loans to borrowers in the 2001 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 agency borrowers will pay a composite interest rate of 2.19% on their loans from the Series 2001A issue, 2.33% from the Series 2001B AMT issue, and 3.10% from the Series 2001C issue.

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 Environmental Infrastructure Trust’s Chief Financial Officer, P.O. Box 440, Trenton, New Jersey 08625.
New Jersey Environmental Infrastructure Trust

Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,793,296</td>
<td>$6,066,723</td>
</tr>
<tr>
<td>Other assets</td>
<td>$1,139,996</td>
<td>$927,201</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$7,933,292</td>
<td>$6,993,924</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>1,434,825</td>
<td>1,181,308</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>41,224</td>
<td>57,396</td>
</tr>
<tr>
<td><strong>Restricted assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>290,423,554</td>
<td>198,621,813</td>
</tr>
<tr>
<td>Investments</td>
<td>193,215,152</td>
<td>133,905,124</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>16,740,485</td>
<td>11,727,549</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>543,534,561</td>
<td>542,231,585</td>
</tr>
<tr>
<td>Deferred issuance costs</td>
<td>9,334,307</td>
<td>8,886,739</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>1,054,724,108</td>
<td>896,611,514</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,062,657,400</td>
<td>$903,605,438</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and net assets</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$531,518</td>
<td>$791,632</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>14,611,493</td>
<td>10,889,206</td>
</tr>
<tr>
<td>Current portion of bonds payable</td>
<td>51,625,000</td>
<td>47,585,000</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>66,768,011</td>
<td>59,265,838</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>796,051,508</td>
<td>666,876,155</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>796,051,508</td>
<td>666,876,155</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>862,819,519</td>
<td>726,141,993</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>189,380,112</td>
<td>170,022,449</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>10,457,769</td>
<td>7,440,996</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>199,837,881</td>
<td>177,463,445</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$1,062,657,400</td>
<td>$903,605,438</td>
</tr>
</tbody>
</table>

See accompanying notes.
New Jersey Environmental Infrastructure Trust

Statements of Revenues, Expenses and Changes in Net Assets

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$6,183,032</td>
<td>$6,457,896</td>
</tr>
<tr>
<td>Interest income from loans</td>
<td>39,366,549</td>
<td>27,513,164</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>3,296,775</td>
<td>2,818,085</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>48,846,356</td>
<td>36,789,145</td>
</tr>
</tbody>
</table>

| Operating expenses: |            |            |
| Interest expense    | 41,207,692 | 35,999,183 |
| Administrative expenses | 2,547,060 | 2,036,232  |
| Total operating expenses | 43,754,752 | 38,035,415 |

| Operating income (loss) |            |            |
|                        | 5,091,604  | (1,246,270) |

| Appropriations: |            |            |
| State appropriations | 17,282,832 | 15,722,041 |
| Changes in net assets | 22,374,436 | 14,475,771 |

| Net assets at beginning of year | 177,463,445 | 162,987,674 |
| Net assets at end of year       | $199,837,881 | $177,463,445 |

See accompanying notes.
New Jersey Environmental Infrastructure Trust

Statements of Cash Flows

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received for administrative fees</td>
<td>$3,071,268</td>
<td>$2,713,514</td>
</tr>
<tr>
<td>Cash payments for goods and services</td>
<td>(1,404,700)</td>
<td>(779,181)</td>
</tr>
<tr>
<td>Cash payments for salaries</td>
<td>(1,222,047)</td>
<td>(897,240)</td>
</tr>
<tr>
<td>Disbursement of loan funds to borrowers</td>
<td>(51,583,352)</td>
<td>(51,948,857)</td>
</tr>
<tr>
<td>Principal received from loans to borrowers</td>
<td>45,404,294</td>
<td>41,270,642</td>
</tr>
<tr>
<td>Interest received from loans to borrowers</td>
<td>34,994,637</td>
<td>22,629,537</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>29,260,100</td>
<td>12,988,415</td>
</tr>
</tbody>
</table>

| **Cash flows from noncapital financing activities** |        |        |
| Proceeds from sale of bonds | 178,040,740 | 104,923,054 |
| Principal paid on bond maturities | (47,580,009) | (52,010,000) |
| Issuance and servicing costs paid | (1,107,157) | (857,239) |
| Interest paid on bond maturities | (34,217,983) | (30,096,361) |
| State appropriations received | 17,282,832 | 15,722,041 |
| Net cash provided by noncapital financing activities | 112,418,432 | 37,681,495 |

| **Cash flows from capital and related financing activities** |        |        |
| Acquisition of fixed assets | (14,308) | (17,736) |
| Net cash used in capital and related financing activities | (14,308) | (17,736) |

| **Cash flows from investing activities** |        |        |
| Purchase of investments | (238,963,199) | (400,156,785) |
| Proceeds from sale and maturity of investments | 176,356,044 | 373,982,336 |
| Interest on investments | 13,471,245 | 16,209,022 |
| Net cash used in investing activities | (49,135,910) | (9,965,427) |

| **Net increase in cash and cash equivalents** | |        |
| Net increase in cash and cash equivalents | 92,528,314 | 40,686,747 |
| Cash and cash equivalents at beginning of year | 204,688,536 | 164,001,789 |
| Cash and cash equivalents at end of year | $297,216,850 | $204,688,536 |

| **Reconciliation of operating income to net cash provided by operating activities** | |        |
| Operating income (loss) | $5,091,604 | $(1,246,272) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |        |
| Depreciation | 30,480 | 62,734 |
| Cash provided by nonoperating activities | 24,237,917 | 16,752,538 |
| Capital appreciation bond and loan accretion | 2,791,413 | 3,260,505 |
| Amortization of bond discounts and premiums | (1,010,183) | (911,875) |
| Amortization of deferral on bond refunding | 973,382 | 1,020,460 |
| Amortization of deferred issuance costs | 659,589 | 568,203 |
| Change in assets and liabilities: | |        |
| Increase in other assets | (212,795) | (117,759) |
| Increase in interest receivable | (5,012,936) | (868,245) |
| Increase in loans receivable | (1,302,976) | (7,504,590) |
| Increase in deferred issuance costs | (447,568) | (289,038) |
| (Decrease) increase in accounts payable | (260,114) | 296,223 |
| Increase in accrued interest payable | 3,722,287 | 1,965,531 |
| Net cash provided by operating activities | $29,260,100 | $12,988,415 |

| **Non cash investing activities** | |        |
| Decrease in fair value of investments | $(3,043,610) | $(2,576,161) |

See accompanying notes.
New Jersey Environmental Infrastructure Trust

Notes to Financial Statements

June 30, 2002 and 2001

1. Organization and Function of the Trust

The New Jersey Wastewater Treatment Trust was created by the State Legislature in November 1985 as an independent State financing authority. The New Jersey Environmental Infrastructure Trust (the “Trust”) leverages federal and state dollars to finance environmental infrastructure projects. It issues revenue bonds in order to make loans to local governments and private water companies for the construction and rehabilitation of eligible projects. The Trust is a component unit of the State of New Jersey and, accordingly, the financial statements of the Trust are included in the financial statements of the State of New Jersey.

In addition to the activities of the Trust, several State general obligated bond issues were approved to capitalize the various loan funds which are administered by the New Jersey Department of Environmental Protection (the “Department”). The Department may lend proceeds from the bonds (the “Funds”) to local government units and private water companies for environmental infrastructure projects. The accompanying financial statements do not include any assets, liabilities or fund balances of the Funds. Under the terms of the Trust agreement, the assets of the Trust cannot be used to satisfy the obligations of the Funds.

The Trust and the Fund may each finance up to 50% of the allowable project costs. The Trust lends its share of allowable costs to borrowers for up to 20 years at a rate equal to or less than the interest rate on its Revenue bonds. Such loan repayments will be used to pay debt service on Trust Revenue bonds. The Trust maintains an internally designated State Revolving Fund, which consists of Clean Water projects and Drinking Water projects, to separately account for the portion of these Trust loan financings that have been matched by federal sources from the Fund.

The Trust is administered by an Executive Director and staff under the guidance of the Board of Directors, that appoints trustees (currently both First Union National Bank and the Bank of New York) and loan servicers (currently First Union National Bank, the Bank of New York and Commerce Bank). The initial proceeds from a bond issuance are invested and held by the Trustee. The Trust authorizes the Trustee to disburse funds to the borrowers based upon a review and approval process to verify that the disbursed funds are within 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. Trust) or the Department, as appropriate. The Trustee invests the monies received in the applicable fund (see Note 2).

As a public body under existing statute, the Trust is exempt from both federal and state taxes.
2. Significant Accounting Policies

The accounting policies of the Trust conform with accounting principles generally accepted in the United States as applicable to governmental units. The following is a summary of the more significant accounting policies.

Basis of Accounting

An accrual basis of accounting is followed by the Trust.

In its accounting and financial reporting, the Trust follows the pronouncements of the Governmental Accounting Standards Board (GASB). In addition, the Trust follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Trust has elected to not follow FASB pronouncements issued after November 30, 1989.

Cash Equivalents and Investments

Investments are purchased with the intent to hold to maturity. Investments, which consist primarily of U.S. Government obligations, are stated at fair value. Cash equivalents include funds invested in the New Jersey Cash Management Fund, the Evergreen Fund and the Trust U.S. Treasury Obligation Money Market Fund.

Deferred Issuance Costs

Bond issuance costs, primarily underwriting discounts, are amortized over the life of the related issue by the interest method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
3. Cash and Investments

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

(a) The market value of the collateral must equal 5% of the average daily balance of public funds; or

(b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

The Trust’s bank balance at June 30, 2002 was $217,907, all of which was covered by federal depository insurance.

Cash 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 which 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 which meets the minimum requirements of the resolution.

The State of New Jersey Cash Management Fund is managed by the State of New Jersey, Division of Investment under the Department of the Treasury. It consists of U.S. Treasury obligations, government agencies obligations and certificates of deposit and commercial paper. The Evergreen Treasury Money Market Fund is managed by First Union Bank. This Fund invests in AAA rated high quality money market instruments and securities. Trust U.S. Treasury Obligation Money Market Fund is managed by the Bank of New York and also invests in high grade securities, and is rated AAA. At June 30, 2002 and 2001, the amounts deposited in these accounts is $296,998,943 and $203,645,519, respectively, which are uncategorized for risk classification purposes.
New Jersey Environmental Infrastructure Trust

Notes to Financial Statements (continued)

3. Cash and Investments (continued)

Pursuant to the bond resolutions, 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 fiscal years. These investments, known as the debt service reserve requirement aggregate $183,296,075 and $163,425,338 at June 30, 2002 and 2001, respectively.

Investments at June 30, 2002 and 2001 consisted of United States Treasury Obligations of $194,649,977 and $135,895,004, respectively. At June 30, 2002, the investments mature in fiscal years 2003 through 2012. The credit risk of these investments is Category 2, which are securities held by a bank’s trust department (counterparty) in the Trust’s name.

4. Bonds Payable

Changes in bonds payable for the year ended June 30, 2002 were as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Balance at June 30, 2001</th>
<th>Issued</th>
<th>Retired</th>
<th>Balance at June 30, 2002</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2011, at interest rates from 5.9% to 6.0%</td>
<td>$3,420,000</td>
<td>$ -</td>
<td>$2,845,000</td>
<td>$575,000</td>
<td>$45,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2001, at an interest rate of 6.80%</td>
<td>680,000</td>
<td>-</td>
<td>680,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1992 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2002, at an interest rate of 5.80%</td>
<td>570,000</td>
<td>-</td>
<td>570,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Series B Bonds, insured, maturing serially through 2002, at an interest rate of 5.70%</td>
<td>1,460,000</td>
<td>-</td>
<td>1,460,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1993 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.25% to 4.80%</td>
<td>48,695,000</td>
<td>-</td>
<td>3,185,000</td>
<td>45,510,000</td>
<td>3,320,000</td>
</tr>
<tr>
<td>1994 Refunding Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2007, at interest rates from 4.80% to 5.40%</td>
<td>8,040,000</td>
<td>-</td>
<td>985,000</td>
<td>7,055,000</td>
<td>1,030,000</td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2007, at interest rates from 5.55% to 6.90%</td>
<td>2,745,000</td>
<td>-</td>
<td>330,000</td>
<td>2,415,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Series Capital Appreciation Bonds, insured, maturing serially through 2007, at interest rates from 3.844% to 4.230%</td>
<td>68,725,590</td>
<td>2,791,413*</td>
<td>11,305,000</td>
<td>60,212,003</td>
<td>11,300,000</td>
</tr>
<tr>
<td>1994 Series</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2004, at interest rates from 5.70% to 5.80%</td>
<td>2,360,000</td>
<td>-</td>
<td>740,000</td>
<td>1,620,000</td>
<td>790,000</td>
</tr>
<tr>
<td>Series B Bonds, insured, maturing serially through 2004, at interest rates from 5.75% to 5.80%</td>
<td>3,920,000</td>
<td>-</td>
<td>1,230,000</td>
<td>2,690,000</td>
<td>1,305,000</td>
</tr>
</tbody>
</table>

*Note: The asterisk (*) indicates the amount includes the Series Capital Appreciation Bonds.
New Jersey Environmental Infrastructure Trust

Notes to Financial Statements (continued)

4. Bonds Payable (continued)

<table>
<thead>
<tr>
<th>Balance at June 30, 2001</th>
<th>Issued</th>
<th>Retired</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995 Series</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2013, at interest rates from 4.60% to 5.25%; $4,925,000 term bond maturing in 2015 with mandatory redemptions in 2014 of $2,400,000 and 2015 of $2,525,000 at 5.25%</td>
<td>$28,680,000</td>
<td>$1,315,000</td>
</tr>
<tr>
<td>Series B Bonds, insured, maturing serially through 2009, at interest rates from 6.2% to 6.70%; $1,015,000 term bond maturing in 2015 with mandatory redemptions commencing in 2010 in annual amounts ranging from $140,000 to $200,000 at 7.00%</td>
<td>1,955,000</td>
<td>80,000</td>
</tr>
<tr>
<td>1996 Refunding Series</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2007, at interest rates from 6.25% to 7.00%</td>
<td>6,605,000</td>
<td>770,000</td>
</tr>
<tr>
<td>Series B Bonds, insured, maturing serially through 2007, at interest rates from 6.50% to 6.60%</td>
<td>2,350,000</td>
<td>275,000</td>
</tr>
<tr>
<td>Series C Bonds, insured, maturing serially through 2008, at interest rates from 6.25% to 7.00%</td>
<td>39,550,000</td>
<td>4,680,000</td>
</tr>
<tr>
<td>Series D Bonds, insured, maturing serially through 2008, at interest rates from 6.50% to 6.625%</td>
<td>8,670,000</td>
<td>1,015,000</td>
</tr>
<tr>
<td>1996 Series</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2014, at interest rates from 5.00% to 5.25%; $6,160,000 term bond maturing in 2016 with mandatory redemptions commencing in 2015 of $3,323,400 and 2016 of $3,325,900</td>
<td>38,665,000</td>
<td>1,795,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2011, at interest rates from 4.00% to 5.40%; $1,810,000 term bond maturing in 2016 with mandatory redemptions commencing in 2012 of $78,760, 2013 of $80,400, 2014 of $76,760, 2015 of $78,120, 2016 of $79,000</td>
<td>4,470,000</td>
<td>190,000</td>
</tr>
<tr>
<td>1997 Refunding Series</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, insured, maturing serially through 2007, at interest rates from 5.00% to 7.00%</td>
<td>20,190,000</td>
<td>2,010,000</td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2009, at interest rates from 5.00%</td>
<td>19,220,000</td>
<td>1,955,000</td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2010, at interest rates from 5.00% to 7.00%</td>
<td>48,055,000</td>
<td>4,290,000</td>
</tr>
<tr>
<td>Series D Bonds, insured, maturing serially through 2011, at interest rates from 5.00% to 7.00%</td>
<td>9,970,000</td>
<td>9,970,000</td>
</tr>
<tr>
<td>1997 Series</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series Bonds, uninsured, maturing serially through 2014, at interest rates from 4.00% to 5.00%; $7,985,000 term bond maturing in 2017 with mandatory redemptions commencing in 2015 of $2,979,250, in 2016 of $2,980,250 and 2017 of $2,829,750</td>
<td>34,705,000</td>
<td>1,465,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance at June 30, 2002</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995 Series</td>
<td>$1,385,000</td>
</tr>
<tr>
<td>1996 Refunding Series</td>
<td>825,000</td>
</tr>
<tr>
<td>1996 Series</td>
<td>1,895,000</td>
</tr>
<tr>
<td>1997 Refunding Series</td>
<td>195,000</td>
</tr>
<tr>
<td>1997 Series</td>
<td>725,000</td>
</tr>
</tbody>
</table>

13
### 4. Bonds Payable (continued)

<table>
<thead>
<tr>
<th>Series</th>
<th>Description</th>
<th>Amount Issued</th>
<th>Amount Retired</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1998 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Bonds, insured, maturing</td>
<td>Through 2008, at interest rates from 5.25% to 5.50%</td>
<td>$480,000</td>
<td>$60,000</td>
<td>$420,000</td>
</tr>
<tr>
<td>B Bonds, uninsured, maturing</td>
<td>Through 2008, at interest rates from 5.25% to 5.50%</td>
<td>$3,015,000</td>
<td>$360,000</td>
<td>$2,655,000</td>
</tr>
<tr>
<td>C Bonds, uninsured, maturing</td>
<td>Serially through 2011, at interest rates from 4.10% to 5.0%</td>
<td>$36,815,000</td>
<td></td>
<td>$36,815,000</td>
</tr>
<tr>
<td>D Bonds, uninsured, maturing</td>
<td>Serially through 2012, at interest rates from 4.10% to 5.0%</td>
<td>$6,330,000</td>
<td></td>
<td>$6,330,000</td>
</tr>
<tr>
<td>E Bonds, uninsured, maturing</td>
<td>Through 2012, at interest rates from 4.150% to 5.00%</td>
<td>$14,610,000</td>
<td></td>
<td>$14,610,000</td>
</tr>
<tr>
<td>F Bonds, insured, maturing</td>
<td>Through 2014, at interest rates from 4.3% to 5.0%</td>
<td>$10,950,000</td>
<td></td>
<td>$10,950,000</td>
</tr>
<tr>
<td>G Bonds, insured, maturing</td>
<td>Through 2014, at an interest rate of 5.0%</td>
<td>$17,090,000</td>
<td></td>
<td>$17,090,000</td>
</tr>
<tr>
<td><strong>1998 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Bonds, uninsured, maturing</td>
<td>Through 2016, at interest rates from 4.00% to 4.50%; $7,025,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of $3,734,000 and 2018 of $3,595,000</td>
<td>$47,175,000</td>
<td>$1,855,000</td>
<td>$45,320,000</td>
</tr>
<tr>
<td>B Bonds, uninsured AMT,</td>
<td>MAT, maturing serially through 2016, at interest rates from 4.25% to 4.50%; $1,250,000 term bond maturing in 2018 with mandatory redemptions commencing in 2017 of $610,000 and 2018 of $640,000</td>
<td>$8,135,000</td>
<td>$305,000</td>
<td>$7,830,000</td>
</tr>
<tr>
<td><strong>1999 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Bonds, uninsured, maturing</td>
<td>Through 2019, at interest rates from 4.75% to 5.70%</td>
<td>$52,410,000</td>
<td>$1,095,000</td>
<td>$51,315,000</td>
</tr>
<tr>
<td>B Bonds, uninsured AMT,</td>
<td>Maturing serially through 2019, at interest rates from 5.25% to 5.75%</td>
<td>$2,350,000</td>
<td></td>
<td>$2,350,000</td>
</tr>
<tr>
<td><strong>2000 Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Bonds, uninsured, maturing</td>
<td>Through 2020, at interest rates from 5.00% to 5.25%</td>
<td>$89,640,000</td>
<td></td>
<td>$89,640,000</td>
</tr>
<tr>
<td>B Bonds, uninsured, maturing</td>
<td>Through 2020, at interest rates from 54.00% to 5.25%</td>
<td>$6,905,000</td>
<td></td>
<td>$6,905,000</td>
</tr>
<tr>
<td><strong>2001 Refunding Series</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Bonds, insured, maturing</td>
<td>Through 2009, at interest rates from 4.60% to 5.25%</td>
<td>$3,570,000</td>
<td>$350,000</td>
<td>$3,220,000</td>
</tr>
<tr>
<td>B Bonds, uninsured, maturing</td>
<td>Through 2010, at interest rates from 3.75% to 5.25%</td>
<td>$4,540,000</td>
<td>$385,000</td>
<td>$4,155,000</td>
</tr>
</tbody>
</table>
New Jersey Environmental Infrastructure Trust

Notes to Financial Statements (continued)

4. Bonds Payable (continued)

<table>
<thead>
<tr>
<th>Balance at June 30, 2002</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 Series</td>
<td></td>
</tr>
<tr>
<td>Series A Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 4.75%</td>
<td></td>
</tr>
<tr>
<td>$ - $139,175,000 $ - $139,175,000 $ -</td>
<td></td>
</tr>
<tr>
<td>Series B Bonds, uninsured, maturing serially through 2021, at interest rates from 4.00% to 5.00%</td>
<td></td>
</tr>
<tr>
<td>- 28,095,000 - 28,095,000 -</td>
<td></td>
</tr>
<tr>
<td>Series C Bonds, uninsured, maturing serially through 2021, at interest rates from 5.5% to 6.6%</td>
<td></td>
</tr>
<tr>
<td>- 1,330,000 - 1,330,000 -</td>
<td></td>
</tr>
<tr>
<td>707,715,900 $171,391,413 $47,580,000 831,527,003 $11,625,000</td>
<td></td>
</tr>
</tbody>
</table>

Less:
- Unamortized net premiums (11,152,572) (19,583,129)
- Unamortized deferral on refunding 4,407,007 3,433,624
- Bonds payable, net $714,461,155 $847,676,508

* Amount represents the accretion of capital appreciation bonds.

Each local government or private water company that borrows from the Trust posts a bond equal to the loan amount in favor of the Trust that is held by the Trust’s trustee. These bonds are not callable or interest-bearing unless the borrower defaults upon its loan. The Trust has not guaranteed the debt of any borrower as of the date of these financial statements.

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>2003</td>
<td>$51,625,000</td>
<td>$44,175,199</td>
<td>$95,800,199</td>
</tr>
<tr>
<td>2004</td>
<td>55,869,633</td>
<td>40,731,602</td>
<td>96,601,235</td>
</tr>
<tr>
<td>2005</td>
<td>61,851,762</td>
<td>38,146,156</td>
<td>99,997,918</td>
</tr>
<tr>
<td>2006</td>
<td>65,613,062</td>
<td>35,267,052</td>
<td>100,880,114</td>
</tr>
<tr>
<td>2007</td>
<td>68,874,582</td>
<td>32,004,852</td>
<td>100,879,434</td>
</tr>
<tr>
<td>2008 through 2012</td>
<td>256,102,964</td>
<td>109,106,585</td>
<td>365,209,549</td>
</tr>
<tr>
<td>2013 through 2017</td>
<td>162,725,000</td>
<td>48,759,166</td>
<td>211,484,166</td>
</tr>
<tr>
<td>Thereafter</td>
<td>108,865,000</td>
<td>11,826,641</td>
<td>120,691,641</td>
</tr>
<tr>
<td><strong>$831,527,003</strong></td>
<td><strong>$360,017,253</strong></td>
<td><strong>$1,191,544,256</strong></td>
<td></td>
</tr>
</tbody>
</table>

The 1990, 1991, 1992 and 1993 Series Bonds, maturing on or before July 1, 2002, May 1, 2002 and March 1, 2003, respectively, are not subject to redemption prior to their
4. Bonds Payable (continued)

respective maturity dates. The 1991, 1992 and 1993 Series Bonds maturing on or after July 1, 2002, May 1, 2003 March 1, 2004, respectively, are subject to redemption one year prior to their respective maturity dates, at the option of the Trust, in whole or in part, at premium rates ranging from .25% to 2% of the principal amount redeemed.

The Series 1994 Bonds maturing on or before April 1, 2004 will not be subject to redemption prior to their respective stated maturity dates. The Series 1994 Bonds maturing on or after April 1, 2005 will be subject to redemption prior to their respective stated maturity dates, on or after April 1, 2004 at the option of the Trust upon the terms set forth in the Bond Resolutions, either in whole (of either series) on any date, or in part, by lot within a maturity from maturities of a series of Series 1994 Bonds to be selected by the Trust, on any interest payment date, upon the payment of the principal amount thereof and accrued interest thereon to the date fixed for redemption, plus a premium of 2% of face amount at April 1, 2004, declining to zero at April 1, 2006.

The Trust has no taxing power and the State of New Jersey is not liable on the Bonds of the Trust. The revenue bonds are not secured by the Trust, only by revenues and repayment of loans and investments. The insured bonds are insured by the Municipal Bond Investors Assurance Corporation, Financial Guaranty Insurance Company or AMBAC Indemnity Corporation.

5. Advance Refunding

When conditions have warranted, the Trust has sold various issues of bonds to provide for the refunding of previously issued obligations.

The proceeds received from the sales of the bond issues were used to currently refund the outstanding bond issues or to deposit in an irrevocable escrow fund held by the Escrow Agent, an amount which, 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 to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Trust’s financial statements.

These transactions defeased the outstanding bond issues with a resultant reduction in annual debt service during the term of the issues. The savings, together with any accounting gain or loss to be reported in the year of the refunding, accrue to the respective participants.
5. Advance Refunding (continued)

Refunded bonds outstanding at June 30, 2002 are comprised of the following:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Principal Amount Outstanding June 30, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2001 Refunding:</td>
<td></td>
</tr>
<tr>
<td>1989 Series A-insured</td>
<td>$3,220,000</td>
</tr>
<tr>
<td>1990 Series A-uninsured</td>
<td>4,155,000</td>
</tr>
<tr>
<td></td>
<td>$7,375,000</td>
</tr>
<tr>
<td>1998 Refunding:</td>
<td></td>
</tr>
<tr>
<td>1988 Series A</td>
<td>$420,000</td>
</tr>
<tr>
<td>1988 Series B</td>
<td>2,655,000</td>
</tr>
<tr>
<td>1991 Series A</td>
<td>36,815,000</td>
</tr>
<tr>
<td>1992 Series A</td>
<td>6,330,000</td>
</tr>
<tr>
<td>1992 Series B</td>
<td>14,610,000</td>
</tr>
<tr>
<td>1994 Series A</td>
<td>10,950,000</td>
</tr>
<tr>
<td>1994 Series B</td>
<td>17,090,000</td>
</tr>
<tr>
<td></td>
<td>$88,870,000</td>
</tr>
<tr>
<td>1997 Refunding:</td>
<td></td>
</tr>
<tr>
<td>1989 Series A-uninsured</td>
<td>$18,180,000</td>
</tr>
<tr>
<td>1989 Series B-uninsured</td>
<td>17,265,000</td>
</tr>
<tr>
<td>1990 Series-uninsured</td>
<td>43,765,000</td>
</tr>
<tr>
<td>1991 Series B-uninsured</td>
<td>9,970,000</td>
</tr>
<tr>
<td></td>
<td>$89,180,000</td>
</tr>
<tr>
<td>1996 Refunding:</td>
<td></td>
</tr>
<tr>
<td>1987 Series-uninsured</td>
<td>$5,835,000</td>
</tr>
<tr>
<td>Carney Point Township Sewerage Authority (CPTSA) Series</td>
<td>2,075,000</td>
</tr>
<tr>
<td>1988 Series A-insured</td>
<td>34,870,000</td>
</tr>
<tr>
<td>1988 Series B-uninsured</td>
<td>7,655,000</td>
</tr>
<tr>
<td></td>
<td>$50,435,000</td>
</tr>
</tbody>
</table>

6. Loans Receivable

The Trust provides loans to local governmental units and private water companies to finance allowable costs of wastewater treatment projects. The various Trust loans are grouped into a pool or pools and funded with the proceeds of Trust bonds or other obligations. Loan repayments are required at such times and in such amounts so as to pay the debt service on the bonds as it becomes due. These loans, which are backed by the full faith and credit of each borrower, are repayable over 20 years and bear interest at rates from 4.6% to 7.5% per annum.
6. Loans Receivable (continued)

The Trust has issued loans of $848,019,451 and $724,728,934 as of June 30, 2002 and 2001, respectively, to various local governmental units. Of this amount $543,534,561 and $542,231,585 is outstanding at June 30, 2002 and 2001, respectively, net of funds held in trust, unamortized deferrals on refunding, undrawn earnings, cost of issuance and original issue discounts of $304,484,890 and $182,497,349 as of June 30, 2002 and 2001, respectively.

7. New Jersey State Appropriation

During 2002 and 2001, the Trust received $17,282,832 and $15,722,041, respectively, of State of New Jersey appropriations of money from repayments received from previously issued wastewater loans and bond proceeds. The original source of the loan funds was federal grants to the State of New Jersey to capitalize the State Revolving Fund.

8. Master Program Trustee

The New Jersey Wastewater Treatment Financing Program instituted the Master Program Trustee. Repayments on all loans made by the Department of Environmental Protection since 1989 to borrowers are now paid to United States Trust Company of New York (the Master Program Trustee). These funds provide additional security for the 1995 Trust Bonds and any new Trust Bonds issued thereafter. These funds are held by the Master Program Trustee for up to a period of one year, after which time the funds are transferred to the State of New Jersey. The balance in the Master Program Trustee Account as of June 30, 2002 is $22,407,042 and is not an asset of the Trust, however is available to pay obligations of the Trust in case of default by program participants. Therefore this amount is not reflected in the Trust’s financial statements.

9. Net Assets

The Trust’s net assets are categorized as follows:

- Restricted
- Unrestricted

Restricted assets include net assets that have been restricted in use in accordance with the terms of an award, agreement or by State law. Unrestricted assets include all net assets not included above.
Additional Information
New Jersey Environmental Infrastructure Trust

Balance Sheet - State Revolving Fund - Clean Water

June 30, 2002

**Assets**
Noncurrent assets:
Restricted assets:
  Cash and cash equivalents  $129,408,000
  Investments  103,577,284
  Interest receivable  9,062,742
  Loans receivable  430,815,295
  Deferred issuance costs  6,450,693
  Other assets  (310,353)
Total noncurrent assets  679,003,661
Total assets  $679,003,661

**Liabilities and net assets**
Current liabilities:
  Accounts payable  $ 136,932
  Accrued interest payable  10,065,765
  Current portion of bonds payable  31,181,258
Total current liabilities  41,383,955

Noncurrent liabilities:
  Bonds payable  552,372,376
Total noncurrent liabilities  552,372,376
Total liabilities  593,756,331

Net assets:
  Restricted for debt service  84,959,375
  Unrestricted  287,955
Total net assets  85,247,330
Total liabilities and net assets  $679,003,661
Operating revenues:
  Investment income $ 3,903,482
  Loan interest income 27,232,268
  Total operating revenues 31,135,750

Operating expenses:
  Interest expense 28,980,491
  Administrative expenses (333,391)
  Total operating expenses 28,647,100

Operating income 2,488,650

Nonoperating revenues:
  State appropriations 8,258,878
  Total nonoperating revenues 8,258,878

Income 10,747,528
Net assets at beginning of year 74,499,802
Net assets at end of year $85,247,330
New Jersey Environmental Infrastructure Trust

Balance Sheet - State Revolving Fund - Drinking Water

June 30, 2002

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncurrent assets:</td>
<td></td>
</tr>
<tr>
<td>Restricted assets:</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$35,213,582</td>
</tr>
<tr>
<td>Investments</td>
<td>32,528,416</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>2,079,578</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>38,211,820</td>
</tr>
<tr>
<td>Deferred issuance costs</td>
<td>860,728</td>
</tr>
<tr>
<td>Other assets</td>
<td>86,360</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>108,980,484</td>
</tr>
<tr>
<td>Total assets</td>
<td>$108,980,484</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and net assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>$2,345,198</td>
</tr>
<tr>
<td>Current portion of bonds payable</td>
<td>2,250,000</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,595,198</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>99,024,840</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>99,024,840</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>103,620,038</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>5,358,196</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>2,250</td>
</tr>
<tr>
<td>Total net assets</td>
<td>5,360,446</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$108,980,484</td>
</tr>
</tbody>
</table>
New Jersey Environmental Infrastructure Trust

Statement of Revenues, Expenses and Change in Net Assets - State Revolving Fund - Drinking Water

Year ended June 30, 2002

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 242,157</td>
</tr>
<tr>
<td>Loan interest income</td>
<td>3,463,366</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>3,705,523</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>4,298,546</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>12,617</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>4,311,163</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(605,640)</td>
</tr>
<tr>
<td>Nonoperating revenues:</td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>1,542,657</td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td>1,542,657</td>
</tr>
<tr>
<td>Income</td>
<td>937,017</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>4,423,429</td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$5,360,446</td>
</tr>
</tbody>
</table>
New Jersey Environmental Infrastructure Trust

Combining Balance Sheet by Bond Issue

June 30, 2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Noncurrent Liabilities</th>
<th>Current Portion of Bonds Payable</th>
<th>Total Current Liabilities</th>
<th>Net Asset</th>
<th>Total Net Assets</th>
<th>Total Liabilities</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>$128,999</td>
<td>$5,653</td>
<td>$174,538</td>
<td>$284,576</td>
<td>$120,480</td>
<td>$839,048</td>
<td>$959,043</td>
</tr>
<tr>
<td></td>
<td>$250,000</td>
<td>$295,000</td>
<td>$5,025,000</td>
<td>$4,254,000</td>
<td>$2,085,000</td>
<td>$4,915,000</td>
<td>$7,269,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,575,000</td>
<td>$2,545,000</td>
<td>$750,000</td>
<td>$3,250,000</td>
<td>$5,444,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$3,055,000</td>
<td>$3,025,000</td>
<td>$520,000</td>
<td>$3,620,000</td>
<td>$6,405,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$5,025,000</td>
<td>$725,000</td>
<td>$1,200,000</td>
<td>$1,920,000</td>
<td>$2,120,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,395,000</td>
<td>$3,320,000</td>
<td>$790,000</td>
<td>$1,135,000</td>
<td>$1,525,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,305,000</td>
<td>$1,305,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>$1,165,214</td>
<td>$1,010,000</td>
<td>$2,175,214</td>
<td>$2,709,987</td>
<td>$1,860,987</td>
<td>$4,037,974</td>
<td>$6,837,974</td>
</tr>
<tr>
<td></td>
<td>$1,165,214</td>
<td>$1,181,000</td>
<td>$2,346,214</td>
<td>$3,000,987</td>
<td>$2,060,987</td>
<td>$5,161,974</td>
<td>$8,211,974</td>
</tr>
<tr>
<td></td>
<td>$1,165,214</td>
<td>$1,181,000</td>
<td>$2,346,214</td>
<td>$3,000,987</td>
<td>$2,060,987</td>
<td>$5,161,974</td>
<td>$8,211,974</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$2,346,214</td>
<td>$3,000,987</td>
<td>$2,060,987</td>
<td>$5,161,974</td>
<td>$8,211,974</td>
</tr>
<tr>
<td>1990</td>
<td>$6,117,713</td>
<td>$2,110,994</td>
<td>$8,228,707</td>
<td>$10,959,787</td>
<td>$8,099,787</td>
<td>$19,059,574</td>
<td>$20,279,574</td>
</tr>
<tr>
<td></td>
<td>$6,117,713</td>
<td>$2,110,994</td>
<td>$8,228,707</td>
<td>$10,959,787</td>
<td>$8,099,787</td>
<td>$19,059,574</td>
<td>$20,279,574</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$8,228,707</td>
<td>$10,959,787</td>
<td>$8,099,787</td>
<td>$19,059,574</td>
<td>$20,279,574</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$8,228,707</td>
<td>$10,959,787</td>
<td>$8,099,787</td>
<td>$19,059,574</td>
<td>$20,279,574</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$8,228,707</td>
<td>$10,959,787</td>
<td>$8,099,787</td>
<td>$19,059,574</td>
<td>$20,279,574</td>
</tr>
</tbody>
</table>

Assets

Restricted assets:

- Cash and cash equivalents
- Investments
- Interest receivable
- Loans receivable
- Deferred issuance costs
- Other assets

Total restricted assets

Liabilities and net assets

Current liabilities:

- Accrued interest payable
- Current portion of bonds payable
- Total current liabilities

Noncurrent liabilities:

- Bonds payable
- Total noncurrent liabilities
- Total liabilities

Net assets:

- Restricted for debt service
- Unrestricted
- Total net assets

Total liabilities and net assets
New Jersey Environmental Infrastructure Trust
Combining Balance Sheet by Bond Issue (continued)
June 30, 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Restricted assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$10,240,486</td>
<td>$213,992</td>
<td>$8,707,185</td>
<td>$15,581</td>
<td>$10,340,973</td>
<td>$8,334,308</td>
<td>$1,079,447</td>
<td>$11,204,052</td>
<td>$1,288,369</td>
<td>$36,532,322</td>
<td>$1,262,485</td>
<td>$55,896,131</td>
<td>$7,698,842</td>
<td>$1,328,160</td>
</tr>
<tr>
<td>Investments</td>
<td>3,859,699</td>
<td>408,352</td>
<td>3,156,624</td>
<td>3,737,239</td>
<td>666,320</td>
<td>5,076,740</td>
<td>208,491</td>
<td>15,702,100</td>
<td>690,445</td>
<td>77,678,151</td>
<td>20,013,121</td>
<td>119,879</td>
<td>192,226,502</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>202,586</td>
<td>60,675</td>
<td>604,095</td>
<td>94,293</td>
<td>380,548</td>
<td>860,808</td>
<td>158,565</td>
<td>833,179</td>
<td>57,927</td>
<td>1,940,202</td>
<td>57,907</td>
<td>4,515,194</td>
<td>409,724</td>
<td>55,517</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>20,817,759</td>
<td>1,553,619</td>
<td>27,513,600</td>
<td>2,057,373</td>
<td>23,161,204</td>
<td>36,309,613</td>
<td>5,941,734</td>
<td>39,235,955</td>
<td>826,773</td>
<td>43,966,217</td>
<td>5,272,010</td>
<td>25,490,046</td>
<td>814,884</td>
<td>(5,959)</td>
</tr>
<tr>
<td>Deferred issuance costs</td>
<td>333,782</td>
<td>23,218</td>
<td>329,610</td>
<td>64,166</td>
<td>331,027</td>
<td>44,569</td>
<td>76,810</td>
<td>354,541</td>
<td>43,245</td>
<td>623,894</td>
<td>36,984</td>
<td>833,659</td>
<td>246,393</td>
<td>27,305</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$31,594,573</td>
<td>$2,144,667</td>
<td>$41,024,189</td>
<td>$6,639,765</td>
<td>$37,168,276</td>
<td>$49,590,537</td>
<td>$7,922,876</td>
<td>$56,982,467</td>
<td>$2,424,775</td>
<td>$98,951,066</td>
<td>$7,168,962</td>
<td>$162,294,162</td>
<td>$30,071,475</td>
<td>$1,323,877</td>
</tr>
</tbody>
</table>

| Liabilities and net assets | | | | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | | | | |
| Current portion of bonds payable | | | | | | | | | | | | | | |
| Total current liabilities | 1,839,593 | 127,000 | 2,523,145 | 270,234 | 2,062,160 | 2,573,393 | 436,614 | 2,259,585 | 127,631 | 1,842,556 | 341,184 | 4,968,710 | 982,105 | 56,153 | 14,611,493 |
| Noncurrent liabilities: | | | | | | | | | | | | | | |
| Bonds payable | 25,884,854 | 1,790,695 | 36,872,517 | 6,904,722 | 31,430,125 | 43,142,838 | 2,433,986 | 49,871,116 | 6,670,175 | 147,617,527 | 29,063,466 | 1,199,568 | 796,053,008 |
| Total noncurrent liabilities | 25,884,854 | 1,790,695 | 36,872,517 | 6,904,722 | 31,430,125 | 43,142,838 | 2,433,986 | 49,871,116 | 6,670,175 | 147,617,527 | 29,063,466 | 1,199,568 | 796,053,008 |
| Total liabilities | 27,724,447 | 1,917,070 | 37,195,662 | 4,335,006 | 33,501,285 | 45,316,231 | 7,870,602 | 52,230,971 | 2,402,924 | 91,270,872 | 7,011,359 | 152,066,247 | 30,045,741 | 1,395,721 | 862,288,001 |
| Net assets: | | | | | | | | | | | | | | |
| Unrestricted | | | | | | | | | | | | | | |
| Total liabilities and net assets | $31,594,573 | $2,144,667 | $41,024,189 | $6,639,765 | $37,168,276 | $49,590,537 | $7,922,876 | $56,982,467 | $2,424,775 | $98,951,066 | $7,168,962 | $162,294,162 | $30,071,475 | $1,323,877 | $994,622,842 |
New Jersey Environmental Infrastructure Trust

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>$65,986</td>
<td>$12,129</td>
<td>$96,603</td>
<td>$1,311,990</td>
<td>$518,286</td>
<td>$97,306</td>
<td>$96,955</td>
<td>$232,538</td>
<td>$534,055</td>
<td>$41,255</td>
<td>$25,646</td>
<td>$62,732</td>
<td>$334,299</td>
<td>$95,280</td>
<td>$203,826</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan interest income</td>
<td>264,999</td>
<td>19,945</td>
<td>4,356,741</td>
<td>2,013,954</td>
<td>351,299</td>
<td>1,240,226</td>
<td>975,694</td>
<td>2,968,811</td>
<td>1,359,270</td>
<td>512,560</td>
<td>272,707</td>
<td>668,799</td>
<td>2,133,150</td>
<td>596,389</td>
<td>930,639</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>330,985</td>
<td>132,074</td>
<td>4,455,344</td>
<td>3,329,844</td>
<td>869,583</td>
<td>1,373,532</td>
<td>1,072,649</td>
<td>3,201,349</td>
<td>1,893,325</td>
<td>553,815</td>
<td>298,353</td>
<td>731,531</td>
<td>2,267,449</td>
<td>691,669</td>
<td>1,154,465</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>398,730</td>
<td>143,854</td>
<td>3,331,046</td>
<td>2,535,305</td>
<td>716,078</td>
<td>1,417,226</td>
<td>1,182,366</td>
<td>3,128,208</td>
<td>1,693,146</td>
<td>626,602</td>
<td>317,825</td>
<td>737,709</td>
<td>2,214,086</td>
<td>649,223</td>
<td>1,063,108</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(1,502)</td>
<td>4,133</td>
<td>4,006,215</td>
<td>(33,924)</td>
<td>7,159</td>
<td>(350)</td>
<td>(9,493)</td>
<td>(171,203)</td>
<td>(31,283)</td>
<td>65,607</td>
<td>(93,123)</td>
<td>(306,047)</td>
<td>79,879</td>
<td>(18,215)</td>
<td>(64,946)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>397,228</td>
<td>147,987</td>
<td>4,432,931</td>
<td>2,452,351</td>
<td>723,927</td>
<td>1,416,876</td>
<td>1,112,429</td>
<td>3,056,753</td>
<td>1,641,561</td>
<td>692,029</td>
<td>224,692</td>
<td>437,562</td>
<td>2,293,965</td>
<td>631,808</td>
<td>998,162</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(66,243)</td>
<td>(15,913)</td>
<td>26,083</td>
<td>842,463</td>
<td>145,688</td>
<td>(79,344)</td>
<td>(100,225)</td>
<td>244,446</td>
<td>251,764</td>
<td>(138,394)</td>
<td>73,661</td>
<td>293,869</td>
<td>(26,516)</td>
<td>60,661</td>
<td>156,303</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonoperating revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(66,243)</td>
<td>(15,913)</td>
<td>26,083</td>
<td>842,463</td>
<td>145,688</td>
<td>(79,344)</td>
<td>(100,225)</td>
<td>244,446</td>
<td>251,764</td>
<td>(138,394)</td>
<td>73,661</td>
<td>293,869</td>
<td>(26,516)</td>
<td>60,661</td>
<td>156,303</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>2,725,961</td>
<td>608,572</td>
<td>21,208,659</td>
<td>16,405,995</td>
<td>5,272,370</td>
<td>4,532,059</td>
<td>4,451,190</td>
<td>10,233,523</td>
<td>5,673,045</td>
<td>1,704,306</td>
<td>1,485,492</td>
<td>4,644,281</td>
<td>5,445,615</td>
<td>1,801,618</td>
<td>2,534,271</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets at end of year</td>
<td>$2,658,818</td>
<td>$592,659</td>
<td>$21,234,542</td>
<td>$16,446,458</td>
<td>$5,422,058</td>
<td>$4,453,265</td>
<td>$4,390,965</td>
<td>$10,457,909</td>
<td>$5,924,809</td>
<td>$1,585,912</td>
<td>$1,759,153</td>
<td>$4,938,150</td>
<td>$5,419,099</td>
<td>$1,862,279</td>
<td>$2,690,574</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
New Jersey Environmental Infrastructure Trust

Combining Statement of Revenues, Expenses and Changes in Net Assets (continued)

Year ended June 30, 2002

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>58,860</td>
<td>4,392</td>
<td>443,226</td>
<td></td>
<td>29,469</td>
<td>371,885</td>
<td>286,986</td>
<td>36,250</td>
<td>280,748</td>
<td>13,065</td>
<td>656,082</td>
<td>33,009</td>
<td>(1,083,611)</td>
<td>73,820</td>
<td>3,708</td>
</tr>
<tr>
<td>Loan interest income</td>
<td>2,500,176</td>
<td>122,242</td>
<td>1,418,202</td>
<td>189,233</td>
<td>1,764,382</td>
<td>1,950,117</td>
<td>350,422</td>
<td>2,407,587</td>
<td>121,058</td>
<td>5,227,000</td>
<td>466,165</td>
<td>3,237,678</td>
<td>116,728</td>
<td>53,410</td>
<td>39,362,373</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>2,559,036</td>
<td>126,614</td>
<td>1,881,518</td>
<td>219,202</td>
<td>2,136,277</td>
<td>2,237,103</td>
<td>392,862</td>
<td>2,748,355</td>
<td>124,123</td>
<td>6,178,172</td>
<td>499,174</td>
<td>2,244,067</td>
<td>192,558</td>
<td>57,718</td>
<td>40,098,048</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>1,385,489</td>
<td>128,117</td>
<td>1,915,479</td>
<td>229,047</td>
<td>1,635,198</td>
<td>2,004,348</td>
<td>354,979</td>
<td>2,736,816</td>
<td>128,968</td>
<td>4,560,674</td>
<td>362,122</td>
<td>4,520,552</td>
<td>893,524</td>
<td>51,087</td>
<td>41,060,912</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>24,449</td>
<td>998</td>
<td>203,589</td>
<td>13,278</td>
<td>26,809</td>
<td>29,004</td>
<td>9,953</td>
<td>14,625</td>
<td>1,099,086</td>
<td>362,122</td>
<td>4,520,552</td>
<td>893,524</td>
<td>51,087</td>
<td>41,060,912</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>1,409,938</td>
<td>129,115</td>
<td>2,119,068</td>
<td>241,325</td>
<td>1,662,067</td>
<td>2,033,412</td>
<td>360,932</td>
<td>2,741,941</td>
<td>128,968</td>
<td>4,560,674</td>
<td>362,122</td>
<td>4,520,552</td>
<td>893,524</td>
<td>51,087</td>
<td>41,060,912</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>1,149,098</td>
<td>(2,481)</td>
<td>(257,550)</td>
<td>(23,123)</td>
<td>474,270</td>
<td>203,691</td>
<td>31,730</td>
<td>6,394</td>
<td>5,155</td>
<td>1,817,498</td>
<td>137,052</td>
<td>(2,276,485)</td>
<td>(700,966)</td>
<td>6,031</td>
<td>2,238,617</td>
</tr>
<tr>
<td>Nonoperating revenues: State appropriations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td>11,964,600</td>
<td>726,700</td>
<td></td>
<td></td>
<td>122,125</td>
<td>128,156</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,813,425</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>1,149,098</td>
<td>(2,481)</td>
<td>(257,550)</td>
<td>(23,123)</td>
<td>474,270</td>
<td>203,691</td>
<td>31,730</td>
<td>6,394</td>
<td>5,155</td>
<td>1,817,498</td>
<td>137,052</td>
<td>(2,276,485)</td>
<td>(700,966)</td>
<td>6,031</td>
<td>2,238,617</td>
</tr>
</tbody>
</table>
APPENDIX C

SUMMARY OF THE WASTEWATER TREATMENT INSURED BOND RESOLUTION, 
SERIES 1993

The following is a general summary of certain provisions of the bond resolution adopted 
by the Trust on October 21, 1993 entitled "Wastewater Treatment Insured Bond Resolution, 
Series 1993" (the "Bond Resolution"). The summary is not to be considered a full statement of 
the terms of the Bond Resolution and accordingly is qualified by reference thereto and is subject 
to the full text thereof. Copies of the Bond Resolution may be obtained from the Trust upon 
request. The section references shown below in parenthesis are to particular sections of the Bond 
Resolution.

Definitions

The following are definitions in summary form of certain terms contained in the Bond 
Resolution and used therein.

"Act" means the "New Jersey Wastewater Treatment Trust Act," constituting Chapter 
334 of the Pamphlet Laws of the State of New Jersey (N.J.S.A. 58:11B 1 et seq.), as the same 
may from time to time be amended and supplemented.

"Administrative Fee" means an annual fee of three tenths of one percent (.30%) of the 
initial principal amount of the Loan or such lesser amount, if any, as the Trust may approve from 
time to time, payable by each Local Unit in accordance with the terms of its Loan Agreement.

"Administrative Fee Account" means the account within the Operating Expense Fund so 
designated and established by Article V of the Bond Resolution.

"Allocable Share" for any Local Unit means: (i) with respect to earnings on the Debt 
Service Reserve Fund during the capitalized interest period for SRF Local Units that are not or 
are no longer capitalizing interest as determined pursuant to Section 5.10(2)(b)(i) of the Bond 
Resolution, the percentage set forth for any such SRF Local Units on Schedule II-A attached to 
the Bond Resolution which percentage shall be equal to a fraction, the numerator of which shall 
equal the aggregate principal amount of the Loan made to such SRF Local Unit, and the 
denominator of which shall equal the aggregate principal amount of all Loans made to all SRF 
Local Units that are not or are no longer capitalizing interest as of the date of such determination, 
(ii) with respect to earnings on the Debt Service Reserve Fund during the capitalized interest 
period for SRF Local Units that are not or are no longer capitalizing interest as determined pursuant to Section 5.10(2)(b)(ii) of the Bond Resolution, the percentage set forth for any such 
non-SRF Local Units on Schedule II-B attached to the Bond Resolution which percentage shall 
be equal to a fraction, the numerator of which shall equal the aggregate principal amount of the 
Loan made to such non-SRF Local Unit, and the denominator of which shall equal the aggregate principal amount of all Loans made to all non-SRF Local Units that are not or are no longer capitalizing interest as of the date of such determination, (iii) with respect to earnings on the Debt Service Reserve Fund after the capitalized interest period, as determined pursuant to Sections 5.10(3) and 5.10(4)(c) and (d) of the Bond Resolution, and with respect to the earnings 
on all other funds and accounts which are subject to transfer and credit in accordance with 
Sections 5.10(3) and (4) of the Bond Resolution, the percentage set forth for any such Local Unit
on Schedule I-A attached to the Bond Resolution for SRF and non-SRF Local Units, respectively, which percentage shall be equal to a fraction, the numerator of which shall equal the aggregate principal amount of the Loan made to such Local Unit, and the denominator of which shall equal the aggregate principal amount of all Loans made to all SRF or non-SRF Local Units, as appropriate, and (iv) for all other purposes of the Bond Resolution, the percentage set forth for any such Local Unit on Schedule I-B attached to the Bond Resolution, which percentage shall be equal to a fraction, the numerator of which shall equal the aggregate principal amount of the Loan made to such Local Unit, and the denominator of which shall equal the aggregate principal amount of all Loans made to all Local Units; provided however, that in the event the Local Units are either all SRF Local Units or all non-SRF Local Units, the percentages set forth in Schedule I-A attached to the Bond Resolution shall equal the percentages set forth in Schedule I-B to the Bond Resolution.

"Applicable" means (i) with reference to any Fund, Account or Subaccount so designated and established by the Bond Resolution, the Fund, Account or Subaccount so designated and established, (ii) with respect to any Series of Bonds, the Series of Bonds issued for a particular purpose under the Bond Resolution, and (iii) with respect to any Loan Agreement, the Loan Agreement entered into by and between a Local Unit and the Trust relating to a borrowing from the Trust.

"Authorized Officer" means: (i) in the case of the Trust, the Chairman or Vice Chairman of the Trust, or any other person or persons designated by the Board by resolution to act on behalf of the Trust under the Bond Resolution; the designation of such person or persons shall be evidenced by a written certificate containing the specimen signature of such person or persons and signed on behalf of the Trust by its Chairman or its Vice Chairman; (ii) in the case of a Local Unit, any person or persons authorized pursuant to a resolution or ordinance of the governing body of the Local Unit to perform any act or execute any document; the designation of such person or persons shall be evidenced by a certified copy of such resolution or ordinance delivered to the Trust and the Trustee; and (iii) in the case of the Trustee, any person or persons authorized to perform any act or execute any document; the designation of such person or persons shall be evidenced by a written certificate containing the specimen signature of such person or persons reasonably acceptable to the Trust.

"Board" means the Board of Directors of the Trust, or if said Board shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof or to whom the powers and duties granted or imposed by the Bond Resolution shall be given by law.

"Bond" or "Bonds" means one or more, as the case may be, of the Series 1993 Bonds or Refunding Bonds, and all bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Bond Resolution.

"Bond Counsel" means a law firm, appointed by the Trust, having a reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

"Bondholder", "Holder" or "holder" means any person who shall be the registered owner of a Bond or Bonds.
"Bond Year" means a period of 12 consecutive months beginning on March 1 of any calendar year and ending on February 28 or 29, as the case may be, of the immediately succeeding calendar year except that the first bond year shall be a period commencing on the date of issuance of the initial Series of Bonds under the Bond Resolution and ending on the next succeeding February 28 or 29, as the case may be.

"Capitalized Interest Account" means the Account within the Debt Service Fund so designated and established by Article V of the Bond Resolution.

"Certificate", "Order", "Request", "Requisition" and "Statement" mean, respectively, a written certificate, order, request, requisition or statement signed in the name of the Trust, the Trustee or a Local Unit by an Authorized Officer of the Trust, the Trustee or such Local Unit, respectively. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the instruments so combined shall be read and construed as a single instrument.

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

"Cost" 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.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Trust and related to the authorization, execution, issuance, sale and delivery of each Series of Bonds, including (without limitation) costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, the Loan Servicer and the Paying Agent, legal fees and charges, fees and disbursements of financial or other consultants and professionals, fees and charges for preparation, execution and safekeeping of the Bonds of such Series, and any other cost, charge or fee in connection with the issuance of such Series of Bonds.

"Costs of Issuance Account" means the Account within the Operating Expense Fund so designated and established by Article V of the Bond Resolution.

"Counsel" means an attorney at law or firm of attorneys at law (who may be, without limitation, of counsel to, or an employee of, the Trust, the Trustee, the Paying Agent, the Loan Servicer or any Local Unit) duly admitted to practice law before the highest court of any state.

"Coverage Amount" means the amount of money remaining in the Revenue Fund on the first day of any Bond Year and on September 1 of such Bond Year, after giving effect to the transfers to be made therefrom on such first day or September 1 as applicable, of such Bond Year as required pursuant to subsections (1), (2), (3), and (4) of Section 5.05 of the Bond Resolution, that have been previously transferred into the Revenue Fund from the Trust Bonds Security Account.
"Debt Service Fund" means the fund so designated and established by Article V of the Bond Resolution.

"Debt Service Reserve Fund" means the fund so designated and established by Article V of the Bond Resolution.

"Debt Service Reserve Requirement" means, as of any date of calculation, an amount equal to the lesser of (i) the greatest amount required in the then current Bond Year or in any future Bond Year to pay the sum of (a) interest on the Outstanding Series 1993 Bonds and Outstanding Refunding Bonds; and (b) principal or Sinking Fund Instalments, as the case may be, of the Outstanding Series 1993 Bonds and Outstanding Refunding Bonds; (ii) 125% of a fraction, the numerator of which is the sum of the interest, principal and Sinking Fund Instalments on the Outstanding Series 1993 Bonds and Outstanding Refunding Bonds payable beginning in such Bond Year and each succeeding Bond Year thereafter until the maturity of the Outstanding Series 1993 Bonds and Outstanding Refunding Bonds, and the denominator of which is the number of years or portion thereof until the maturity of the Outstanding Series 1993 Bonds and Outstanding Refunding Bonds; or (iii) the sum of 10% of the "proceeds" of the Series 1993 Bonds, but only if such Series 1993 Bonds are Outstanding and if any Refunding Bonds are Outstanding, 10% of the "proceeds" of Refunding Bonds within the meaning of Section 148(d) of the Code.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default with respect to the Bonds.

"Department" means the New Jersey Department of Environmental Protection and Energy.

"Event of Default" means any occurrence or event designated as such in the Bond Resolution.

"Fiduciary" or "Fiduciaries" means the Trustee or the Paying Agent, or both of them, as may be appropriate.

"General Fund" means the fund so designated and established by Article V of the Bond Resolution.

"Interest Account" means the account within the Debt Service Fund so designated and established by Article V of the Bond Resolution.

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 1994.

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

"Investment Securities" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Trust's funds:

(i) any bonds or other obligations which as to principal and interest constitute direct general obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state or of any agency or instrumentality of any such local governmental unit (a) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal and interest on the bonds and obligations of the character in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) bonds, debentures or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iv) new housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) direct general obligations of any state of the United States of America, the payment of the principal of and interest on which the full faith and credit of such state is
pledged, provided that at the time of their purchase under the Bond Resolution such obligations are rated in either of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation;

(vi) obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision which shall be rated in the highest rating category by Moody's Investors Service and by Standard & Poor's Corporation;

(vii) direct and general obligations of the State of New Jersey, the payment of the principal of and interest on which the full faith and credit of said State is pledged, or any bonds or other obligations the payment of the principal and interest on which are unconditionally guaranteed by the State of New Jersey;

(viii) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Bond Resolution, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation;

(ix) certificates that evidence ownership of the right to payments of principal of or interest on obligations described in clause (i), provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Bond Resolution;

(x) certificates of deposit, whether negotiable or non negotiable, and banker's acceptances of any of the fifty (50) largest banks in the United States of America, by measure of total assets, which banks may include the Trustee, which are rated not lower than "A-1" and "P-1" by Moody's Investors Service, Inc. and Standard & Poor's Corporation, provided that the aforementioned certificates of deposit and banker's acceptances shall mature within 360 days of purchase;
(xi) commercial paper, other than that issued by bank holding companies, rated at
the date of investment in the highest rating category by Moody's Investors Service and by
Standard & Poor's Corporation;

(xii) any repurchase agreement which by its terms matures not later than one (1)
year from its date of execution with any bank or trust company organized under the laws
of any state of the United States of America or any national banking association,
including the Trustee, or government bond dealer reporting to, trading with and
recognized as a primary dealer by the Federal Reserve Bank of New York, which
agreement is secured by any one or more of the securities described in clauses (i) or (iii)
above which securities shall at all times have a market value (exclusive of accrued
interest) not less than one hundred two percent (102%) of the full amount of the
repurchase agreement, have dates of maturity not in excess of ten (10) years and be
delivered to another bank or trust company organized under the laws of any state of the
United States of America or national banking association, as custodian;

(xiii) shares of an Investment Company, organized under the Investment
Company Act of 1940, as amended, including an Investment Company for which the
Trustee is investment advisor, which invests its assets substantially in obligations of the
type described in clause (i), (vi), (x) or (xii); and

(xiv) interests in the State of New Jersey Cash Management Fund or other similar
common trust fund for which the New Jersey State Treasurer is the custodian.

"Loan" means a loan by the Trust to a Local Unit, pursuant to a Loan Agreement, to
finance or refinance a portion of the Cost of such Local Unit's Project. For all purposes of the
Bond Resolution, the principal amount of each Loan shall be the principal amount specified in
the applicable bond of a Local Unit issued in accordance with the Applicable Loan Agreement.

"Loan Agreement" means a loan agreement that is entered into by and between the Trust
and a Local Unit, as such Loan Agreement may be amended, modified or supplemented from
time to time in accordance with the provisions thereof and of the Bond Resolution.

"Loan Closing" means the date on which an executed Loan Agreement is delivered
pursuant to the Bond Resolution.

"Loan Repayments" means the sum of (i) Trust Bond Loan Repayments, (ii) the
Administrative Fee and (iii) any late charges incurred under the provisions of a Loan Agreement.

"Loan Servicer" means the Loan Servicer for the Loans and Fund Loans (as defined in
the Applicable Loan Agreements) duly appointed and designated as such pursuant to the Loan
Servicing Agreement and its successors as Loan Servicer under the Loan Servicing Agreement.

"Loan Servicing Agreement" means the Loan Servicing and Trust Bonds Security
Agreement, dated as of the date of the Loan Closing, by and among the Trust, the State of New
Jersey, acting by and through the Treasurer of the State of New Jersey on behalf of the Department, and the Loan Servicer relating to the Series 1993 Bonds.

"Local Unit" means any New Jersey county, municipality, municipal, county or regional sewerage or utilities authority or any other local political subdivision authorized to construct, operate and maintain wastewater treatment systems that has entered into a Loan Agreement with the Trust pursuant to which such Local Unit will borrow money from the Project Fund financed through the issuance of the Series 1993 Bonds all of which are SRF Local Units.

"Local Unit's Project" means the project of the Local Unit described in the Applicable Loan Agreement which constitutes a project for which the Trust is permitted to make a loan to the Local Unit pursuant to the Act.

"Operating Expense Fund" means the fund so designated and established by Article V of the Bond Resolution.

"Outstanding," or "outstanding" means, when used with reference to Bonds of any Series, as of any particular date all Bonds of such Series theretofore, or thereupon being, authenticated and delivered by the Trustee under the Bond Resolution, except (i) Bonds of such Series theretofore or thereupon canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds of such Series with respect to which all liability of the Trust shall have been discharged in accordance with the Bond Resolution; and (iii) Bonds of such Series in lieu of or in substitution for which other Bonds of such Series shall have been authenticated and delivered by the Trustee pursuant to any provision of the Bond Resolution.

"Paying Agent" means the Paying Agent appointed pursuant to the Bond Resolution, and its successors.

"Principal Account" means the Account within the Debt Service Fund so designated and established by Article V of the Bond Resolution.

"Project Fund" means the Fund so designated and established by Article V of the Bond Resolution.

"Project Loan Account" means any of the Accounts within the Project Fund so designated and established by Article V of the Bond Resolution.

"Rebate Fund" means the Fund so designated and established by Article V of the Bond Resolution.

"Redemption Account" means the Account within the Debt Service Fund so designated and established pursuant to Article V of the Bond Resolution.

"Redemption Price" means, when used with reference to any Bond or any portion thereof, the principal amount of such Bond or such portion thereof and any premium thereon payable upon redemption thereof pursuant to the provisions of such Bond and the Bond Resolution.
"Refunding Bonds" means all **Bonds authenticated and delivered pursuant to the Series 1993 Bond Resolution.**

"Regulations" means the rules and regulations now or hereafter promulgated by the Trust pursuant to the Act, including the **regulations entitled "Wastewater Treatment Trust Procedures and Requirements" (N.J.A.C. 7:22 4.1 et seq.), and "Determination of Allowable Costs for Wastewater Treatment Fund and Wastewater Treatment Trust Financial Assistance" (N.J.A.C. 7:22 5.1 et seq.), as the same may from time to time be amended and supplemented.**

"Restricted Investments" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Trust's funds:

(i) **any bonds or other obligations which as to principal and interest constitute direct general obligations of, or are unconditionally guaranteed by, the United States of America;**

(ii) bonds, debentures or other evidences of indebtedness issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Government National Mortgage Association;

(iii) certificates of deposit, whether negotiable or non negotiable, and banker's acceptances of any of the fifty (50) largest banks in the United States of America, by measure of total assets, which banks may include the Trustee, which are rated not lower than the third highest major long term rating category and the highest short term rating category by Moody's Investors Service and Standard & Poor's Corporation;

(iv) commercial paper issued by institutions rated at the date of investment not lower than the third highest major long term rating category and the highest short term rating category by Moody's Investors Service and Standard & Poor's Corporation;

(v) any repurchase agreement which by its terms matures not later than thirty (30) days from its date of execution with (a) any bank or trust company organized under the laws of any state of the United States of America or any national banking association, which bank, trust company or national banking association is rated in the highest long term rating category by Moody's Investors Service and Standard & Poor's Corporation, or (b) any bank or trust company organized under the laws of any state of the United States of America, any national banking association including the Trustee, or any government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank system (all of which institutions must have an investment grade rating from Moody's Investors Service and Standard & Poor's Corporation), which agreement is secured by any one or more of the securities described in clause (i) or (ii) above which securities shall at the end of each business day have a market value (exclusive of accrued interest) not less than one hundred three percent (103%) of the full amount of the
repurchase agreement, have dates of maturity not in excess of seven (7) years and be delivered to another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian;

(vi) one day Federal Fund loans with banks, which banks may include the Trustee, which are rated not lower than the third highest major long term rating category and the highest short term rating category by Moody's Investors Service and by Standard & Poor's Corporation; and

(vii) interests in the State of New Jersey Cash Management Fund or other similar common trust fund for which the New Jersey State Treasurer is the custodian.

"Revenues" means all (i) Loan Repayments and State Loan Repayments that (A) are held by the Loan Servicer or the Trustee and (B) upon receipt by the Loan Servicer, were deposited in the Trust Bonds Security Account and (ii) proceeds derived from the foregoing including, without limitation, investment income received by the Trust on such Loan Repayments and State Loan Repayments; provided, however, that Revenues shall not include payments of the Administrative Fee payable to the Trust under the Loan Agreements.

"Revenue Fund" means the Fund so designated and established by Article V of the Bond Resolution.

"Series" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Bond Resolution or the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series 1993 Bonds" means the $64,285,000 aggregate principal amount of the Trust's "Wastewater Treatment Insured Bonds, Series 1993" authorized pursuant to the Bond Resolution.

"Sinking Fund Installments", with respect to any Series of Bonds, shall have the meaning, if any, specified in either the Bond Resolution or the Applicable Supplemental Resolution.

"SRF", with respect to any Fund, Account or Subaccount established under the Bond Resolution, means that such Fund, Account or Subaccount constitutes part of and with respect to any Local Unit, means a Local Unit whose loan will be funded from the State Water Pollution Control Revolving Fund of the State of New Jersey for purposes of the federal Water Quality Act of 1987, as amended.

"State Loan Repayment" means any payment by a Local Unit of the principal on the companion State of New Jersey fiscal year 1993 zero interest loan made by the State of New Jersey, acting by and through the Department, to finance in part such Local Unit's Project.
"Supplemental Resolution" means any resolution or resolutions of the Trust amending, modifying or supplementing the Bond Resolution, authorizing the issuance of a Series of Refunding Bonds, or any other Supplemental Resolution, adopted by the Trust pursuant to the provisions of the Bond Resolution.

"Tax Certificate", with respect to the Series 1993 Bonds, means the "Tax Certificate as to Arbitrage and Instructions as to Compliance with the Provisions of Section 103(a) of the Internal Revenue Code of 1986, as Amended" executed and delivered by an Authorized Officer of the Trust on the date of issuance of the Series 1993 Bonds, as the same may be supplemented and amended from time to time.

"Trust Bond Loan Repayments" means the repayments of the principal amount of a Loan under a Loan Agreement, the payment of any premium associated with prepaying the principal amount of a Loan in accordance with Section 3.07 of any Loan Agreement, plus the payments of the Interest Portion of a Loan under a Loan Agreement.

"Trust Bonds Security Account" means the account so designated and established pursuant to the Loan Servicing Agreement.

"Trustee" means the trustee appointed pursuant to the Bond Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Bond Resolution.

"Trust Estate" means (i) all right, title and interest of the Trust in, to and under the Loan Agreements, except for the Trust's right, title and interest in those certain Loan Repayments, including without limitation, the Administrative Fee, that are held by the Loan Servicer and that upon receipt by the Loan Servicer, were not deposited in the Trust Bonds Security Account, (ii) any other Revenues not included within clause (i) of this definition, whether held by the Trustee or the Loan Servicer, and (iii) all funds, accounts and subaccounts established by the Bond Resolution, other than the Project Loan Accounts in the Project Fund, the Administrative Fee account and the cost of Issuance Account in the Operating Expense Fund, the Rebate Fund and the amounts held in the Capitalized Interest Account of the Debt Service Fund that are allocable to and held for the benefit of The Musconetcong Sewerage Authority, including investments, if any, thereof, as the same are pledged and assigned, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution.

(Section 1.01)

**Bond Resolution and Bonds Constitute a Contract**

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Bond Resolution by those who shall hold the same from time to time: (i) the Bond Resolution shall be deemed to be and shall constitute a contract between the Trust, the Trustee and the Holders, from time to time, of such Bonds; (ii) the pledge made and the duties, covenants, obligations and agreements set forth in the Bond Resolution to be observed and performed by or on behalf of the Trust shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which,
regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction as to lien or otherwise, except as expressly provided in or permitted under the Bond Resolution; (iii) the Trust, as security for the payment of the principal and Redemption Price, if any, of, and the interest on, the Bonds and as security for the observance and performance of any other duty, covenant, obligation or agreement of the Trust under the Bond Resolution all in accordance with the provisions thereof and under the Bond Resolution, does under the Bond Resolution grant a security interest in and further does grant, bargain, sell, convey, pledge, assign and confirm to the Trustee the Trust Estate; (iv) the pledge made under the Bond Resolution is valid and binding from the time when the pledge is made and the Trust Estate shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and regardless of whether held by the Loan Servicer or the Trustee, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Trust irrespective of whether such parties have notice thereof; and (v) the Bonds shall be special obligations of the Trust payable solely, except for any payment under the municipal bond insurance policy insuring the Series 1993 Bonds issued by the Bond Insurer, from and secured by a pledge of the Trust Estate as provided under the Bond Resolution. Loan Repayments and State Loan Repayments that do not constitute Revenues are not subject to the lien of the pledge created by the Bond Resolution.

(Section 1.04)

Authorization of Bonds; Designation of Bonds of Series

Neither the State nor any political subdivision thereof, other than the Trust, but solely to the extent of the Trust Estate, is obligated to pay the principal or Redemption Price of, or interest on, the Bonds, and neither the faith and credit nor the taxing power of the State, or any political subdivision thereof, is pledged to the payment of the principal or Redemption Price of, or interest on, the Bonds.

(Section 2.01)

Creation of Funds and Accounts

The Bond Resolution establishes the following funds and accounts which, other than the Operating Expense Fund, the Project Fund and the Rebate Fund is pledged to, and charged with, the payment of the principal or Redemption Price of and interest on the Applicable Series of Bonds as the same shall become due:

<table>
<thead>
<tr>
<th>Funds and Accounts</th>
<th>Held by</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Debt Service Fund</td>
<td>Trustee</td>
</tr>
<tr>
<td>Interest Account</td>
<td></td>
</tr>
<tr>
<td>Capitalized Interest Account</td>
<td></td>
</tr>
<tr>
<td>Principal Account</td>
<td></td>
</tr>
<tr>
<td>Redemption Account</td>
<td></td>
</tr>
<tr>
<td>(2) Debt Service Reserve Fund</td>
<td>Trustee</td>
</tr>
<tr>
<td>(3) General Fund</td>
<td>Trustee</td>
</tr>
</tbody>
</table>
The Debt Service Reserve Fund, the General Fund, the Revenue Fund and each account in the Debt Service Fund and the Project Fund shall be further divided into SRF and non SRF components, as applicable. The proceeds, including accrued interest, of the Series 1993 Bonds shall be received by the Trustee and applied simultaneously with the delivery of such Bonds as follows: (i) a sum equal to the amount of accrued interest on the Series 1993 Bonds from October 15, 1992 to their date of delivery shall be deposited into the Interest Account of the Debt Service Fund; (ii) an amount set forth in a certificate of an Authorized Officer of the Trust which, together with the investment earnings thereon, will be applied to the payment of a portion of the interest that will accrue on the Series 1993 Bonds from the date of their delivery to and including September 1, 1996 shall be deposited into the Capitalized Interest Account of the Debt Service Fund; (iii) a sum equal to each Local Unit's pro rata share of the Costs of Issuance shall be deposited into the Costs of Issuance Account of the Operating Expense Fund; (iv) a deposit to the Rebate Fund in an amount equal to the excess investment proceeds over the respective Bond yields earned during the respective temporary periods allowed under the Code; and (v) the remaining balance of the proceeds of the Series 1993 Bonds shall be deposited into the Project Loan Accounts of the Project Fund in the amounts set forth in a certificate of an Authorized Officer of the Trust.

(Sections 2.03 and 5.01)

Allocation of Revenues

All Revenues shall be promptly deposited to the credit of the Revenue Fund. Amounts in the Revenue Fund are to be allocated as follows:

(a) On or prior to each Interest Payment Date, the Trustee shall transfer from amounts in the Revenue Fund to the Interest Account in the Debt Service Fund, the amount which, together with the amounts, if any, already on deposit in the Interest Account (other than investment earnings on amounts that have been received in the Interest Account since the immediately preceding Interest Payment Date) and the amounts, if any, on deposit in the Capitalized Interest Account and designated for use on such Interest Payment Date, is equal to the interest due and payable on the Bonds on such Interest Payment Date;

(b) On or prior to March 1 of each year through and including final maturity of the Bonds, the Trustee shall transfer from moneys on deposit in the Revenue Fund to the Principal Account in the Debt Service Fund, the amount equal to the principal,
including Sinking Fund Installments, if any, due and payable on the Bonds on such March 1.

(c) On or prior to each redemption date, other than a Sinking Fund Installment due date, the Trustee shall transfer from moneys on deposit in the Revenue Fund (1) to the Redemption Account in the Debt Service Fund an amount equal to the Redemption Price due and payable on all Bonds to be redeemed on such redemption date and (2) to the Interest Account in the Debt Service Fund an amount equal to the interest accrued and not paid and to accrue on such Bonds to such redemption date. Money received from a Local Unit prior to September 1, 2002 that represents a prepayment of its Loan as allowed under its respective Loan Agreement shall be held in the accounts set forth in a Certificate of an Authorized Officer of the Trust prior to March 1, 2003, the first optional redemption date.

(d) All Revenues representing repayments made pursuant to the second paragraph of Section 3.04 of any Loan Agreement for the replenishment of the Debt Service Reserve Fund shall be immediately transferred by the Trustee for deposit to the Debt Service Reserve Fund.

(Sections 5.04 and 5.05)

Application of Moneys in the Project Fund

There shall be established within the Project Fund a separate Project Loan Account in favor of each Local Unit to which a Loan is to be made pursuant to a Loan Agreement. The Trustee shall make payments from a Project Loan Account in the amounts, at the times, in the manner and on the other terms and conditions set forth in the Bond Resolution. Before any such payment shall be made, the Local Unit shall file with the Trustee its requisition therefor, approved by the Trust, which requisition shall be on a form as determined by the Executive Director or other Authorized Officer of the Trust. The Trustee shall issue its check for each payment required by such requisition or shall by interbank transfer or other method arrange to make the payment required by such requisition.

The Trust shall file with the Trustee a Certificate, signed by an Authorized Officer of the Trust, with respect to each Project Loan Account when either the Trust has approved all requisitions to be paid from such Project Loan Account that are eligible to be approved under the Regulations. Such Certificate shall: (a) if (i) above is applicable, state that the proceeds of the Loan have been fully disbursed to the extent allowed by the Regulations, or if (ii) above is applicable, state that, among other things, all contracts for completion of the Project have been awarded and the low bid building cost for such Project has been finally established; and (b) if any moneys remain on deposit in the Project Loan Account, set forth a schedule indicating when and how much of the remaining moneys, are to be transferred to the Debt Service Fund and applied as a credit against and considered as Trust Bond Loan Repayments due from the respective Local Unit in whose favor the Project Loan Account was established.
Except as described in clause (i) of the prior paragraph, disbursements from the respective Project Loan Accounts shall not be made by the Trustee prior to the dates set forth in Exhibit C to each respective Loan Agreement entered into by each respective Local Unit, unless accompanied by (i) a Certificate of authorization executed by an Authorized Officer of the Trust, which Certificate may be issued at the sole discretion of the Trust, (ii) an opinion of Bond Counsel or other Counsel to the effect that such disbursement will not adversely affect the exclusion of interest on the Series 1993 Bonds from the gross income of the holders thereof for federal income tax purposes, (iii) an amendment to each respective Loan Agreement concerning such early disbursement in accordance with Section 11.12 of the Bond Resolution, and (iv) a Certificate of an Authorized Representative of any Local Unit setting forth such Local Unit's agreement that all costs and expenses incurred by the Trust, any such Local Unit, any of their respective counsel or other professional advisors or any other costs or expenses directly or indirectly related to such advance disbursement, including without limitation any costs or loss of investment earnings related to the early redemption of Investment Securities or Restricted Investments made necessary to effect such early disbursement, shall be borne solely by any such Local Unit.

(Section 5.02)

Application of Moneys in the Operating Expense Fund

The Trust shall make payments from the Costs of Issuance Account, and, if necessary, from its funds and accounts not subject to the pledge and lien of the Bond Resolution in the amounts, at the times, in the manner and on the other terms and conditions as the Trust shall determine to be fair and reasonable in the payment of the particular items of the Costs of Issuance relating to the issuance of a particular Series of Bonds and, in the case of the Series 1993 Bonds, in accordance with the Tax Certificates.

The Loan Servicer shall deposit in the Administrative Fee Account the Administrative Fees (i) received by the Loan Servicer on behalf of the Trust pursuant to the Loan Agreements, (ii) deposited by the Loan Servicer in the Trust Administration Account as defined in and pursuant to the Loan Servicing Agreement and (iii) paid over to the Trust in accordance with the Loan Servicing Agreement. The Trust shall utilize moneys on deposit in the Administrative Fee Account from time to time to pay the operating expenses of the Trust; provided, however, that in any Bond Year the moneys on deposit in the Administrative Fee Account shall be applied by the Trust in satisfaction of the operating expenses of the Trust arising under the Bond Resolution and the Loan Servicing Agreement in such Bond Year before such moneys may be applied in satisfaction of the other operating expenses of the Trust arising in such Bond Year. (Section 5.03)

Application of Moneys in the Debt Service Fund

On each Interest Payment Date and each redemption date, the Trustee shall withdraw from the Capitalized Interest Account, if so designated, and the Interest Account in the Debt Service Fund amounts equal in the aggregate to the interest due on the Bonds on such Interest Payment Date or redemption date, which moneys shall be paid by the Paying Agent in accordance with the Bond Resolution or a Supplemental Resolution relating to a Series of Bonds.
On the maturity or Sinking Fund Installment due date of any Bonds, the Trustee shall make available to the Paying Agent from moneys in the Principal Account in the Debt Service Fund an amount equal to the principal or Redemption Price of the Bonds due on such date, which moneys shall be applied by the Paying Agent to the payment of such principal or Redemption Price.

On each redemption date, other than a Sinking Fund Installment due date, the Trustee shall make available to the Paying Agent from moneys in the Redemption Account an amount equal to the Redemption Price of the Bonds to be redeemed on such redemption date, which moneys shall be applied by the Paying Agent to the payment of such Redemption Price.

(Section 5.06)

Application of Moneys in the Debt Service Reserve Fund

Whenever the Loan Servicer, pursuant to the Loan Servicing Agreement, shall notify the Trust and the Trustee that a Local Unit is deficient in the payment of a Trust Bond Loan Repayment and that such deficiency cannot be satisfied from other Loan Repayments, State Loan Repayments or other amounts payable thereunder that have been deposited in the Trust Bonds Security Account and remain therein or have been transferred to the Revenue Fund or the Debt Service Fund, the Trustee shall transfer from the Debt Service Reserve Fund on the Interest Payment Date or maturity date or Sinking Fund Installment due date, as the case may be, the amount of such deficiency to the appropriate account in the Debt Service Fund; provided, however, that the Trustee may only transfer such amount which, when added to the difference between (i) all prior transfers made from the Debt Service Reserve Fund as a result of deficient Trust Bond Loan Repayments by said Local Unit and (ii) repayments made by, or on behalf of, the Local Unit pursuant to the Applicable Loan Agreement does not exceed said Local Unit's pro rata share of the Debt Service Reserve Fund. A Local Unit's pro rata share of the Debt Service Reserve Fund shall be an amount equal to the product of: (a) the Debt Service Reserve Requirement and (b) said Local Unit's Allocable Share as set forth on Schedule I to the Bond Resolution.

Whenever the amount, if any, in the Debt Service Reserve Fund funded with Bond proceeds, together with the amount in the Debt Service Fund, is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), such amount on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund. Prior to said transfer, all investments held in the Debt Service Reserve Fund shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price of and interest on or defeasance of Bonds.

Upon the cancellation of all Series 1993 Bonds and any Refunding Bonds in accordance with Section 3.08 of the Bond Resolution, the Trustee shall transfer all amounts in the Debt Service Reserve Fund, if any, to the Trust for application by the Trust in accordance with the Act and any other applicable law for any of the Trust's corporate purposes allowed thereby.

Whenever the Trustee determines that the amount of money in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement on March 1 in any Bond Year, such excess
money shall be transferred to the Trust for Application by the Trust in accordance with the Act and any other applicable law for any of the Trust's corporate purposes allowed thereby.

(Section 5.07)

Application of Moneys in the General Fund

On the first day of each Bond Year commencing March 1, 1994, the Trustee shall deposit in the General Fund all moneys then remaining in the Revenue Fund, except those moneys identified as credits under Section 5.10 of the Bond Resolution to be transferred to the Interest Account on the second day of such Bond Year and except for those Coverage Amounts remaining in the Revenue Fund after giving effect to the transfers to be made therefrom on the first day of the next Bond Year as required pursuant to clause (ii) below that have been previously transferred into the Revenue Fund from the Trust Bonds Security Account; provided, however, that (i) the moneys then on deposit in the Debt Service Reserve Fund shall be at least equal to the Debt Service Reserve Requirement, and (ii) all transfers from the Revenue Fund as described above shall have been made. Moneys on deposit in the General Fund which shall not be required to be transferred to the Interest Account in the Debt Service Fund, may be applied by the Trust, upon written requisition from the Trust to the Trustee, in accordance with the Act for any of its corporate purposes.

(Section 5.08)

Investments

All moneys in any of the Funds and Accounts created under the Bond Resolution, other than the Operating Expense Fund, the Accounts established therein and the Rebate Fund shall be invested by the Trustee as directed by the Trust in writing, subject to the further provisions of the Bond Resolution. The Trustee may conclusively rely upon such written direction of the Trust as to any and all investments. Moneys in the Operating Expense Fund and the Rebate Fund shall be invested by the Trust in accordance with the provisions of the Bond Resolution.

Moneys in all Funds and Accounts created under the Bond Resolution shall be invested in Investment Securities, the principal of and interest on which are payable not later than the dates on which it is estimated that such moneys will be required under the Bond Resolution.

Commencing March 1, 1994 and on each Interest Payment Date thereafter through and including September 1, 1996, the Trustee shall transfer the amounts of net earnings from the investment of moneys in the Debt Service Reserve Fund set forth in Section 2.03(7)(a) of the Bond Resolution to the Capitalized Interest Account to be applied to the payment of a portion of the interest due on the Series 1993 Bonds on such Interest Payment Date. On the day immediately following each such Interest Payment Date, the Trustee shall transfer the balance of the net earnings from the investment of moneys in the Debt Service Reserve Fund to the Interest Account in the Debt Service Fund and apply such amounts as credits against the Interest Portion of the next succeeding Trust Bond Loan Repayment due on any such Interest Payment Date from those Local Units (being the Local Units that are not or are no longer capitalizing interest during the capitalized interest period) in the percentages applicable to the Local Units set forth on each Schedule II attached to the Bond Resolution; provided, however, that (i) the amount to be
applied as a credit for each SRF Local Unit as determined in the preceding clause of this sentence shall not exceed the product of the amount of such balance of net earnings and a fraction, the numerator of which shall equal the product of the amount of said Local Unit's Allocable Share of the Debt Service Reserve Fund (as determined pursuant to Schedule II-A) times the Debt Service Reserve Requirement attributable to all SRF Local Units, less all transfers made by the Trustee in accordance with the provisions of Section 5.07 as of the last day of such Bond Year attributable to such Local Unit, and the denominator of which shall equal the Debt Service Reserve Requirement attributable to all SRF Local Units, less all transfers made by the Trustee in accordance with the provisions of Section 5.07 as of the last day of such Bond Year attributable to such Local Unit, and the denominator of which shall equal the Debt Service Reserve Requirement attributable to all non-SRF Local Units, less the aggregate amount of all transfers from the Debt Service Reserve Fund on behalf of all such Local Units which have not been repaid as of the last day of such Bond Year; (ii) that the amount to be applied as a credit for each non-SRF Local Unit as determined above shall not exceed the product of the amount of such balance of net earnings and a fraction, the numerator of which shall equal the product of the amount of said Local Unit's Allocable Share of the Debt Service Reserve Fund (as determined pursuant to Schedule II-B) times the Debt Service Reserve Requirement attributable to all non-SRF Local Units, less all transfers made by the Trustee in accordance with the provisions of Section 5.07 as of the last day of such Bond Year attributable to such Local Unit, and the denominator of which shall equal the Debt Service Reserve Requirement attributable to all non-SRF Local Units, less the aggregate amount of all transfers from the Debt Service Reserve Fund on behalf of all such Local Units which have not been repaid as of the last day of such Bond Year; and (iii) that during any period in which the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement other than as a result of any transfer required under Section 5.07, the net earnings on amounts on deposit in the Debt Service Reserve Fund shall be credited to the Debt Service Reserve Fund until the amount on deposit therein equals the Debt Service Reserve Requirement. The Trustee, simultaneously with each such transfer, shall notify the Trust and the Loan Servicer in writing of all such net earnings so transferred. Such writings shall set forth the net earnings for each such fund or account created under the Bond Resolution.

Except as provided in the immediately preceding paragraph regarding the transfer of earnings from the Debt Service Reserve Fund during the capitalized interest period, (i) all net earnings received in the first Bond Year and through March 1, 1994 from investment of moneys in any fund or account created hereunder, other than the Operating Expense Fund, the Rebate Fund, the Project Fund and the respective accounts established therein and the Capitalized Interest Account in the Debt Service Fund, shall be deposited in the Interest Account in the Debt Service Fund on March 2, 1994; (ii) all net earnings received from March 2 through and including September 1 in any Bond Year thereafter from the investment of moneys in any fund or account created under the Bond Resolution other than the funds and accounts excepted in (i) above, shall be deposited or retained in the Interest Account in the Debt Service Fund on September 2 of any such Bond Year; and (iii) all net earnings received from September 2 through and including February 28 or 29 as the case may be in any Bond Year thereafter and through March 1 of the next succeeding Bond Year from the investment of moneys in any fund or account created under the Bond Resolution, other than the funds and accounts excepted in (i) and (ii) above, shall be deposited or retained in the Interest Account in the Debt Service Fund on March 2 of any such next succeeding Bond Year.

The Trustee, simultaneously with each such transfer, shall notify the Trust and the Loan Servicer in writing of all such net earnings so transferred. Such writings shall set forth the net
earnings for each such fund or account created under the Bond Resolution. The Loan Servicer, pursuant to the Loan Servicing Agreement, will credit the Interest Portion of the immediately succeeding Trust Bond Loan Repayment due from a Local Unit, and to the extent moneys are available therefor, the principal portion of such Trust Bond Loan Repayments, if any, with the net earnings allocable to said Local Unit and notify the Local Unit and the Trustee of such credit.

(Section 5.10)

Restrictions on Loans

No Loan may be made to reimburse a Local Unit for all or a portion of the Cost of a Local Unit’s Project, or to refinance indebtedness or reimburse the Local Unit for the repayment of indebtedness previously incurred by such Local Unit to finance all or a portion of the Cost of such Local Unit’s Project, unless the Local Unit shall deliver to the Trust and the Trustee an opinion of Bond Counsel approved by the Trust, 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 interest paid on the Bonds.

(Section 6.03)

Liens, Encumbrances and Charges

The Trust shall not create or cause to be created and shall not suffer to exist, any lien, encumbrance or charge upon the Trust Estate except the pledge, lien and charge created for the security of Holders of the Bonds. To the extent Revenues are received, the Trust will cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands that, if unpaid, might by law become a lien upon the Trust Estate; provided, however, that nothing contained in this paragraph shall require the Trust to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

So long as Bonds of any Series shall be Outstanding, the Trust shall not issue any bonds, notes or other evidences of indebtedness, other than such Bonds, secured by any pledge of or other lien or charge on the Trust Estate. Nothing in the Bond Resolution is intended to or shall affect the right of the Trust to issue bonds, notes and other obligations under other resolutions or indentures for any of its other purposes.

(Section 8.03)

Accounts and Audits

The Trust shall keep, or cause to be kept, proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Loans, the Bond Resolution and any Supplemental Resolution, which books and accounts (at reasonable hours and subject to the reasonable rules and regulations of the Trust) shall be subject to the inspection of the Trustee, any Holder of any Bonds or their agents or representatives duly authorized in writing. The Trust shall cause such books and
accounts to be audited annually within ninety (90) days after the end of its fiscal year by a nationally recognized independent certified public accountant selected by the Trust. Annually within thirty (30) days after the receipt by the Trust of the report of such audit, a signed copy of such report shall be furnished to the Trustee. Such report shall include at least: (i) a statement of all funds and accounts (including investments thereof) held by the Trustee pursuant to the provisions of the Bond Resolution; (ii) a statement of the Revenues collected in connection with the Bond Resolution; (iii) a statement whether the balance in the Debt Service Reserve Fund meets the Debt Service Reserve Requirement established under the Bond Resolution; and (iv) a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Bond Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof.

(Section 8.04)

**Tax Rebate**

In connection with the issuance of any Series of Bonds an Authorized Officer of the Trust is authorized to execute on behalf of the Trust a Certificate as to arbitrage (including the Tax Certificate), a letter of instructions as to certain requirements of the Code, or any similar documents relating to the characterization of such Series of Bonds as not being "arbitrage bonds" within the meaning of Sections 103(a)(2) and 148 of the Code.

Any amounts required to be set aside for rebate to the Internal Revenue Service pursuant to any letter of instructions or certificate as to arbitrage shall be considered a loss for purposes of determining "net earnings" pursuant to the Bond Resolution.

(Section 8.06)

**Loan Prepayments**

Upon the prepayment, in whole or in part, of any Loan, the Trust shall elect to apply such prepayment proceeds either (i) to the redemption of Bonds on the next succeeding call date in accordance with Article IV of the Bond Resolution, or (ii) to the payment of Bonds in accordance with Section 12.01 of the Bond Resolution. The Trust may only consent to Loan prepayments pursuant to the Loan Agreements if it simultaneously delivers to the Trustee (i) a certificate of an independent public accountant demonstrating that the aggregate Trust Bond Loan Repayments due pursuant to the Loan Agreements after such prepayment shall be sufficient to pay when due the principal of and interest on all Bonds outstanding after giving effect to the Trust's election required in the immediately preceding sentence, and (ii) irrevocable instructions to effectuate such election regarding the application of prepayment proceeds. The Trust shall give notice to Standard & Poor's Corporation and Moody's Investors Service, Inc. of any such Loan prepayments and its application of the proceeds thereof.

(Section 8.07)
Defaults; Events of Default

Any of the following events shall be and constitute an "Event of Default" under the Bond Resolution:

(a) default in the due and punctual payment of any interest on any Bond; or

(b) default in the due and punctual payment of the principal or Redemption Price of any Bond whether at the stated maturity thereof or on any date fixed for the redemption of such Bond; or

(c) certain events of bankruptcy or insolvency; or

(d) default in the performance or observance of any other of the duties, covenants, obligations, agreements or conditions on the part of the Trust to be performed or observed under the Bond Resolution or the Bonds of each Series, which default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall be given to the Trust by the Trustee or the Bondholders in accordance with the Bond Resolution.

(Section 9.01)

Remedies

If an Event of Default shall occur for any Series of Bonds, the Trustee may, and at the written request of the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds shall, by telephonic notice to the Trust (promptly confirmed in writing) declare the principal of all Bonds then Outstanding to be due and payable; provided, however, that before making such declaration, the Trustee shall give thirty (30) days notice to the Trust. Upon any such declaration, the Trustee shall forthwith give notice thereof to the Local Units, the Paying Agents and the Bond Insurer.

Anything in the Bond Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Bond Resolution, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Bond Resolution, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default.

At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under the Bond Resolution, the Trustee, by written notice to the Trust, may
annul such declaration and its consequences if: (i) moneys shall have accumulated in the Interest Account and the Principal Account in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date) and the principal then due on all Bonds (except the principal on any such Bonds due solely as a result of any such declaration of acceleration); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; and (iii) every other default known to the Trustee in the observance or performance of any duty, covenant, obligation, condition or agreement contained in the Bonds or in the Bond Resolution, shall have been remedied to the satisfaction of the Trustee; provided, however, that such declaration may be annulled only with the written consent of the Holders of not less than 25% in aggregate principal amount of the Bonds Outstanding and not then due by their terms. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Upon the occurrence of an Event of Default, the Trustee shall also have the following rights and remedies:

(a) the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds with the consent of the Bond Insurer pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the Bonds then Outstanding, including (without limitation) the right (to the extend legally enforceable) to declare the principal of the bonds then outstanding to be due and payable of any Local Unit whose actions have directly or indirectly caused any such Event of Default and including the enforcement of any other rights of the Trust or the Trustee under the Loan Agreements;

(b) the Trustee by action or suit in equity may require the Trust to account as if it were the trustee of an express trust for the Holders of Bonds and may take such action with respect to the Loan Agreements as the Trustee deems necessary or appropriate and in the best interest of the Holders of Bonds, subject to the terms of such Loan Agreements; and

(c) upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Holders of Bonds under the Bond Resolution, the Trustee will be entitled, as a matter of right to the appointment of a receiver or receivers of the Trust Estate and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

If an Event of Default shall have occurred with respect to any Bonds, and if requested so to do by the Holders of a majority in principal amount of the Bonds then Outstanding, upon being indemnified to its reasonable satisfaction therefor, the Trustee shall be obligated to exercise such one or more of the rights, remedies and powers conferred by the Bond Resolution as the Trustee shall deem most expedient in the interests of the Holders of Bonds.
Anything in the Bond Resolution to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Bonds in default then Outstanding shall have the right at any time during the continuance of an Event of Default of such Bonds, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Resolution, or for the appointment of a receiver or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Resolution.

All moneys received by the Trustee pursuant to any right or remedy given or action taken upon any acceleration of the due date for the payment of the principal of and interest on the Bonds in default (including, without limitation, moneys received by virtue of action taken under provisions of any Loan Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and any other moneys owed to the Trustee in connection with such Bonds under the Bond Resolution), shall be applied first, to the payment of the principal and interest then due and unpaid upon the Bonds in default, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege.

No Holder of Bonds then Outstanding in default shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Bond Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy under the Bond Resolution, unless (a) an Event of Default shall have occurred, (b) the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the remedies described above or to institute such action, suit or proceeding in its own name, (c) the Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused, or for sixty (60) days after receipt of such request and offer of indemnification shall have failed to exercise the remedies described above, or to institute such action, suit or proceeding in its own name, and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Bond Resolution, and to any action or cause of action for the enforcement of the Bond Resolution or for the appointment of a receiver or for any remedy under the Bond Resolution. It is understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Bond Resolution by his or their action or to enforce any right under the Bond Resolution except in the manner provided in, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Bond Resolution and for the equal and ratable benefit of the Holders of all Bonds then Outstanding; provided, however, that nothing contained in the Bond Resolution shall affect or impair the right of the Holder of any Bond to enforce the payment of the principal or Redemption Price of and interest on such Bond at and after the maturity thereof, or the obligation of the Trust to pay the principal or Redemption Price of and interest on each of the Bonds to the respective Holders thereof at the time and place, from the
source and in the manner expressed in the Bonds and in the Bond Resolution and the Applicable Supplemental Resolution.

In case the Trustee or a Holder of a Bond in default shall have proceeded to enforce any right under the Bond Resolution by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Holder, then and in every such case the Trust, the Trustee and the Holders of Bonds shall be restored to their former positions and rights under the Bond Resolution, respectively, and all rights, remedies and powers of the Trustee and the Holders shall continue as if no such proceedings have been taken.

(Sections 9.02, 9.03, 9.04, 9.06 and 9.07)

Waivers of Events of Default

The Trustee may and, upon the written request of the Holders of 25% in aggregate principal amount of all Bonds in default then Outstanding, shall waive any Event of Default which in its opinion shall have been remedied before the completion of the enforcement of any remedy under the Bond Resolution. No such waiver shall extend to any subsequent or other Event of Default, or impair any rights consequent thereon.

(Section 9.08)

The Fiduciaries

The Trustee may at any time resign and be discharged of the duties and obligations created by the Bond Resolution by giving not less than sixty (60) days' written notice to the Trust, and mailing notice thereof to the Bond Insurer and the Holders of the Bonds then Outstanding. The Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the Trust as set forth in the Bond Resolution. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys in fact duly authorized, excluding any Bonds held by or for the account of the Trust. So long as no Event of Default, or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time for just cause by a resolution of the Trust filed with the Trustee. In case at any time the Trustee shall resign or be removed or shall become incapable of acting or certain events of bankruptcy or insolvency shall occur, the Trust or a court competent jurisdiction shall appoint a successor. Any successor Trustee shall be a bank or trust company or national banking association in good standing, doing business and having its principal office in the City and State of New York or the State of New Jersey, duly authorized to exercise trust powers and subject to examination by federal or State authority, having capital stock and surplus aggregating at least $50,000,000 and acceptable to the Bond Insurer, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Bond Resolution. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be appreciated.
Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Bond Resolution by giving at least sixty (60) days' written notice to the Trust, the Trustee and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Trust. Any successor Paying Agent shall be appointed by the Trust with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least $50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Bond Resolution. Any successor Paying Agent shall not be appointed unless the Bond Insurer approves such successor in writing.

(Sections 10.07, 10.08, 10.09 and 10.13)

Amendments and Supplemental Resolutions

The Trust may adopt Supplemental Resolutions (with the consent of the Bond Insurer, and without the consent of any Holders of the Bonds) to close the Bond Resolution against, or provide limitations and restrictions contained in the Bond Resolution on, the authentication and delivery of Bonds; to add to the duties, covenants, obligations and agreements of the Trust in the Bond Resolution, other duties, covenants, obligations and agreements to be observed and performed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; to add to the limitations and restrictions in a Bond Resolution, other limitations and restrictions to be observed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; to authorize Bonds of a Series and, in connection therewith, specify and determine the matters relative to such Bonds; including whether to issue Bonds in book entry forms, which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; to add to the duties, covenants, obligations and agreements of the Trust in the Bond Resolution, other duties, covenants, obligations and agreements to be observed and performed by the Trust which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; to authorize Bonds of a Series and, in connection therewith, specify and determine the matters relative to such Bonds; including whether to issue Bonds in book entry forms, which are not contrary to or inconsistent with the Bond Resolution as theretofore in effect; to modify any of the provisions of the Bond Resolution in any other respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; to modify any of the provisions of the Bond Resolution in any other respect provided that the modifications affect only Bonds issued subsequent to the date of such modifications; to comply with the provisions of any federal or state securities law, including, without limitation, the Trust Indenture Act of 1939, as amended, or to comply with Section 103 of the Code, as amended, replaced or substituted.

The Trust may adopt Supplemental Resolutions (with the consent of the Bond Insurer and the Trustee) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provisions in the Bond Resolution; to insert such provisions clarifying matters or
questions arising under the Bond Resolution as are necessary or desirable and are not contrary to
or inconsistent with the Bond Resolution as theretofore in effect; or to make any other
modification or amendment of the Bond Resolution which will not have a material adverse effect
on the interests of Bondholders.

Any modification or amendment of the Bond Resolution and of the rights and obligations
of the Trust and of the Holders of the Bonds thereunder, in any particular, may be made by a
Supplemental Resolution, with the written consent given as provided in the Bond Resolution (i)
of the Holders of not less than two thirds (2/3) in principal amount of the Bonds Outstanding at
the time such consent is given, (ii) in case less than all of the several Series of Bonds then
Outstanding are affected by the modification or amendment, of the Holders of not less than two
thirds (2/3) in principal amount of the Bonds of each Series so affected and Outstanding at the
time such consent is given, (iii) in case the modification or amendment changes the terms of any
sinking fund installment, of the Holders of not less than two thirds (2/3) in principal amount of
the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and
Outstanding at the time such consent is given and (iv) of the Bond Insurer; provided, however,
that if such modification or amendment will, by its terms, not take effect so long as any Bonds of
any specified like Series and maturity remain Outstanding the consent of the Holders of such
Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the
purpose of any calculation of Outstanding Bonds. No such modification or amendment shall
permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond
or of any installment of interest thereon or a reduction in the principal amount
or
the Redemption
Price

thereof or in the rate of interest thereon without the consent of the Holder of such
obligation, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent
of the Holders of which is required to effect any such modification or amendment, or shall
change or modify any of the rights or obligations of any Trustee without its written assent
thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a
modification or amendment of the Bond Resolution if the same adversely affects or diminishes
the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine
whether or not in accordance with the foregoing powers of amendment Bonds of any particular
Series or maturity would be affected by any modification or amendment of the Bond Resolution
and any such determination shall be binding and conclusive on the Trust and all Holders of
Bonds. For purposes of this paragraph, the Holders of any Bonds may include the initial Holders
thereof, regardless of whether such Bonds are being held for resale. (Sections 11.01, 11.02 and
11.06)

Amendment of Loan Agreements

The Trust shall not supplement, amend, modify or terminate any Loan Agreement, or
consent to any such supplement, amendment, modification or termination, without the written
consent of the Trustee which consent shall not be unreasonably withheld. The Trustee shall give
such written consent only if (a) in the opinion of the Trustee, after such supplement, amendment,
modification or termination is effective, such Loan Agreement shall continue to meet the
requirements of the Bond Resolution or (b) the Trustee first obtains the written consent of the
Holders of a majority in aggregate principal amount of the Outstanding Bonds to such
supplement, amendment, modification or termination.
Defeasance of the Bonds

If the Trust shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds of any Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Bond Resolution, then the pledge of the Trust Estate, and all duties, covenants, agreements and other obligations of the Trust to the Bondholders of such Series, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agent (through deposit by the Trust of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph. Subject to applicable provisions of the Bond Resolution, Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid if (a) in case any of said Bonds are to be redeemed on any date prior to their stated maturities, the Trust shall have given to the Trustee instructions in writing accepted by the Trustee to mail notice of redemption of such Bonds (other than Bonds of a Series which have been purchased by the Trustee at the direction of the Trust or purchased or otherwise acquired by the Trust and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient or Investment Securities (including any Investment Securities issued or held in book entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Series of Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event such Series of Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Trust shall have given the Trustee in form satisfactory to it instructions to mail, as soon as practicable, a notice to the Holders of such Bonds at their last addresses appearing upon the registry books at the close of business on the last business day on the month preceding the month for which notice is mailed that the deposit required by (b) above has been made with the Trustee and that such Series of Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on such Series of Bonds.

Except as otherwise provided in the Bond Resolution, neither Investment Securities nor moneys deposited with the Trustee as described in this paragraph nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Trust as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or
otherwise existing under the Bond Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Trust, as received by the Trustee, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Bond Resolution. As used in this paragraph, Investment Securities shall mean and include only (a) such securities as are described in clause (i) of the definition of "Investment Securities" which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or (b) upon compliance with the applicable provisions of the Bond Resolution, such securities as are described in clause (i) of the definition of "Investment Securities" which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

Notwithstanding any other provision in Article XII of the Bond Resolution, all duties, covenants, agreements and obligations of the Trust to the Holders relating to the exclusion of interest from gross income of the Holders of such Bonds for federal income tax purposes shall survive the defeasance of the Bonds.

Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the municipal bond insurance policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Trust, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Trust to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

(Section 12.01)
SUMMARY OF THE 1993 LOAN SERVICING AGREEMENT

The following is a general summary of certain provisions of the "Loan Servicing and Trust Bond Security Agreement" (the "Loan Servicing Agreement") by and among the Trust, the State of New Jersey and New Jersey National Bank (the "Loan Servicer"). The summary is not to be considered a full statement of the terms of the Loan Servicing Agreement and accordingly is qualified by reference thereto and is subject to the full text of such agreement. The section references listed below in parentheses reference particular sections of the Loan Servicing Agreement.

The Loan Servicer's Duties and Responsibilities

The Loan Servicer shall, as agent for the Trust and the State, perform the following duties and services:

The Loan Servicer shall diligently use its best efforts to collect from each Local Unit all required Loan Repayments and Administrative Fee Payments when due. The Loan Servicer acknowledges that all amounts so collected with respect to the Loan Agreements shall be collected by the Loan Servicer on behalf of and for the benefit of the Trust and the State, and in making such collections the Loan Servicer acts as an agent for the Trust and the State, that all amounts so collected are the property of the Trust and the State and not of the Loan Servicer and that all such amounts when received by the Loan Servicer are deemed to be received by the Trust and the State to the extent of their respective interests therein, determined in accordance with Section 3, paragraph 3 of the Loan Servicing Agreement, and that the amounts deemed received by the Trust and the State as Loan Repayments to the extent deposited in the Trust Bonds Security Account pursuant to Section 3, paragraph 3 of the Loan Servicing Agreement are, immediately upon deposit therein, deemed to be Revenues and are included in the Trust Estate established and pledged as security for the Series 1993 Bonds under the Bond Resolution.

Promptly after collection of each Loan Repayment, Administrative Fee Payment or other required payment from a Local Unit, the Loan Servicer shall credit such Local Unit with each of the respective sums collected. Moneys received from each Local Unit with respect to a particular payment date shall be credited, first, to the payment then due (other than the Administrative Fee Payment) under the Trust Loan Agreement, second, to the Administrative Fee Payment then due under the Trust Loan Agreement, third, to the payment then due (other than the Administrative Fee Payment, if any) under the Fund Loan Agreement and, fourth, to the Administrative Fee Payment, if any, then due under the Fund Loan Agreement; except that for each Local Unit (if any) listed in the Loan Servicing Agreement, moneys received with respect to a particular payment date shall be credited in equal amounts, first, to the payments then due (other than the Administrative Fee Payments) under the Trust Loan Agreement and under the Fund Loan Agreement, and, second, to the Administrative Fee Payments then due under the Loan Agreements.

Promptly after crediting each Local Unit pursuant to the order of priority established under Section 3, paragraph (b) of the Loan Servicing Agreement for the moneys received from each Local Unit with respect to a particular payment date, the Loan Servicer shall deposit the sums collected in the following payment trust accounts established for such payments in the
following order of priority in the required amounts, and such amounts deposited, unless invested
in accordance with Section 3, paragraph (c) of the Loan Servicing Agreement, shall be
immediately disbursed in the following manner by the Loan Servicer:

(i) First, to the Trust Bonds Security Account a sum or sums from moneys credited as Loan Repayments only (excluding Administrative Fee Payments) that shall equal (A) the amount set forth in Schedule A attached to the Loan Servicing Agreement under the column "Trust DS" for the next immediate debt service payment date for the Series 1993 Bonds (less the amount, if any, deposited in the Trust Bonds Security Account pursuant to Section 3, paragraphs (c)(iii) and (c) (vi) of the Loan Servicing Agreement in satisfaction of such next immediate debt service payment date), less (B) the total of the credits, as described in Section 4 of the Loan Servicing Agreement, of which the Trustee has given notice or certified, for immediate disbursement to the Trustee for deposit in the Revenue Fund established under the Bond Resolution;

(ii) Simultaneously with depositing the required amounts in the Trust Bonds Security Account, to the Trust Administration Account all moneys credited as Administrative Fee Payments only then due to the Trust from each Local Unit pursuant to its respective Trust Loan Agreement, for immediate disbursement to the Trust for deposit in the Administrative Fee Account in the Operating Expense Fund established under the Bond Resolution;

(iii) Upon depositing the required amounts in the Trust Bonds Security Account and the Trust Administration Account pursuant to paragraphs (i) and (ii) above, to the Trust Bonds Security Account from moneys credited as Loan Repayments only the amount set forth in Schedule III of the Bond Resolution for the debt service payment date referenced in paragraph (i) above, for immediate disbursement to the Trustee for deposit in the Revenue Fund established under the Bond Resolution after being applied in satisfaction of the amount required to be disbursed for the next following debt service payment date under paragraph (i) above;

(iv) Upon depositing the required amounts in the Trust Bonds Security Account and the Trust Administration Account pursuant to paragraphs (i), (ii) and (iii) above, to the State Account from moneys credited as Loan Repayments only the amount set forth in Schedule A attached to the Loan Servicing Agreement under the column "Fund DS" corresponding to the next immediate payment date for the Series 1993 Bonds, for disbursement to the State for deposit in the Wastewater Treatment Fund; and

(v) Upon depositing the required amounts in the Trust Bonds Security Account and the Trust Administration Account pursuant to paragraphs (i), (ii), (iii) and (iv) above, to the State all moneys credited as Administrative Fee Payments only, if any, then due to the State from each Local Unit pursuant to its respective Fund Loan Agreement,
(vi) Upon depositing the required amounts pursuant to paragraphs (i), (ii), (iii), (iv) and (v) above, to the Trust Bonds Security Account all remaining moneys, if any, credited as Loan Repayments, to be applied in satisfaction of the amounts next required to be disbursed as provided under Section 3, paragraph (c) of the Loan Servicing Agreement in the sequence and manner established pursuant to that paragraph.

Such payment trust accounts shall be maintained in a bank or trust company, savings bank, national banking association or savings and loan association (which may be the Loan Servicer), shall be in the respective names of the Trust for the benefit of the Trustee, the Trust alone, or the State, by the Loan Servicer as agent, and shall be insured to the full extent legally possible by the Federal Deposit Insurance Corporation. The Loan Servicer shall invest such moneys on deposit in the payment trust accounts pursuant to written instructions, if any, of the Treasurer or Executive Director of the Trust, in the case of the Trust Bonds Security Account or the Trust Administration Account, or of the New Jersey State Treasurer or his or her authorized representative, in the case of the State Account.

When crediting the moneys received and when making the disbursements pursuant to Section 3, paragraphs (b) and (c) of the Loan Servicing Agreement, the Loan Servicer shall notify the Trustee, the Trust and the State, as applicable, as to the Local Units making Loan Repayments and Administrative Fee Payments and the amounts collected, and the amounts of the disbursements made.

If a payment of amounts due under a Fund Loan Agreement or a Trust Loan Agreement is not received on or before the required payment date, the Loan Servicer shall notify the Local Unit and, if applicable, the trustee under the Local Unit's Bond Resolution (as such term is defined in the Trust Loan Agreement) in writing within five days after such payment date that the payment is past due. A copy of said notice shall be provided at the same time to the Trust, the State and the Trustee. If a payment is not received from the Local Unit within ten days of the date when such payment is due, the Loan Servicer shall promptly notify the Trust, the State and the Trustee in writing.

The Loan Servicer shall promptly notify the Trust, the Trustee, the Local Unit, the Bond Insurer, and, if applicable, the trustee under the Local Unit's Bond Resolution in writing if the moneys received from the Local Unit with respect to a particular payment date are insufficient to satisfy in full pursuant to Section 3, paragraph (b) of the Loan Servicing Agreement the loan repayments and Administrative Fee Payments then due under the Trust Loan Agreement. The Loan Servicer shall promptly notify the State, the Local Unit, and, if applicable, the trustee under the Local Unit's Bond Resolution in writing if the moneys received from the Local Unit with respect to a particular payment date are insufficient to satisfy in full, pursuant to Section 3, paragraph (b) of the Loan Servicing Agreement, the loan repayments and Administrative Fee Payments then due under the Fund Loan Agreement. The Loan Servicer pursuant to the Bond Resolution shall also notify the Trust, the Trustee, the State and the Bond Insurer that a Trust Bond Loan Repayment deficiency cannot be satisfied from Loan Repayments deposited in the Trust Bonds Security Account pursuant to Section 3, paragraph (c)(i) of the Loan Servicing Agreement.

(Section 3)
Calculation of Loan Repayments

Simultaneously with the execution and delivery of the Loan Servicing Agreement by the parties to the Loan Servicing Agreement, the Trust and the State shall provide the Loan Servicer with copies of each of the executed Loan Agreements to be serviced by the Loan Servicer, each of which shall include as Exhibit A-2, a principal and interest (if applicable) repayment schedule for the Trust Loan and Fund Loan (as such terms are defined in the Trust Loan Agreements and Fund Loan Agreements, respectively). The amounts for each payment period as set forth on Exhibit A-2 of each Trust Loan Agreement, as such Exhibit may be amended or modified, are the amounts with which the respective Local Units are to be credited pursuant to Section 3, paragraph (b) of the Loan Servicing Agreement, unless (a) certain of such Exhibit A-2 amounts (certain Trust Bond Loan Repayments representing interest on the Trust Loans), as set forth in the footnote to Exhibit A-2 of the Trust Loan Agreements, are deemed paid from amounts on deposit in the Capitalized Interest Account used to pay interest on the Series 1993 Bonds, or (b) a credit to such Exhibit A-2 amounts has been calculated as described in the Loan Servicing Agreement. The amounts for each payment period as set forth on Exhibit A-2 of each Fund Loan Agreement, as such Exhibit may be amended or modified, are the amounts with which the respective Local Units are to be credited pursuant to Section 3, paragraph (b) of the Loan Servicing Agreement.

Upon receipt of a certificate of the Trust delivered pursuant to the Bond Resolution, the Loan Servicer shall credit the scheduled Trust Bond Loan Repayments set forth on Exhibit A-2 to the Trust Loan Agreement in accordance with the instructions set forth in such certificate. The Loan Servicer shall promptly forward to the Local Unit, and if applicable, the trustee under the Local Unit's Bond Resolution, a copy of the revised Exhibit A-2.

Upon the receipt by the Loan Servicer of the notice from the Trustee of the balance of net earnings from the Debt Service Reserve Fund on each Interest Payment Date through and including September 1, 1996, as required by Schedule II of the Bond Resolution, the Loan Servicer shall credit the amount of such balance allocable to those Local Units set forth on Schedule II to the Interest Portion of the next succeeding Trust Bond Loan Repayment due from each such Local Unit, calculated in accordance with such Schedule II.

Upon the receipt by the Loan Servicer of the notices from the Trustee of net earnings on March 2 and on September 2 of each Bond Year, as required by the Bond Resolution, the Loan Servicer shall credit the amount of net earnings allocable to each Local Unit (calculated in accordance with the Bond Resolution) to the Interest Portion, and to the extent moneys are available therefor, to the principal portion, of the immediately succeeding Trust Bond Loan Repayment due from each Local Unit under its respective Trust Loan Agreement. The Loan Servicer shall promptly notify the Local Units, if applicable, the trustee under the Local Unit Bond Resolution, and the Trustee in writing of such credits.

The amount of Loan Repayments due pursuant to either a Trust Loan Agreement or a Fund Loan Agreement shall be increased to the extent necessary to incorporate any late payment charges imposed by the Loan Agreements and to make up any deficiencies in prior Loan Repayments. The amount and timing of such payment increases, if any, shall be forwarded in writing to the Loan Servicer by the Trust or the State, as applicable, and shall be calculated in
accordance with the terms of the Loan Agreements. The Loan Servicer shall notify the Local Unit, if applicable, the trustee under the Local Unit Bond Resolutions, and the Trustee in writing of any such increases in the amount of Loan Repayments.

(Section 4)

Obligation of Trust to State

In the event that the moneys received from any Local Unit with respect to a particular payment date are insufficient to permit the Loan Servicer to credit such Local Unit pursuant to Section 3, paragraph (b) of the Loan Servicing Agreement for the Trust Bond Loan Repayment then due under such Local Unit's Trust Loan Agreement, and to the extent moneys received as Trust Bond Loan Repayments with respect to such payment date in an amount not exceeding such Local Unit's Trust loan repayment deficiency are deposited by the Loan Servicer pursuant to Section 3, paragraph (c) of the Loan Servicing Agreement into the Trust Bonds Security Account and not into the State Account, then the Trustee agrees by the terms of the Loan Servicing Agreement that any such Trust loan repayment deficiency sum, including all principal and interest (but exclusive of any late payment charges or other amounts imposed by and due and payable under such Local Unit's Trust Loan Agreement) shall constitute an obligation of the Trust to the State payable solely from moneys collected by the Loan Servicer or the Trust from such Local Unit in accordance with the Local Unit's Trust Loan Agreement. The obligation established in Section 5 of the Loan Servicing Agreement is the only financial obligation of the Trust to the State under the Loan Servicing Agreement.

Notwithstanding anything to the contrary contained in the Loan Servicing Agreement, the Trust agrees to take any action, including without limitation bringing an action against the Local Unit at law or in equity, as the Trust in its sole discretion deems necessary to enforce the obligations of the Local Unit to the Trust pursuant to the Trust Loan Agreement and to satisfy any obligation of the Trust to the State under the Loan Servicing Agreement. Any moneys collected by the Loan Servicer or the Trust in satisfaction of the Trust's obligation to the State under the Loan Servicing Agreement shall be, second, deposited into the State Account for disbursement to the State (for deposit in the Wastewater Treatment Fund) after first being credited to the payments then due and payable by the Local Unit under the Local Unit's Trust Loan Agreement. The balance of any moneys collected under the Loan Servicing Agreement shall be, first, deposited into the Administration Account for disbursement to the Trust in respect of any Administrative Fees payable under the Trust Loan Agreement and, second, transferred to the State in respect of any Administrative Fee payable under the Fund Loan Agreement.

(Section 5)
SUMMARY OF THE WASTEWATER TREATMENT TRUST LOAN AGREEMENTS

The following is a general summary of certain provisions of the Trust Loan Agreements executed in connection with the Loans awarded to (i) those Local Unit Local Units which are municipalities (the "General Obligation Loan Agreements") and (ii) those Local Unit Local Units which are municipal, county or regional sewerage or utilities authorities (the "Special Obligation Loan Agreements"). Unless otherwise indicated by the bracketed language set forth herein (which highlights the variations between certain provisions of the Special Obligation Loan Agreements and the corresponding provisions of the General Obligation Loan Agreements), this summary applies equally in all other respects to both forms of the Trust Loan Agreements. The summary is not to be considered a full statement of the terms of either the General Obligation Loan Agreements or the Special Obligation Loan Agreements and accordingly is qualified by reference thereto and is subject to the full text of such agreements. A copy of both the General Obligation Loan Agreements and the Special Obligation Loan Agreements may be obtained from the Trust upon request. The section references listed below in parentheses reference particular sections of the General Obligation Loan Agreements, which, unless otherwise noted, also correspond to the Special Obligation Loan Agreements.

Definitions

The capitalized terms used in the Trust Loan Agreements shall, unless the context clearly requires otherwise, have the same meanings as such terms are defined in "SUMMARY OF THE WASTEWATER TREATMENT INSURED BOND RESOLUTION, SERIES 1993." In addition, the following terms as used in Trust Loan Agreements shall, unless the context clearly requires otherwise, have the following meanings:

"Event of Default" means any occurrence or event specified as an Event of Default under the Loan Agreement.

"Fund Loan" means the loan made to the Local Unit by the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and Energy, pursuant to the loan agreement by and between the Local Unit and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection and Energy, to finance or refinance a portion of the Cost of the Project.

"Service Agreement" means, collectively, the written contractual arrangements entered into by and between the Local Unit and each Underlying Government Unit dated _________ and _________ respectively, as amended and supplemented, a copy of each of which is attached to the Special Obligation Loan Agreement as Exhibit F 2.

"Wastewater Treatment System" means the wastewater treatment system of the Local Unit, including the wastewater treatment system project for which the Local Unit is making the borrowing under the Loan Agreement.

(Section 1.01)
Particular Covenants of the Local Unit

*Full Faith and Credit Pledge.* The Local Unit 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 the Loan and the Local Unit Bond according to their respective terms.

The Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Local Unit fails or is unable to promptly pay to the Trust in full any Loan Repayments when due, an amount sufficient to satisfy such deficiency shall be paid by the New Jersey State Treasurer to the Trust from State aid payable to the Local Unit.

[Under the Special Obligation Loan Agreement, the Local Unit irrevocably pledges (i) the net or gross revenues, as the case may be, of its Wastewater Treatment System, to the extent provided in the Local Unit's bond resolution and (ii) moneys payable pursuant to any Service Agreement.

In addition, under the Special Obligation Loan Agreement, the Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Local Unit fails or is unable to promptly pay to the Trust in full any Loan Repayments when due, an amount sufficient to satisfy such deficiency shall be paid by the New Jersey State Treasurer to the Trust from State aid payable to any municipality that has entered into a Service Agreement with the Local Unit.

In addition, under the Special Obligation Loan Agreement, in no event shall the Local Unit be required to make payments under the Special Obligation Loan Agreement from any revenues or receipts not derived from its Wastewater Treatment System nor pledged pursuant to the Special Obligation Loan Agreement as discussed above. Except as has been disclosed to the Trust in writing, the net or gross revenues, as the case may be, derived by the Local Unit from its Wastewater Treatment System, after the payment of all costs of operating and maintaining the Wastewater Treatment 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 Local Unit to make Loan Repayments under the Special Obligation Loan Agreement and the Local Unit Bond, and all corporate or other action on the part of the Local Unit to that end has been and will be duly and validly taken.]

*Performance under Loan Agreement; Rates.* The Local Unit covenants and agrees (i) to comply with all applicable State of New Jersey and federal laws, rules and regulations in the performance of the Loan Agreement; (ii) to cooperate with the Trust in the observance and performance of the respective duties, covenants, obligations and agreements of such Local Unit and the Trust under the Loan Agreement; and (iii) to establish, levy and collect rents, rates and other charges for the products and services provided by its Wastewater Treatment 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 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 Local Unit.

[Under the Special Obligation Loan Agreement, the Local Unit covenants and agrees (i) to comply with all applicable State of New Jersey and federal laws, rules and regulations in the.
performance of the Special Obligation Loan Agreement; (ii) to maintain its Wastewater Treatment 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 such Local Unit and the Trust under the Special Obligation Loan Agreement; and (iv) to establish, levy and collect rents, rates and other charges for the products and services provided by its Wastewater Treatment System, which rents, rates, and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of such Wastewater Treatment 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 Local Unit, (C) to pay the debt service requirements on any bonds, notes or other evidences of indebtedness, whether now outstanding or incurred in the future, secured by such revenues or other receipts and issued to finance improvements to the Wastewater Treatment System and to make any other payments required by the laws of the State of New Jersey, (D) to generate funds sufficient to fulfill the terms of all other contracts and agreements made by the Local Unit, including, without limitation, the Special Obligation Loan Agreement and the Local Unit Bond and (E) to pay all other amounts payable from or constituting a lien or charge on the gross revenues of its Wastewater Treatment System.

Completion of a Project and Provision of Moneys Therefor. The Local Unit covenants and agrees (i) to exercise its best efforts in accordance with prudent wastewater treatment utility practice to complete the Project and to so accomplish such completion on or before the estimated Project completion date set forth in the Loan Agreement; (ii) to comply with the terms and provisions set forth as General Administrative and Special Requirements in an exhibit to the Loan Agreement; 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.

Disposition of Wastewater Treatment System. The Local Unit shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Wastewater Treatment 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 Local Unit shall assign the Loan Agreement and the Local Unit Bond in accordance with Section 4.02 of the Loan Agreement and its rights and interests under the Loan Agreement and the Local Unit Bond to the purchaser or lessee of the Wastewater Treatment System and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Local Unit under the Loan Agreement and the Local Unit Bond; and (ii) the Trust shall by appropriate action determine, in 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 Loan Agreement and the Local Unit Bond as security for the payment of Bonds and interest thereon or adversely affect the excludability from gross income for federal income tax purposes of interest on Bonds then outstanding or which could be issued in the future.

Exclusion of Interest from Federal Gross Income and Compliance with Code.
(i) The Local Unit covenants and agrees that it shall not take any action or omit to take any action which would result in the loss of the exclusion of the interest on any 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 Local Unit shall not take any action or omit to take any action, which action or omission would cause its Local Unit Bond or the Bonds (assuming solely for this purpose that the proceeds of the Bonds loaned to the Local Unit represent all of the proceeds of the Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, unless the Local Unit receives the prior written approval of the Trust, the Local Unit shall not (A) permit any proceeds of the Bonds loaned to the Local Unit or the Project financed or refinanced with such proceeds of the Bonds loaned to the Local Unit 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 Bonds loaned to the Local Unit 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 Bonds loaned to the Local Unit to acquire any "non governmental output property" within the meaning of Section 141 (d)(2) of the Code.

(iii) The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action, which use or action or omission would (assuming solely for this purpose that the proceeds of the Bonds in the hands of the Local Unit represent all of the proceeds of the Bonds) cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(iv) The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Bonds to pay the principal of or 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 Local Unit shall establish to the satisfaction of the Trust, prior to the issuance of the Bonds, that such refinancing of indebtedness will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and the Local Unit delivers an opinion of bond counsel acceptable to the Trust to such effect.

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

(vi) The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Bonds to pay any Cost of the Local Unit's Project which does not constitute a "capital expenditure" within the meaning of Treasury Regulations Section 1.150-1 (or successor regulations).

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

(viii) Neither the Local Unit nor any "related party" (within the meaning of Treasury Regulations Section 1.150-1) shall purchase Bonds in an amount related to the amount of the Loan.

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

(x) The Local Unit will not issue or permit to be issued obligations which will constitute a "1st advance refunding" of the Local Unit Bond within the meaning of Section 149(d)(3) of the Code without the express written consent of the Trust.

(xi) The Local Unit will not invest amounts held in any reserve or replacement fund of the Local Unit (within the meaning of Section 148(d)(1) of the Code) which are allocable to the Local Unit Bond evidencing the Loan, at a yield in excess of the yield on the Bonds, in accordance with instructions of the Trust, except for any period such amounts constitute proceeds of indebtedness of the Local Unit and such amounts have not been reallocated to the Bonds as "gross proceeds" of the Bonds in accordance with Treasury Regulations Section 1.148-6(b).
(xii) No "gross proceeds" of the Trust Bonds held by the Local Unit (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 Section 1.148-1(b)).

(xiii) The proceeds of the Loan deposited in the Project Loan Account will be eligible for the 3-year temporary period since the expenditure test, time test and due diligence test will be satisfied, in accordance with Treasury Regulations Section 1.148-2(e)(2).

(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 Section 1.148-1(c)(4).

Operation and Maintenance of Wastewater Treatment System. The Local Unit covenants and agrees that it shall, in accordance with prudent wastewater treatment utility practice, (i) at all times operate the properties of its Wastewater Treatment System and any business in connection therewith in an efficient manner, (ii) maintain its Wastewater Treatment 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 Wastewater Treatment System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

Insurance. The Local Unit 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 Wastewater Treatment System, at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining wastewater treatment system facilities of the nature of the Local Unit's Wastewater Treatment System, including liability coverage, all to the extent available at reasonable cost but in no case less than will satisfy all applicable regulatory requirements.

(Section 2.02)

The Loan and Loan Term Pursuant to the Loan Agreement

The Trust agrees to loan and disburse to the Local Unit, and the Local Unit agrees to borrow and accept from the Trust, the Loan in the principal amount as set forth in the Loan Agreement, provided, however, that (i) the Trust shall be under no obligation to make the Loan if the Local Unit does not deliver a Local Unit Bond and other required documents to the Trust on the Loan Closing or an Event of Default has occurred and is continuing under the Bond Resolution or the Loan Agreement. Although the Trust intends to disburse the Loan proceeds at the times and in the amounts set forth in a disbursement schedule attached to the Loan Agreement, 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 Local Unit agrees that the amount actually deposited in the Project Loan Account plus the Local Unit's
allocable share of (i) capitalized interest, if any, during the Project construction period and (ii)
certain costs of issuance, bond insurance premium and underwriter's discount for all Bonds
issued prior to such date and (iii) that portion of Debt Service Reserve Fund attributable to the
cost of funding reserve capacity for the Project 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 Local Unit.

The Trust and Trustee shall not be required to disburse any Loan proceeds to the Local
Unit under the Loan Agreement, unless

(i) the Local Unit submits a requisition in the form required by the Trust under the
Bond Resolution;

(ii) the proceeds of Bonds shall be available for disbursement, as determined solely
by the Trust;

(iii) in accordance with the "Wastewater Treatment Bond Act of 1985," P.L. 1985, c.
329 and the regulations promulgated pursuant thereto from time to time, including the
regulations entitled "Wastewater Treatment Procedures and Requirements" (N.J.A.C.
7:22 3.1 et seq.), the Local Unit shall have timely applied for, shall have been awarded
and shall have closed a Fund Loan for that portion of the Allowable Cost of the Project in
an amount not in excess of the amount of Allowable Costs of the Project covered by the
Loan from the Trust (the term "Allowable Costs" having the meaning as defined in the
Regulations);

(iv) the Local Unit shall have funds available to pay for the greater of that portion of
the total costs of the Project which (a) is not eligible to be funded from the Fund Loan or
the Loan, or (b) exceeds the actual amounts of the loan commitments made by the State
and the Trust, respectively, for the Fund Loan and the Loan; and

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

(Sections 3.01 and 3.02)

Amounts Payable

The Local Unit shall repay the Loan in installments payable to the Loan Servicer. The
principal of the Loan shall be amortized annually on February 1, commencing no later than
February 1, ____ ; and the interest on the Loan shall be paid semiannually on February 1 and
August 1, commencing August 1, 1994, in accordance with the Loan Agreement. Each Loan
Repayment made to the Loan Servicer pursuant to the Local Unit Bond shall be deemed to be a
credit against the corresponding obligation of the Local Unit to make Loan Repayments and any such payment made to the Loan Servicer shall fulfill the Local Unit's obligation to pay such amount under the Loan Agreement and under the Local Unit Bond. Each Loan Repayment shall be applied first to the Interest Portion then due and payable on the Loan, then to the principal of the Loan, then to the payment of the Administrative Fee and finally to the payment of any late charges due thereunder.

The Local Unit shall receive as a credit against its semiannual payment obligations of the Interest Portion, the amounts certified by the Trust pursuant to Section 5.10 of the Bond Resolution. Such amounts shall represent the Local Units allocable share (as defined in the Bond Resolution) of the interest earnings on the Debt Service Reserve Fund, the Revenue Fund and the Principal and Redemption Accounts in the Debt Service Fund established under the Bond Resolution, calculated in accordance with Section 5.10 of the Bond Resolution.

In addition to the Trust Bond Loan Repayments payable under the Loan Agreement, the Local Unit shall pay one half of the Administrative Fee to the Loan Servicer on such dates as set forth in the Loan Agreement.

In the event that the Local Unit fails or is unable to promptly pay to the Trust in full any Loan Repayment or any other payment required under the Loan Agreement when due, 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 Local Unit. The amount of State aid so paid to the Loan Servicer shall be deemed to be a credit against the obligations of the Local Unit to make Loan Repayments and any such payment made to the Loan Servicer shall fulfill the Local Unit's obligation to pay such amount under the Loan Agreement and the Local Unit Bond. Each such payment of State aid so made to the Loan Servicer shall be applied, first, to the Interest Portion then due and payable on the Loan, then to the principal of the Loan, then to the payment of the Administrative Fee and, finally, to the payment of any late charges due thereunder.

(Section 3.03)

[Under the Special Obligation Loan Agreement, in the event that the Local Unit fails or is unable to pay promptly to the Trust in full any Loan Repayment or any other payment required under the Loan Agreement when due and the [Municipal] Underlying Government Unit, which has entered into the Service Agreement with the Local Unit, fails to satisfy the resulting payment deficiency when due, the Local Unit 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 [Municipal] Underlying Government Unit. The amount of State aid so paid to the Loan Servicer shall be deemed to be a credit against the obligations of the Local Unit under Section 3.03 of the Loan Agreement and any such payment made to the Loan Servicer shall fulfill the Local Unit's obligation to pay such amount under the Loan Agreement and the Local Unit Bond. Each such payment of State aid so made to the Loan Servicer 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 the Loan Agreement. (Section 3.03)]
Unconditional Obligations

The obligation of the Local Unit to make the Loan Repayments and all other payments required under the Loan Agreement and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained in the Loan Agreement 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 Bonds remain outstanding or any Loan Repayments remain unpaid, 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 Wastewater Treatment System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State of New Jersey 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, the Loan Agreement or the Bond Resolution or any rights of set off, recoupment, abatement or counterclaim that the Local Unit might otherwise have against the Trust, the Trustee, the Loan Servicer or any other party or parties; provided, however, that payments under the Loan Agreement shall not constitute a waiver of any such rights. The Local Unit shall not be obligated to make any payments required to be made by any other Local Units under separate Loan Agreements or the Bond Resolution.

The Local Unit acknowledges that payment of the Bonds by the Trust, including payment from moneys drawn by the Trustee from the Debt Service Reserve Fund (as defined in the Bond Resolution), does not constitute payment of the amounts due under the Loan Agreement and the Local Unit 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 Local Unit to make any Trust Bond Loan Repayments required under the Loan Agreement, the Local Unit agrees to (i) replenish such moneys so transferred, and (ii) replenish 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 Local Unit further acknowledges that its duties, covenants, obligations and agreements under the Loan Agreement shall survive the discharge of the Bond Resolution applicable to the Bonds and payment of the principal of, redemption premium, if any, and interest on the Bonds, until the Local Unit can take no action or fail to take any action, which action or failure could adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income taxation, at which time such duties, covenants, obligations and agreements under the Loan Agreement shall, except for those set forth in the Loan Agreement, terminate.

(Sections 3.04 and 3.05)
Options to Prepay Trust Bond Loan Repayments and Advance Refund the Bonds

The Local Unit may prepay Trust Bond Loan Repayments, in whole or in part (but if in part, in the amount of $100,000 or any integral multiple of $100,000), upon prior written notice not less than 90 days in addition to the number of days advance notice to the Trustee required for any optional redemption of the Bonds, to the Trust and the Trustee and upon payment by the Local Unit to the Trustee of the principal amount of the Trust Bond Loan Repayments to be prepaid, plus the Interest Portion to accrue on such amount to the date of the optional redemption of the Bonds allocable to such Trust Bond Loan Repayment to be prepaid; provided, however, that any such full or partial prepayment may only be made (i) if the Local Unit is not then in arrears on its Fund Loan, (ii) if the Local Unit 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 Bonds are not adversely affected by such prepayments, and (iii) upon the prior written approval of the Trust. In addition, if at the time of such prepayment, the Bonds may only be redeemed at the option of the Trust upon payment of a premium, the Local Unit shall add to its prepayment an amount, as determined by the Trust, equal to such premium allocable to the Bonds to be redeemed as a result of the Local Unit’s prepayment. Prepayments shall be applied first to the accrued Interest Portion of the Loan to be prepaid and then to principal payments (including premium, if any) on the Loan in inverse order of their maturity.

The Local Unit will not issue or permit to be issued obligations which will constitute a "1st advance refunding" of the Local Unit Bond within the meaning of Section 149(d)(3) of the Code without the express written consent of the Trust.

(Section 3.07)

Assignment and Transfer by Trust

The Local Unit expressly acknowledges that, other than the provisions with respect to General Administrative and Special Requirements, all right, title and interest of the Trust in, to and under the Loan Agreement and the Local Unit Bond has been assigned to the Trustee as security for the Bonds as provided in the Bond Resolution, and that if any Event of Default shall occur, the Trustee, or any Bond Insurer, if applicable, pursuant to the Bond Resolution, shall be entitled to act under the Loan Agreement in the place and stead of the Trust.

Neither the Loan Agreement nor the Local Unit Bond may be assigned by the Local Unit 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 Local Unit’s duties, covenants, agreements and obligations under the Loan Agreement and to the extent permitted under applicable law, the Local Unit Bond; (iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Unit under the Loan Agreement or the Local Unit 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 Bonds nor the exclusion of interest on the
Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code.

(Sections 4.01 and 4.02)

**Events of Default**

Events of Default under the Loan Agreement include, but not exclusively, failure by the Local Unit to pay, or cause to be paid, any Trust Bond Loan Repayment required to be paid under the Loan Agreement when due, which failure shall continue for a period of 15 days, failure by the Local Unit 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 Local Unit (other than the Loan and the Local Unit Bond), the payment of which are secured by gross revenues of the Wastewater Treatment System; failure by the Local Unit to pay or cause to be paid, the Administrative Fee, any late charge incurred thereunder 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 the Loan Agreement, other than the obligation to make Trust Bond Loan Repayments or the covenant to meet General Administrative and Special Requirements, which failure shall continue for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Local Unit by the Trustee, unless the Trustee shall agree in writing 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 Local Unit within the applicable period and diligently pursued until the Event of Default is corrected; any representation made by or on behalf of the Local Unit contained in the Loan Agreement, or in any instrument furnished in compliance with or with reference to the Loan Agreement, or the Loan, is false or misleading in any material respect; certain events of bankruptcy or insolvency; and generally a failure by the Local Unit to pay its debts as such debts become due.

(Section 5.01)

**Remedies on Default**

Whenever an Event of Default shall have occurred and be continuing, 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 under the Loan Agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Local Unit under the Loan Agreement.

Whenever an Event of Default referred to in Section 5.01(a) under the Loan Agreements shall have occurred and be continuing, the Trust shall have the right to declare, or to direct the Trustee to declare, all Trust Bond Loan Repayments and all other amounts due thereunder (including, without limitation, payments under the Local Unit Bond) together with the prepayment premium, if any, calculated pursuant to Section 3.07 of the respective Loan Agreement.
Agreement to be immediately due and payable, and upon notice to the Local Unit the same shall become due and payable without further notice or demand.

(Section 5.03)

Amendments, Supplements and Modifications

The Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Trust and the Local Unit and without satisfaction of all conditions set forth in the Bond Resolution.

(Section 6.04)
SUMMARY OF THE 1993 STATE LOAN AGREEMENTS

The following are excerpts of certain provisions of the Fund Loan Agreements executed in connection with the Fund Loans awarded to (i) those Local Units that are municipalities (the "General Obligation Fund Loan Agreements") and (ii) those Local Units that are municipal, county or regional sewerage, utilities or improvement authorities (the "Special Obligation Fund Loan Agreements"). Unless otherwise indicated by the bracketed language set forth below (which highlights the variations between certain corresponding provisions of the General Obligation Fund Loan Agreements and the Special Obligation Fund Loan Agreements, these excerpts apply equally in all other respects to the Fund Loan Agreements relating to the Series 1993 Financing Program. Exceptions to a specific Fund Loan Agreement are delineated as follows: {General Obligation Fund Loan Agreement} and <Special Obligation Fund Loan Agreement>. These excerpts are not to be considered a full statement of the terms of the General Obligation Fund Loan Agreements or the Special Obligation Fund Loan Agreements. A copy of the General Obligation Fund Loan Agreements and the Special Obligation Fund Loan Agreements relating to the Series 1993 Financing Program may be obtained from the Trust upon request. The section references listed below at the beginning of each excerpt reference particular sections of the General Obligation Fund Loan Agreements, which, unless otherwise noted, also correspond to the Special Obligation Fund Loan Agreements.

SECTION 1.01. Definitions. The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meanings:

"Administrative Fee" means an annual fee of up to one percent (1.0%) of the initial principal amount of the Loan or such lesser amount, if any, as may be authorized by any act of the New Jersey State Legislature and as the State may approve from time to time.

<"Bond Act" means the New Jersey Wastewater Treatment Trust Act, P.L. 1985, c. 329, as the same may from time to time be amended and supplemented.>

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

"Loan" means the loan made by the State to the Local Unit to finance or refinance a portion of the Cost of the Project pursuant to this Loan Agreement. For all purposes of this Loan Agreement, the principal amount of the Loan at any time shall be the lesser of the amount of the loan commitment set forth in Exhibit A-2 attached hereto and made a part hereof (such amount being also as specified as the original aggregate principal amount of the Local Unit Bond), or the amount as shall actually be disbursed to the Local Unit from the Wastewater Treatment Fund under this Loan Agreement less any amount of such principal amount that has been repaid by the Local Unit under this Loan Agreement and less any adjustment made for low bid building costs pursuant to the provisions of N.J.A.C. 7:22-3.26 and the appropriations act of the New Jersey State Legislature authorizing the expenditure of moneys to finance a portion of the Cost of the Project.

"Loan Agreement" means this Loan Agreement, including the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.
"Loans" means the loans made by the State to the Local Units under the Loan Agreements from <{ moneys on deposit in the Wastewater Treatment Fund}>.

"Trust Loan" means the loan made to the Local Unit by the Trust pursuant to the Trust Loan Agreement.

"Trust Loan Agreement" means the loan agreement by and between the Local Unit and the Trust dated as of November 1, 1993 to finance or refinance a portion of the Cost of the Project.

SECTION 2.02. Particular Covenants of Local Unit.

(a) {Full Faith and Credit} <Revenue> Pledge. The Local Unit {unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers} <irrevocably pledges the Revenues in accordance with the terms of and to the extent provided in the Local Unit Bond Resolution[, and moneys payable pursuant to the Service Agreement in respect of debt service on the Local Unit Bond,]> unconditionally and irrevocably pledges its full faith and credit in accordance with the terms of and to the extent provided in the Local Unit Bond Resolution for the punctual payment of the principal of the Loan and the Local Unit Bond and all other amounts due under this Loan Agreement and the Local Unit Bond according to their respective terms.

(b) Performance Under Loan Agreement; Rates. The Local Unit covenants and agrees (i) to comply with all applicable State of New Jersey and federal laws, rules and regulations in the performance of this Loan Agreement; (ii) <to maintain its Wastewater Treatment System in good repair and operating condition; (iii)> to cooperate with the State in the observance and performance of the respective duties, covenants, obligations and agreements of the Local Unit and the State under this Loan Agreement; and {(iii)}<iv> to establish, levy and collect rents, rates and other charges for the products and services provided by its Wastewater Treatment System, which rents, rates and other charges{, together with any other moneys available for the purpose,} shall be at least sufficient <(A) to meet the operation and maintenance expenses of its Wastewater Treatment System, (B)> 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 Local Unit<, 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 Wastewater Treatment System and to make any other payments required by the laws of the State of New Jersey, (C) to generate funds sufficient to fulfill the terms of all other contracts and agreements made by the Local Unit, including, without limitation, this Loan Agreement and the Local Unit Bond, and (D) to pay all other amounts payable from or constituting a lien or charge on the Revenues of its Wastewater Treatment System>.

{(c)}<e> Revenue Obligation; No Prior Pledges. The Local Unit shall not be required to make payments under this Loan Agreement except from the Revenues of its Wastewater Treatment System and from such other funds of such Wastewater Treatment 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 Local Unit be required to make payments under this Loan Agreement from any revenues or receipts not derived from its Wastewater Treatment System or pledged pursuant to subsection (a) of this Section 2.02. Except for (i) loan repayments required with respect to the Trust Loan, (ii) the debt service on any future bonds of the Local Unit issued at parity with the Local Unit Bond under the Local Unit Bond Resolution, and (iii) the debt service on any bonds, notes or evidences of indebtedness of the Local Unit at parity with the Local Unit Bond under the Local Unit Bond Resolution and currently outstanding or issued on the date hereof, the Revenues derived by the Local Unit from its Wastewater Treatment System, after the payment of all costs of operating and maintaining the Wastewater Treatment 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 Local Unit to make Loan Repayments under this Loan Agreement and the Local Unit Bond, and all corporate or other action on the part of the Local Unit to that end has been and will be duly and validly taken.

(d)> Completion of Project and Provision of Moneys Therefor. The Local Unit covenants and agrees (i) to exercise its best efforts in accordance with prudent Wastewater Treatment 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 financial resources all moneys, in excess of the total amount of loan proceeds it receives under the Loan and Trust Loan, required to complete the Project.

{(d)}<{(e)}> Disposition of Wastewater Treatment System. {(The Local Unit shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Wastewater Treatment System except on ninety (90) days' prior written notice to the State, and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless [the following conditions are met: (i)]} the Local Unit shall, in accordance with Section 4.02 hereof, assign this Loan Agreement and the Local Unit Bond and its rights and interests hereunder and thereunder to the purchaser or lessee of the Wastewater Treatment System, and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Local Unit under this Loan Agreement and the Local Unit Bond [<{; and (ii) if this Loan is funded from the proceeds of the Wastewater Treatment Bonds, the State shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not adversely affect the excludability from gross income for federal income tax purposes of the interest on Wastewater Treatment Bonds then outstanding or that could be issued in the future}]>.

{(e)}<{(f)}> {{Reserved.}] [Exclusion of Interest from Federal Gross Income and Compliance with Code.

(i) The Local Unit 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 Wastewater Treatment Bonds now or hereinafter issued from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.
(ii) The Local Unit shall not take any action or omit to take any action that would cause its Local Unit Bond or the Wastewater Treatment Bonds (assuming solely for this purpose that the proceeds of the Wastewater Treatment Bonds loaned to the Local Unit represent all of the proceeds of the Wastewater Treatment Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, unless the Local Unit receives the prior written approval of the State, the Local Unit shall not (A) permit any of the proceeds of the Wastewater Treatment Bonds loaned to the Local Unit or the Project financed or refinanced with the proceeds of the Wastewater Treatment Bonds loaned to the Local Unit 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 Wastewater Treatment Bonds loaned to the Local Unit 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 Wastewater Treatment Bonds loaned to the Local Unit to acquire any "nongovernmental output property" within the meaning of Section 141(d)(2) of the Code.

(iii) The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Wastewater Treatment 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 Wastewater Treatment Bonds (assuming solely for this purpose that the proceeds of the Wastewater Treatment Bonds loaned to the Local Unit represent all of the proceeds of the Wastewater Treatment Bonds) to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(iv) The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Wastewater Treatment 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 Local Unit shall (A) establish to the satisfaction of the State, prior to the issuance of the Wastewater Treatment 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 Wastewater Treatment Bonds, and (B) provide to the State an opinion of Bond Counsel to that effect in form and substance satisfactory to the State.

(v) The Local Unit shall not directly or indirectly use or permit the use of any proceeds of the Wastewater Treatment Bonds to reimburse the Local Unit for an expenditure with respect to a Cost of the Local Unit's Project paid by the Local Unit prior to the issuance of the Wastewater Treatment Bonds, unless (A) the allocation by the Local Unit of the proceeds of the Wastewater Treatment 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 Wastewater Treatment Bonds for purposes of applying Sections 103 and 141-150,
inCLUSIVE, OF THE CODE, OR (B) SUCH PROCEEDS OF THE WASTEWATER TREATMENT BONDS WILL BE
USED FOR REFINANCING OF INDEBTEDNESS THAT WAS USED TO PAY COSTS OF THE LOCAL UNIT’S
PROJECT OR TO REIMBURSE THE LOCAL UNIT FOR EXPENDITURES WITH RESPECT TO COSTS OF THE LOCAL
UNIT’S PROJECT PAID BY THE LOCAL UNIT 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 Local Unit shall not directly or indirectly use or permit the use of
any proceeds of the Wastewater Treatment Bonds to pay any Cost of the Local Unit’s
Project that does not constitute a “capital expenditure” within the meaning of Treasury
Regulations §1.150-1.

(vii) The Local Unit shall not use the proceeds of the Wastewater
Treatment Bonds (assuming solely for this purpose that the proceeds of the Wastewater
Treatment Bonds loaned to the Local Unit represent all of the proceeds of the Wastewater
Treatment Bonds) in any manner that would cause the Wastewater Treatment 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 Local Unit shall not issue any debt obligations that (A) are sold
at substantially the same time as the Wastewater Treatment Bonds and finance or
refinance the Loan made to the Local Unit, (B) are sold pursuant to the same plan of
financing as the Wastewater Treatment Bonds and finance or refinance the Loan made to
the Local Unit, and (C) are reasonably expected to be paid out of substantially the same
source of funds as the Wastewater Treatment Bonds and finance or refinance the Loan
made to the Local Unit.

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

(x) The Local Unit will not issue or permit to be issued obligations that
will constitute an “advance refunding” of the Local Unit Bond within the meaning of
Section 149(d)(5) of the Code without the express written consent of the State.

<x>(xi) The Local Unit will not {invest amounts held in any} <have a>
reserve or replacement fund {of the Local Unit} (within the meaning of Section 148(d)(1)
of the Code) {that are} allocable to the Local Unit Bond evidencing the Loan {at a yield
in excess of the yield on the Wastewater Treatment Bonds, all in accordance with the
instructions of the State, except for any period such amounts constitute proceeds of
indebtedness of the Local Unit the interest on which is excluded from gross income for
purposes of federal income taxation and such amounts have not been reallocated to the
Wastewater Treatment Bonds as "gross proceeds" of the Wastewater Treatment Bonds (in accordance with Treasury Regulations §1.148-6(b) or successor Treasury Regulations applicable to the Wastewater Treatment Bonds).<\> 

(xii) No "gross proceeds" of the Wastewater Treatment Bonds held by the Local Unit (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)).

{(f)}<\>(g)> Operation and Maintenance of Wastewater Treatment System. The Local Unit covenants and agrees that it shall, in accordance with prudent wastewater treatment utility practice, (i) at all times operate the properties of its Wastewater Treatment System and any business in connection therewith in an efficient manner, (ii) maintain its Wastewater Treatment 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 Wastewater Treatment System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

{(i)}<\>(j)> Insurance. The Local Unit 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 Wastewater Treatment System at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining Wastewater Treatment Facilities of the nature of the Local Unit's Wastewater Treatment System, including liability coverage, all to the extent available at reasonable cost but in no case less than will satisfy all applicable regulatory requirements.

SECTION 3.01. Loan; Loan Term. The State hereby agrees to loan and disburse to the Local Unit in accordance with Section 3.02 and Exhibit C hereof, and the Local Unit agrees to borrow and accept the Loan from the State in the principal amount equal to the lesser of the loan commitment upon the terms set forth in Exhibit A-2 attached hereto and made a part hereof (such amount being also as specified in the Local Unit Bond) or the amount as shall actually be disbursed to the Local Unit from the Wastewater Treatment Fund; provided, however, that the State shall be under no obligation to make the Loan if, at the Loan Closing, the Local Unit does not deliver to the State a Local Unit Bond and such other documents required under Section {2.02(k)} <2.02(l)> hereof, or (b) an Event of Default has occurred and is continuing under this Loan Agreement. Although the State intends to disburse proceeds of the Loan to the Local Unit at the times and up to the amounts set forth in Exhibit C to pay a portion of the Cost of the Project, there may not be a sufficient amount. 

The Local Unit shall have no legal or equitable interest in {[the proceeds of the Wastewater Treatment Bonds or in any amounts from time to time on deposit in the funds and accounts applicable to the Wastewater Treatment Bonds created by the Bond Act and the bond proceedings of the State of New Jersey authorizing the form, execution, issuance and delivery of the Wastewater Treatment Bonds]} the federal funds received by and available to the State or in moneys from repayments of loans previously made from the Wastewater Treatment Fund by the State.
The Local Unit 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 and other amounts due under the Local Unit Bond are each {direct, general, irrevocable and unconditional} obligations of the Local Unit payable {from any source legally available to the Local Unit} {solely from the Revenues in accordance with the terms of and to the extent provided in the Local Unit Bond Resolution}, {including, without limitation, the general tax revenues of the Local Unit, and the Local Unit shall, if necessary, levy ad valorem taxes upon all the taxable property within the Local Unit for the payment of such obligations, without limitation as to rate or amount.} {including, without limitation, moneys payable pursuant to the Service Agreement in respect of debt service on the Local Unit Bond} in accordance with the terms of and to the extent provided in the Local Unit Bond Resolution.

SECTION 3.02. Disbursement of Loan Proceeds. (a) The State shall disburse <{ the amounts on deposit in the Wastewater Treatment Fund}> earmarked for the Loan to the Local Unit in accordance with the terms hereof. Before each and every disbursement of the proceeds of the Loan by the State to the Local Unit, the Local Unit shall in accordance with the procedures set forth in the Regulations submit to the State a requisition executed by an Authorized Officer of the Local Unit.

(b) The State shall not be under any obligation to disburse any Loan proceeds to the Local Unit under this Loan Agreement, unless:

(i) the Loan Closing shall have occurred on the date established therefor by the State;

(ii) there shall be<{moneys}> available <{in the Wastewater Treatment Fund}> from time to time to fund the Loan, as determined solely by the State;

(iii) in accordance with the "New Jersey Wastewater Treatment Trust Act", P.L. 1985, c. 334, as amended (N.J.S.A. 58:11B-1 et seq.), and the Regulations, the Local Unit shall have timely applied for, shall have been awarded and, prior to or simultaneously with the Loan Closing, shall have closed a Trust 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 State, plus capitalized interest and certain issuance expenses related thereto;

(iv) the Local Unit shall have {funds available} {on hand moneys} to pay for the greater of (A) that portion of the total cost of the Project that is not eligible to be funded from the Loan or the Trust Loan, or (B) that portion of the total cost of the Project that exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Loan and the Trust Loan; and
(v) no Event of Default nor any event that, with the passage of time or service of notice, would constitute an Event of Default shall have occurred and be continuing hereunder.

SECTION 3.03. Amounts Payable. (a) The Local Unit shall repay the Loan at zero-interest in principal installments payable to the Loan Servicer semiannually on February 1 and August 1, commencing August 1, 199_, 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 the State, in particular, without limitation, to make any adjustments to the amount of the Loan in accordance with the definition thereof; provided, however, that the amount of any reduction in the principal amount of the Loan pursuant to N.J.A.C. 7:22-3.26 shall be credited to the principal payments set forth in Exhibit A-2 in inverse order of their maturity. The obligations of the Local Unit under the Local Unit Bond shall be deemed to be amounts payable under this Section 3.03. Each payment made to the Loan Servicer pursuant to the Local Unit Bond shall be deemed to be a credit against the corresponding obligation of the Local Unit under this Section 3.03, and any such payment made to the Loan Servicer shall fulfill the Local Unit's obligation to pay such amount hereunder and under the Local Unit Bond. Each payment made to the Loan Servicer pursuant to this Section 3.03 shall be applied to the principal of the Loan.

(b) In addition to the principal payments on the Loan required by subsection (a) of this Section 3.03, the Local Unit shall pay a late charge for any such payment that is received by the Loan Servicer later than the tenth (10th) day following its due date 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 actually paid; provided, however, that such late charge payable on the Loan shall not be in excess of the maximum interest rate permitted by law.

(c) In the event that the Local Unit fails or is unable to pay promptly to the State in full any Loan Repayment when due, the Local Unit shall take all measures permitted by its Service Agreement with the Underlying Government Unit to enforce prompt payment by the Underlying Government Unit of its obligations in accordance with the terms of the Service Agreement in order to satisfy such deficiency. The amount so paid to the Loan Servicer shall be deemed to be a credit against the obligations of the Local Unit under this Section 3.03, and any such payment made to the Loan Servicer shall fulfill the Local Unit's obligation to pay such amount under this Loan Agreement and the Local Unit Bond. Each such payment so made to the Loan Servicer shall be applied to the principal of the Loan.

SECTION 3.04. Unconditional Obligations. The {direct, general} obligation of the Local Unit 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 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 Wastewater Treatment System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State of New Jersey or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the State to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project or this Loan Agreement, or any rights of set-off, recoupment, abatement or counterclaim that the Local Unit might otherwise have against the State, the Loan Servicer or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights. The Local Unit shall not be obligated to make any payments required to be made by any other Local Units under separate Loan Agreements.

SECTION 3.07. Option to Prepay Loan Repayments. The Local Unit may prepay the Loan Repayments, in whole or in part, upon not less than ninety (90) days' prior written notice to the State; provided, however, that any such full or partial prepayment may only be made (i) if the Local Unit is not then in arrears on its Trust Loan, (ii) if the Local Unit is contemporaneously making a full or partial prepayment of the Trust Loan such that, after the prepayment of the Loan and the Trust Loan, the Trust gives its consent required under Section 3.07(iii) of the Trust Loan Agreement, and (iii) upon the prior written approval of the State. Prepayments shall be applied to the principal payments on the portion of the Loan to be prepaid in inverse order of their maturity.

SECTION 3.08. Priority of Loan and Trust Loan. (a) The Local Unit hereby agrees that, to the extent allowed by law <or the Local Unit Bond Resolution,> any loan repayments then due and payable on the Local Unit's Trust Loan, including, without limitation, any administrative fees and any late payment charges then due and payable under the Trust Loan Agreement, shall be satisfied by the Local Unit before any Loan Repayments then due and payable hereunder on the Loan shall be satisfied by the Local Unit.

(b) The Local Unit hereby acknowledges that in the event the Local Unit fails or is unable to pay promptly to the Trust in full any loan repayments on the Trust Loan, then any Loan Repayments paid by the Local Unit on the Loan under this Loan Agreement and received by the Loan Servicer during the time of any such loan repayment deficiency under the Trust Loan Agreement shall first be applied by the Loan Servicer to satisfy such Trust Loan Agreement loan repayment deficiency as a credit against the obligations of the Local Unit to make loan repayments of that portion of interest under the Trust Loan Agreement that is allocable to the interest payable on the Trust Bonds (as defined in the Trust Loan Agreement) and to make payments of that portion of interest under the bond issued by the Local Unit to the Trust that is allocable to the interest payable on the Trust Bonds, second, to the extent available, to make loan repayments of principal under the Trust Loan Agreement and payments of principal on the bond issued by the Local Unit to the Trust pursuant to the Trust Loan Agreement, third, to the extent available, to the payment of the administrative fee payable under the Trust Loan Agreement and to make payments of that portion of interest under the bond issued by the Local Unit to the Trust that is allocable to the administrative fee payable under the Trust Loan Agreement, fourth, to the
extent available, to the payment of late charges payable under the Trust Loan Agreement and to make payments of that portion of interest under the bond issued by the Local Unit to the Trust that is allocable to the late charges payable under the Trust Loan Agreement, and, finally, to the extent available, to make Loan Repayments on the Loan.

SECTION 4.01. Assignment and Transfer by State. The Local Unit hereby approves and consents to any assignment or transfer of this Loan Agreement and the Local Unit Bond that the State deems to be necessary in connection with the wastewater treatment loan program of the State under the <[Bond Act, including [any refunding of the Wastewater Treatment Bonds or] the issuance of additional Wastewater Treatment Bonds]>.

SECTION 4.02. Assignment by Local Unit. Neither this Loan Agreement nor the Local Unit Bond may be assigned by the Local Unit for any reason, unless the following conditions shall be satisfied: (i) the State 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 Local Unit's duties, covenants, obligations and agreements under this Loan Agreement and, to the extent permitted under applicable law, the Local Unit Bond; [and] (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 Local Unit under this Loan Agreement or the Local Unit Bond <[; and (iv) if the Loan was made from the proceeds of the Wastewater Treatment Bonds, the State 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 Wastewater Treatment Bonds or the exclusion of the interest on the Wastewater Treatment Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code]>.

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

(b) <failure by the Local Unit 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 Local Unit (other than the Loan and the Local Unit Bond), after giving effect to the applicable grace period, the payments of which are secured by the Revenues of the Wastewater Treatment System;>

(c)> failure by the Local Unit to pay, or cause to be paid, 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 paragraph (a) of this Section 5.01 or other than the obligations of the Local Unit contained in Section (2.02(c)(ii)) <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 Local Unit by the State, unless the State 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 State 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 Local Unit within the applicable period and diligently pursued until the Event of Default is corrected;

{(c)}<(d)> any representation made by or on behalf of the Local Unit 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)}<(e)> a petition is filed by or against the Local Unit 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, unless in the case of any such petition filed against the Local Unit such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal; or the Local Unit 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 Local Unit or any of its property shall be appointed by court order or take possession of the Local Unit or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days;

{(e)}<(f)> the Local Unit shall generally fail to pay its debts as such debts become due; and

{(f)}<(g)> failure of the Local Unit to observe or perform such additional duties, covenants, obligations, agreements or conditions as are required by the State and specified in Exhibit F attached hereto and made a part hereof.

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 State shall have the right to take whatever 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 Local Unit hereunder.

In addition, if an Event of Default referred to in Section 5.01(a) hereof shall have occurred and be continuing, the State shall, to the extent allowed by applicable law, have the right to declare all Loan Repayments and all other amounts due hereunder (including, without limitation, payments under the Local Unit Bond) to be immediately due and payable, and upon notice to the Local Unit the same shall become due and payable without further notice or demand.

SECTION 5.05. Application of Moneys. Any moneys collected by the State pursuant to Section 5.03 hereof shall be applied (a) first, to pay any attorneys' fees or other fees and expenses owed by the Local Unit pursuant to Section 5.04 hereof, (b) second, to the extent available, to pay principal due and payable on the Loan, (c) third, to the extent available, to pay any other amounts due and payable hereunder, and (d) fourth, to the extent available, to pay
principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

SECTION 6.04. Amendments, Supplements and Modifications. This Loan Agreement may not be amended, supplemented or modified without the prior written consent of the State and the Local Unit.
APPENDIX D

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS
SUMMARY OF THE LOCAL UNIT CONTINUING DISCLOSURE AGREEMENTS

The following is a general summary of certain provisions of the Local Unit Continuing Disclosure Agreements (collectively referred to as the "Continuing Disclosure Agreement" or "Continuing Disclosure Agreements") by and among certain Local Units, the Trust and the Trustee. Unless otherwise indicated by bracketed language (<>), which refers only to those Local Unit borrowers that are municipal, county or regional sewerage or utilities authorities, the Continuing Disclosure Agreements are identical in all material respects. This summary is not to be considered a full statement of the terms of the Continuing Disclosure Agreements, and, accordingly, is qualified by reference thereto and is subject to the full text thereof. A copy of the Continuing Disclosure Agreements entered into by each applicable Local Unit may be obtained from the Trust or the Trustee upon request. The section references shown below in parentheses are to particular sections of the Continuing Disclosure Agreement.

Definitions

The capitalized terms used in the Continuing Disclosure Agreements shall, unless the context clearly requires otherwise, have the same meanings as such terms are given in the "SUMMARY OF THE BOND RESOLUTIONS" herein. In addition, the following terms as used in the Continuing Disclosure Agreement shall, unless the context clearly requires otherwise, have the following meanings:

"Annual Report" means Financial Statements and Operating Data provided at least annually with respect to the Local Unit <and the Underlying Government Unit>.

"Bonds" means "Series 2003 Trust Refunding Bonds", as such term is defined in the preambles to the Continuing Disclosure Agreement.

"Bond Disclosure Event" means any event described in subsection 2.6(a) of the Continuing Disclosure Agreement.

"Bond Disclosure Event Notice" means the notice to each National Repository or the MSRB and the State Repository, if any, as provided in subsection 2.6(b) of the Continuing Disclosure Agreement.

"Dissemination Agent" means an entity acting in its capacity as Dissemination Agent under the Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Local Unit and which has filed a written acceptance of such designation.

"Financial Statements" means the audited financial statements of the Local Unit <and the Underlying Government Unit> for each Fiscal Year and includes balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information.

"Fiscal Year" means the fiscal year of the Local Unit as determined by the Local Unit from time to time pursuant to State law. As of the date of the Continuing Disclosure Agreement, the Fiscal Year of the Local Unit begins on _________ of each calendar year and closes on the following _________.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Local Unit <and the Underlying Government Unit> as may be in effect from time to time.
"GAAS" means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Local Unit <or the Underlying Government Unit> as may be in effect from time to time.

"Local Unit Bond Disclosure Event" means any event described in subsection 2.1(c) of the Continuing Disclosure Agreement.

"Local Unit Bond Disclosure Event Notice" means the notice to the Trust as provided in subsection 2.4(c) of the Continuing Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of the Continuing Disclosure Agreement is: 1818 N Street, NW, Suite 800, Washington, DC 20036-2491.

"National Repository" means a "nationally recognized municipal securities information repository" within the meaning of Rule 15c2-12.

"Operating Data" means certain financial and statistical information of the Local Unit <and the Underlying Government Unit>, which for purposes of the Continuing Disclosure Agreement shall include the financial and statistical information under the heading "Information on Certain Local Units" in Appendix A of the Final Official Statement.

"Repository" means each National Repository and each State Repository, if any.

"Rule 15c2-12" means the SEC Rule 15c2-12 (codified at 17 C.F.R. §240.15c2-12), as the same may be further amended, supplemented and officially interpreted from time to time, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.


"State Depository" means any public or private repository or entity designated by the State as a state information depository for purposes of Rule 15c2-12.

<"Underlying Government Unit" means ________________, which has entered into a service agreement with the Local Unit.> (Sections 1.1 and 1.2)

Continuing Disclosure Covenants of the Local Unit

The Local Unit agrees that it will provide, or, if the Local Unit has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

Not later than two hundred twenty-five (225) days after the end of each Fiscal Year, commencing with the first Fiscal Year of the Local Unit ending after January 1, ____ (which is currently scheduled to end on ____________), an Annual Report to each Repository and to the Trust; provided that <with respect to> the Financial Statements:<
(i) the audited financial statements of the Local Unit may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if the Financial Statements of the Local Unit are not available by that date, but only if the unaudited financial statements of the Local Unit are included in the Annual Report;

(ii) the audited financial statements of the Underlying Government Unit may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if the fiscal year of the Underlying Governmental Unit does not coincide with the Fiscal Year of the Local Unit, provided that the audited financial statements of the Underlying Government Unit are submitted no later than two hundred twenty-five (225) days after the end of its fiscal year, except as provided in clause (iii) below; and

(iii) the audited financial statements of the Underlying Government Unit may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the annual Report if the audited financial statements of the Underlying Government Unit are not available by that date, but only if the unaudited financial statements of the Underlying Government Unit are provided on the date required for the filing of the audited financial statements of the Underlying Government Unit.

Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report, complete to the extent required in Section 2.1(a), to the Trustee and the Dissemination Agent, if the Local Unit has appointed or engaged a Dissemination Agent.

In a timely manner, to the Trust, notice of any of the following events with respect to the Local Unit Bond (each, a "Local Unit Bond Disclosure Event"), if material:

a. Principal and interest payment delinquencies;

b. Non-payment related defaults;

c. Unscheduled draws on debt service reserves, reflecting financial difficulties;

d. Unscheduled draws on credit enhancements, reflecting financial difficulties;

e. Substitution of credit or liquidity providers, or their failure to perform;

f. Adverse tax opinions or events affecting the tax-exempt status of the Local Unit Bond;

g. Modifications to rights of the holder of the Local Unit Bond;

h. Local Unit Bond calls;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the Local Unit Bond; and

k. Rating changes. (Section 2.1)
Continuing Disclosure Representations of the Local Unit

The Local Unit represents and warrants that:

Financial Statements shall be prepared according to GAAP.

Financial Statements shall be audited by an independent certified public accountant or a registered municipal accountant or such other accountant as shall be permitted or required under State law in accordance with GAAS. (Section 2.2)

Responsibilities and Duties of the Local Unit, the Dissemination Agent and the Trustee

If fifteen (15) days prior to the date specified in subsection 2.1(a), the Trustee has not received a copy of the Annual Report, complete to the extent required in Section 2.1(a), the Trustee shall contact the Local Unit to determine if the Local Unit to provide notice of the Local Unit's obligations pursuant to Sections 2.1(a), 2.1(b) and 2.4(d)(ii) of the Continuing Disclosure Agreement.

If the Trustee, by the date specified in subsection 2.1(a) of the Continuing Disclosure Agreement, has not received a written report from the Local Unit, as required by Section 2.4(d)(ii) of the Continuing Disclosure Agreement, indicating that an Annual Report, complete to the extent required in Section 2.1(a), has been provided to the Repositories and to the Trust by the date specified in subsection 2.1(a), the Trustee shall send a notice to each National Repository or the MSRB and the State Repository, if any together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof, with a copy thereof to the Trust and the Local Unit.

If the Local Unit has determined that the occurrence of a Local Unit Bond Disclosure Event would be material, the Local Unit or Dissemination Agent (if one has been appointed or engaged by the Local Unit) shall file promptly a notice of such occurrence with the Trust (the "Local Unit Bond Disclosure Event Notice") in the form determined by the Local Unit; provided, that the Local Unit Bond Disclosure Event Notice pertaining to the occurrence of a Local Unit Bond Disclosure Event described in clauses 2.1(c)(viii) (Local Unit Bond calls) or 2.1(c)(ix) ( defeasances) need not be given under the subsection any earlier than the time when the notice (if any) of such Local Unit Bond Disclosure Event shall otherwise be required to be given to the holder of the Local Unit Bond, as provided in any resolution or ordinance or agreement of the Local Unit.

The Local Unit shall, or, if the Local Unit has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to:

a. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

b. by the date specified in the Continuing Disclosure Agreement, provide a written report to the Trust and the Trustee (and, if a Dissemination Agent has been appointed, to the Local Unit) certifying that the Annual Report, complete to the extent required in Section 2.1(a), has been provided pursuant to the Continuing Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided. (Section 2.4)
Responsibilities and Duties of the Trust

The Trust agrees that it will provide in a timely manner to each National Repository or to the MSRB and to the State Repository, if any, notice of any of the following events with respect to the Trust Refunding Bonds (each, a "Bond Disclosure Event"), if material, and will provide a copy of such notice to the Trustee and the Local Unit, for informational purposes only:

a. Principal and interest payment delinquencies;
b. Non-payment related defaults;
c. Unscheduled draws on debt service reserves, reflecting financial difficulties;
d. Unscheduled draws on credit enhancements, reflecting financial difficulties;
e. Substitution of credit or liquidity providers, or their failure to perform;
f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
g. Modifications to rights of the holder of the Bonds;
h. Bond calls;
i. Defeasances;
j. Release, substitution, or sale of property securing repayment of the Bonds; and
k. Rating changes.

If the Trust has determined that the occurrence of a Bond Disclosure Event would be material, the Trust shall file promptly a notice of such occurrence with each National Repository or with the MSRB and the State Repository, if any (the "Bond Disclosure Event Notice") in the form determined by the Trust together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof; provided, that the Bond Disclosure Event Notice pertaining to the occurrence of a Bond Disclosure Event described in clauses 2.6(a)(viii) (Bond calls) or 2.6(a)(ix) (defeasances) need not be given under this paragraph any earlier than the time when the notice (if any) of such Bond Disclosure Event shall be given to Holders of affected Bonds as provided in Sections 4.05 and 12.01 of the Trust Bond Resolution, respectively. The obligations of the Trust to provide the notices required under the Continuing Disclosure Agreement are in addition to, and not in substitution of, any of the obligations (if any) of the Trustee to provide notices of events of default to Holders under Article IX of the Trust Bond Resolution. The Trust shall file a copy of each Bond Disclosure Event Notice with the Trustee and the Local Unit, for informational purposes only. (Section 2.6)

Immunities and Liabilities of the Trustee

Article X of the Resolution, relating to immunities and liabilities of the Trustee, is thereby made applicable to its responsibilities under the Continuing Disclosure Agreement. (Section 2.7)
Remedies

The Trustee may in reliance upon the advice of counsel (and at the request of the Holders of at least twenty-five percent (25%) in aggregate principal amount of outstanding Bonds, and after provision of indemnity in accordance with Section 10.05 of the Resolution, shall), or any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Local Unit and the Trust and any of their respective officers, agents and employees which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Local Unit and the Trust under the Continuing Disclosure Agreement and may compel the Local Unit or the Trust or any of their respective officers, agents or employees, (except for the Dissemination Agent with respect to the obligations, agreements and covenants of the Local Unit), to perform and carry out their duties under the Continuing Disclosure Agreement; provided, that no person or entity shall be entitled to recover monetary damages thereunder under any circumstances; and provided further that any Bondholder, acting for the equal benefit and protection of all Bondholders similarly situated, may pursue specific performance only with respect to the failure to file the Annual Reports, Local Unit Bond Disclosure Event Notices and Bond Disclosure Event Notices required by the Continuing Disclosure Agreement, and may not pursue specific performance in challenging the adequacy of Annual Reports which have been filed pursuant to the provisions thereof.

In case the Trustee or any Bondholder shall have proceeded to enforce its rights under the Continuing Disclosure Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Bondholder, as the case may be, then and in every such case the Local Unit, the Trust, the Trustee and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights under the Continuing Disclosure Agreement, and all rights, remedies and powers of the Local Unit, the Trust, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

A failure by the Trust or the Local Unit to perform their respective obligations under the Continuing Disclosure Agreement shall not be deemed an event of default under either the Resolution or the Trust Loan Agreement, as the case may be, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure by the Trust or the Local Unit to comply with the Continuing Disclosure Agreement shall be as set forth in subsection 3.1(a) of the Continuing Disclosure Agreement. (Section 3.1)

The Trust and the Bondholders

The Trust may enforce any such right, remedy or claim conferred, given or granted under the Continuing Disclosure Agreement in favor of the Trustee or the Holders of the Bonds.

Each Bondholder is recognized as being a third-party beneficiary and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted in favor of the Trustee, to the extent permitted in Section 3.1(a) of the Continuing Disclosure Agreement. (Section 4.2)
Amendments, Changes and Modifications

Except as otherwise provided in the Continuing Disclosure Agreement, subsequent to the initial issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Resolution), the Continuing Disclosure Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties thereto.

Without the consent of any Bondholders, the Local Unit, the Trustee and the Trust at any time and from time to time may enter into any amendments or modifications to the Continuing Disclosure Agreement for any of the following purposes:

a. to add to covenants and agreements of the Local Unit or the Trust under the Continuing Disclosure Agreement for the benefit of the Bondholders, or to surrender any right or power conferred upon the Local Unit or the Trust by the Continuing Disclosure Agreement;

b. to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Local Unit or to reflect changes in the identity, nature or status of the Local Unit or in the business, structure or operations of the Local Unit or any mergers, consolidations, acquisitions or dispositions made by or affecting the Local Unit; provided that any such modification shall not be in contravention of Rule 15c2-12 as then in effect at the time of such modification; or

c. to cure any ambiguity, to correct or supplement any provision thereof which may be inconsistent with any other provision thereof, or to include any other provisions with respect to matters or questions arising under the Continuing Disclosure Agreement which, in each case, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; provided, that prior to approving any such amendment or modification, the Local Unit, the Trustee and the Trust determine that such amendment or modification does not adversely affect the interests of the Holders of the Bonds in any material respect.

Upon entering into any amendment or modification required or permitted by the Continuing Disclosure Agreement which materially affects the interests of the Holders of the Bonds, the Trust shall deliver to each of the Repositories written notice of any such amendment or modification.

The Local Unit, the Trustee and the Trust shall be entitled to rely exclusively upon an opinion of Bond Counsel to the Trust (as defined in the Resolution) to the effect that such amendments or modifications comply with the conditions and provisions of Section 4.9 of the Continuing Disclosure Agreement. (Section 4.9)
Amendments Required by Rule 15c2-12

The Local Unit, the Trustee and the Trust each recognize that the provisions of the Continuing Disclosure Agreement are intended to enable compliance with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof or the promulgation of a successor rule, statute or regulation thereto, a change in the Continuing Disclosure Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery of an opinion of Bond Counsel to the Trust to the effect that such amendments shall be permitted or necessary to assure continued compliance with Rule 15c2-12 as so amended or interpreted, then the Local Unit, the Trustee and the Trust shall amend the Continuing Disclosure Agreement to comply with and be bound by any such amendment to the Continuing Disclosure Agreement to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.9(c) of the Continuing Disclosure Agreement. (Section 4.10)

Commencement and Termination of Continuing Disclosure Obligations

The obligations of the Local Unit shall be in full force and effect from the date of issuance of the Bonds and shall continue in effect until the date either (i) the Local Unit Bond is no longer outstanding in accordance with the terms of the documents under which it was issued or (ii) the Local Unit no longer remains a material "obligated person" (as the term "obligated person" is defined in Rule 15c2-12(f)(10), with materiality being determined by the Trust in its sole discretion pursuant to criteria set forth in the Resolution, the Notice of Sale, the Preliminary Official Statement and the Final Official Statement) with respect to the Bonds, and in either event, only after the Trust delivers written notice to such effect to each National Repository or to the MSRB and to the State Repository, if any.

The obligations of the Trust and the Trustee shall be in full force and effect from the date of issuance of the Bonds and shall continue in effect until the date the Bonds are no longer outstanding in accordance with the terms of the Resolution and only after the Trust delivers written notice to such effect to each National Repository or to the MSRB and to the State Repository, if any.

Notwithstanding any other provision to the Continuing Disclosure Agreement to the contrary, if the Bonds shall not have not been issued as of December 31, 2003 for whatever reason, the Continuing Disclosure Agreement shall have no further effect. Thereupon, the parties shall not be liable to each other for any costs incurred in connection herewith and the Local Unit shall not be entitled to any Allowance or portion of the Savings. (Section 4.12)

SUMMARY OF THE TRUST CONTINUING DISCLOSURE AGREEMENT

The following is a general summary of certain provisions of the Trust Continuing Disclosure Agreement (the "Trust Continuing Disclosure Agreement") by and between the Trust and the Trustee. This summary is not to be considered a full statement of the terms of the Trust Continuing Disclosure Agreement, and, accordingly, is qualified by reference thereto and is subject to the full text thereof. A copy the Trust Continuing Disclosure Agreement may be obtained from the Trust or the Trustee upon request. The section references shown below in parentheses are to particular sections of the Trust Continuing Disclosure Agreement.
Definitions

The capitalized terms used in the Trust Continuing Disclosure Agreements shall, unless the context clearly requires otherwise, have the same meanings as such terms are given in the "SUMMARY OF THE BOND RESOLUTIONS" herein. In addition, the following terms as used in the Trust Continuing Disclosure Agreement shall, unless the context clearly requires otherwise, have the following meanings:

"Annual Report" means Financial Statements and Operating Data provided at least annually with respect to the Trust.

"Bonds" means "Series 2003 Trust Refunding Bonds", as such term is defined in the preambles to the Continuing Disclosure Agreement.

"Bond Disclosure Event" means any event described in subsection 2.1(c) of the Trust Continuing Disclosure Agreement.

"Bond Disclosure Event Notice" means the notice to each National Repository or the MSRB and the State Repository, if any, as provided in subsection 2.4(c) of the Trust Continuing Disclosure Agreement.

"Dissemination Agent" means an entity acting in its capacity as Dissemination Agent under the Trust Continuing Disclosure Agreement, or any successor Dissemination Agent designated in writing by the Trust and which has filed a written acceptance of such designation.

"Financial Statements" means those provisions of the audited financial statements of the Trust for each Fiscal Year which relate to the Bonds, and include balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements which convey similar information, in connection with the Bonds.

"Fiscal Year" means the fiscal year of the Trust as determined by the Trust from time to time pursuant to State law. As of the date of the Trust Continuing Disclosure Agreement, the Fiscal Year of the Trust begins on July 1 of each calendar year and closes on the following June 30.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Trust as may be in effect from time to time.

"GAAS" means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental auditing standards and mandated State statutory principles applicable to the Trust as may be in effect from time to time.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date of the Trust Continuing Disclosure Agreement is: 1818 N Street, NW, Suite 800, Washington, DC 20036-2491.

"National Repository" means a "nationally recognized municipal securities information repository" within the meaning of Rule 15c2-12.
"Operating Data" means certain financial and statistical information, which for purposes of the Trust Continuing Disclosure Agreement shall not include any financial and statistical information.

"Repository" means each National Repository and each State Depository, if any.

"State Depository" means any public or private repository or entity designated by the State as a state information depository for purposes of Rule 15c2-12.

Continuing Disclosure Covenants of the Trust

The Trust agrees that it will provide, or, if the Trust has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

Not later than two hundred twenty-five (225) days after the end of each Fiscal Year, commencing with the first Fiscal Year of the Trust ending after January 1, 2003 (which is currently scheduled to end on June 30, 2003), an Annual Report to each Repository; provided that the Financial Statements of the Trust may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if the Financial Statements of the Trust are not available by that date, but only if unaudited financial statements relating to the Bonds of the Trust are included in the Annual Report.

Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report, complete to the extent required in Section 2.1(a), to the Trustee and the Dissemination Agent, if the Trust has appointed or engaged a Dissemination Agent.

In a timely manner, to each National Repository or to the MSRB and to the State Repository, if any, notice of any of the following events with respect to the Bonds (each, a "Bond Disclosure Event"), if material, with a copy of such notice to the Trustee, for informational purposes only:

a. Principal and interest payment delinquencies;

b. Non-payment related defaults;

c. Unscheduled draws on debt service reserves, reflecting financial difficulties;

d. Unscheduled draws on credit enhancements, reflecting financial difficulties;

e. Substitution of credit or liquidity providers, or their failure to perform;

f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

g. Modifications to rights of the holder of the Bonds;

h. Bond calls;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the Bonds; and

k. Rating changes. (Section 2.1)
Continuing Disclosure Representations of the Trust

The Trust represents and warrants that:

Financial Statements shall be prepared according to GAAP.

Continuing Disclosure Representations of the Trust

Financial Statements shall be audited by an independent certified public accountant or a registered municipal accountant or such other accountant as shall be permitted or required under State law in accordance with GAAS. (Section 2.2)

Responsibilities and Duties of the Trust, the Dissemination Agent and the Trustee

If fifteen (15) days prior to the date specified in subsection 2.1(a), the Trustee has not received a copy of the Annual Report, complete to the extent required in Section 2.1(a), the Trustee shall contact the Trust to provide notice of the Trust's obligations pursuant to Sections 2.1(a), 2.1(b) and 2.4(d)(ii) of the Trust Continuing Disclosure Agreement.

If the Trustee, by the date specified in subsection 2.1(a) of the Trust Continuing Disclosure Agreement, has not received a written report from the Trust, as required by Section 2.4(d)(ii) of the Trust Continuing Disclosure Agreement, indicating that an Annual Report, complete to the extent required in Section 2.1(a), has been provided to the Repositories by the date specified in subsection 2.1(a), the Trustee shall send a notice to each National Repository or the MSRB and the State Repository, if any, in substantially the form attached as Exhibit B to the Trust Continuing Disclosure Agreement together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof, with a copy thereof to the Trust.

If the Trust has determined that the occurrence of a Bond Disclosure Event would be material, the Trust shall file promptly a notice of such occurrence with each National Repository or with the MSRB and the State Repository, if any (the "Bond Disclosure Event Notice") in the form determined by the Trust together with any standard forms or cover sheets which may be required by the MSRB as of the date thereof, provided, that the Bond Disclosure Event Notice pertaining to the occurrence of a Bond Disclosure Event described in clauses 2.1(c)(viii) (Bond calls) or 2.1(c)(ix) ( defeasances) need not be given under this subsection any earlier than the time when the notice (if any) of such Bond Disclosure Event shall be given to Holders of affected Bonds as provided in Sections 4.05 and 12.01 of the Resolution, respectively. The obligations of the Trust to provide the notices required under the Trust Continuing Disclosure Agreement are in addition to, and not in substitution of, any of the obligations (if any) of the Trustee to provide notices of events of default to Holders under Article IX of the Resolution. The Trust shall file a copy of each Bond Disclosure Event Notice with the Trustee, for informational purposes only.

The Trust shall, or, if the Trust has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to:

a. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

b. by the date specified in subsection 2.1(a) in the Trust Continuing Disclosure Agreement, provide a written report to the Trustee (and, if a Dissemination Agent has been appointed, to the Trust), upon which said parties may rely, certifying that the Annual Report,
complete to the extent required in Section 2.1(a), has been provided pursuant to the Trust Continuing Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided. (Section 2.4)

**Immunities and Liabilities of the Trustee**

Article X of the Resolution, relating to immunities and liabilities of the Trustee, is thereby made applicable to its responsibilities under the Trust Continuing Disclosure Agreement. (Section 2.7)

**Remedies**

The Trustee may in reliance upon the advice of counsel (and at the request of the Holders of at least twenty-five percent (25%) in aggregate principal amount of outstanding Bonds, and after provision of indemnity in accordance with Section 10.05 of the Resolution, shall), or any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Trust and any of its respective officers, agents and employees which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Trust under the Trust Continuing Disclosure Agreement and may compel the Trust or any of its respective officers, agents or employees, (except for the Dissemination Agent with respect to the obligations, agreements and covenants of the Trust), to perform and carry out its duties under the Trust Continuing Disclosure Agreement; provided, that no person or entity shall be entitled to recover monetary damages under the Trust Continuing Disclosure Agreement under any circumstances; and provided further that any Bondholder, acting for the equal benefit and protection of all Bondholders similarly situated, may pursue specific performance only with respect to the failure to file the Annual Reports and Bond Disclosure Event Notices required by the Trust Continuing Disclosure Agreement, and may not pursue specific performance in challenging the adequacy of Annual Reports which have been filed pursuant to the provisions thereof.

In case the Trustee or any Bondholder shall have proceeded to enforce its rights under the Trust Continuing Disclosure Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Bondholder, as the case may be, then and in every such case the Trust, the Trustee and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights under the Trust Continuing Disclosure Agreement, and all rights, remedies and powers of the Trust, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

A failure by the Trust to perform its respective obligations under the Trust Continuing Disclosure Agreement shall not be deemed an event of default under either the Resolution or the Trust Loan Agreement, as the case may be, and the sole remedy under the Trust Continuing Disclosure Agreement in the event of any failure by the Trust to comply with the Trust Continuing Disclosure Agreement shall be as set forth in subsection 3.1(a) of the Trust Continuing Disclosure Agreement. (Section 3.1)

**The Trust and the Bondholders**

Each Bondholder is recognized as being a third-party beneficiary and each may enforce, for the equal benefit and protection of all Bondholders similarly situated, any such right, remedy or claim conferred, given or granted under the Trust Continuing Disclosure Agreement in favor of the Trustee, to the extent permitted in Section 3.1(a) thereof. (Section 4.2)
Amendments, Changes and Modifications

Except as otherwise provided in the Trust Continuing Disclosure Agreement, subsequent to the initial issuance of the Series 1998__ Trust Refunding Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Resolution), the Trust Continuing Disclosure Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties thereto.

Without the consent of any Bondholders, the Trustee and the Trust at any time and from time to time may enter into any amendments or modifications to the Trust Continuing Disclosure Agreement for any of the following purposes:

a. to add to covenants and agreements of the Trust for the benefit of the Bondholders, or to surrender any right or power conferred upon the Trust by the Trust Continuing Disclosure Agreement;

b. to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Trust or to reflect changes in the identity, nature or status of the Trust or in the business, structure or operations of the Trust or any mergers, consolidations, acquisitions or dispositions made by or affecting the Trust; provided that any such modification shall not be in contravention of Rule 15c2-12 as then in effect at the time of such modification; or

c. to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to include any other provisions with respect to matters or questions arising under the Trust Continuing Disclosure Agreement which, in each case, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances;

provided, that prior to approving any such amendment or modification, the Trustee and the Trust determine that such amendment or modification does not adversely affect the interests of the Holders of the Bonds in any material respect.

Upon entering into any amendment or modification required or permitted by the Trust Continuing Disclosure Agreement which materially affects the interests of the Holders of the Bonds, the Trust shall deliver to each of the Repositories written notice of any such amendment or modification.

The Trustee and the Trust shall be entitled to rely exclusively upon an opinion of Bond Counsel to the Trust (as defined in the Resolution) to the effect that such amendments or modifications comply with the conditions and provisions of this Caption. (Section 4.9)

Amendments Required by Rule 15c2-12

The Trustee and the Trust each recognize that the provisions of the Trust Continuing Disclosure Agreement are intended to enable compliance with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof or the promulgation of a successor rule, statute or regulation thereto, a change in the Trust Continuing Disclosure Agreement shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery of an opinion of Bond Counsel to the Trust to the effect
that such amendments shall be permitted or necessary to assure continued compliance with Rule 15c2-12 as so amended or interpreted, then the Trustee and the Trust shall amend the Trust Continuing Disclosure Agreement to comply with and be bound by any such amendment to the Trust Continuing Disclosure Agreement to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.9(c) of the Trust Continuing Disclosure Agreement. (Section 4.10)

Commencement and Termination of Continuing Disclosure Obligations

The obligations of the Trust and the Trustee under the Trust Continuing Disclosure Agreement shall be in full force and effect from the date of issuance of the Trust Refunding Bonds and shall continue in effect until the date either (i) the Bonds are no longer outstanding in accordance with the terms of the Resolution or (ii) the Program no longer remains a material "obligated person" (as the term "obligated person" is defined in Rule 15c2-12(f)(10) as a result of an interpretation of Rule 15c2-12 and in either event only after the Trust delivers written notice to such effect to each National Repository or to the MSRB and to the State Repository, if any.

Notwithstanding any other provision to the contrary, if the Bonds shall not have been issued as of December 31, 1998 for whatever reason, the Trust Continuing Disclosure Agreement shall have no further effect. Thereupon, the parties to the Trust Continuing Disclosure Agreement shall not be liable to each other for any costs incurred in connection therewith. (Section 4.12)
APPENDIX E

PROPOSED FORM OF APPROVING OPINION OF
McCARTER & ENGLISH, LLP, BOND COUNSEL TO THE TRUST,
REGARDING THE 2003 REFUNDING BONDS
New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 6 – Suite 201
Lawrenceville, New Jersey 08648

Dear Members:

We have acted as Bond Counsel to 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”), created pursuant to the “New Jersey Environmental Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State, as amended and supplemented (the “Act”), in connection with the issuance by the Trust of its “Wastewater Treatment Insured Refunding Bonds, Series 2003 (1993 Financing Program)” in the aggregate principal amount of $39,655,000 (the “2003 Refunding Bonds”). The 2003 Refunding Bonds are being issued under and pursuant to (i) the Act, (ii) other applicable law and (iii) that certain bond resolution of the Trust entitled “Wastewater Treatment Insured Bond Resolution”, adopted on October 21, 1993 (the “1993 Original Bond Resolution”), as amended and supplemented by that certain “Supplemental Bond Resolution Authorizing the Issuance of Wastewater Treatment Insured Refunding Bonds, Series 2003 (1993 Financing Program)” in the aggregate principal amount of $39,655,000 (the “2003 Refunding Bonds”). The 2003 Refunding Bonds are being issued under and pursuant to (i) the Act, (ii) other applicable law and (iii) that certain bond resolution of the Trust entitled “Wastewater Treatment Insured Bond Resolution”, adopted on October 21, 1993 (the “1993 Original Bond Resolution”), as amended and supplemented by that certain “Supplemental Bond Resolution Authorizing the Issuance of Wastewater Treatment Insured Refunding Bonds, Series 2003 (1993 Financing Program)” in the aggregate principal amount of $39,655,000 (the “2003 Refunding Bonds”).

The 2003 Refunding Bonds are issued for the purpose of currently refunding and defeasing the entire remaining outstanding principal amount of the Trust’s “Wastewater Treatment Insured Bonds, Series 1993”, dated October 15, 1993, and issued in the original aggregate principal amount of $64,285,000 (the “1993 Prior Bonds”; the 1993 Prior Bonds and
the 2003 Refunding Bonds shall be referred to collectively herein as the “1993 Bonds”). The 1993 Prior Bonds were originally issued to finance or refinance the making of loans (the “1993 Trust Loans”) for certain costs of wastewater treatment projects undertaken by various local government units in the State (the “1993 Borrowers”). In connection with the making of the respective 1993 Trust Loans, the Trust entered into a “Loan Agreement” with each 1993 Borrower, dated as of November 1, 1993 (each a “1993 Trust Loan Agreement”). The 1993 Trust Loan repayment obligations of each 1993 Borrower pursuant to its respective 1993 Trust Loan Agreement are evidenced by a bond (the “1993 Borrower Trust Loan Bond”) of each such 1993 Borrower.

The 2003 Refunding Bonds are “Refunding Bonds” pursuant to the terms of the 1993 Bond Resolution. Holders of the 2003 Refunding Bonds are, therefore, entitled to the pledge of the “Trust Estate” (the “1993 Trust Estate”) under the 1993 Bond Resolution.

In issuing the 2003 Refunding Bonds and in effecting the current refunding and defeasance of the entire remaining outstanding principal amount of the 1993 Prior Bonds (the “2003 Refunding of the 1993 Prior Bonds”), the 1993 Trust Loan Agreements and the 1993 Borrower Trust Loan Bonds have not been amended or supplemented. Pursuant to the 1993 Trust Loan Agreements, the 1993 Borrowers have acknowledged that the 1993 Trust Loan repayments, as part of the 1993 Trust Estate, will be applied by the Trust to the payment of the principal of and interest on the 2003 Refunding Bonds. In effecting the 2003 Refunding of the 1993 Prior Bonds, the Trust has determined that the 1993 Trust Loan repayments will be equal to or greater than the amounts necessary to pay the principal of and interest on the 2003 Refunding Bonds.

The 2003 Refunding Bonds are dated, and shall bear interest from, their date of issuance. The 2003 Refunding Bonds will mature in the years and in the principal amounts, and will bear interest at the respective rates per annum, as stated therein and in the 2003 Supplemental Bond Resolution.

Interest on the 2003 Refunding Bonds is payable on March 1 and September 1 in each year, commencing September 1, 2003, by check or draft mailed by, or so long as DTC (as hereinafter defined) or its nominee is the registered owner of all of the 2003 Refunding Bonds by wire sent by, Wachovia Bank, National Association, Morristown, New Jersey, formerly known as First Union National Bank (as successor to First Fidelity Bank, National Association, New Jersey) (the “1993 Trustee” and the “1993 Paying Agent”). Principal of the 2003 Refunding Bonds is payable upon the surrender thereof at the corporate trust office of the 1993 Trustee.

The 2003 Refunding Bonds are issued as fully registered bonds in book-entry-only form in the denomination of one bond per aggregate principal amount of the stated maturity thereof, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearinghouse for securities transactions. Purchases of the 2003 Refunding Bonds will be made in book-entry-only form (without certificates) in denominations of $5,000 each or any whole multiple thereof. So long as DTC or its nominee is the registered owner of the 2003 Refunding
Bonds, payments of the principal of and interest on the 2003 Refunding Bonds will be made by the 1993 Trustee directly to Cede & Co., as nominee for DTC. Disbursement of such payments to the DTC participants is the responsibility of DTC, and disbursal of such payments to the beneficial owners of the 2003 Refunding Bonds is the responsibility of the DTC participants.

The 2003 Refunding Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their stated maturities.

In our capacity as Bond Counsel to the Trust, we have examined such documents, records of the Trust and other instruments as we have deemed necessary to enable us to express the opinions set forth below, including, without limitation, original counterparts or certified copies of the 1993 Bond Resolution, the 1993 Trust Loan Agreements, the 1993 Borrower Trust Loan Bonds and the other documents listed in the closing memorandum relating to the 2003 Refunding Bonds filed with the 1993 Trustee.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that may have to be met or must be met on a continuing basis subsequent to the issuance of the 2003 Refunding Bonds in order for interest on the 2003 Refunding Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. In the “Certificate as to Arbitrage and Instructions as to Compliance with Provisions of Section 103(a) of the Internal Revenue Code of 1986” (the “2003 Tax Certificate”), which is delivered in connection with the issuance of the 2003 Refunding Bonds (but which does not constitute a covenant under the 1993 Bond Resolution), the Trust represents that it expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the 2003 Tax Certificate and will do and perform all acts and things necessary or desirable in order to assure that, under the Code as currently in force, interest on the 2003 Refunding Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. The 1993 Borrowers have made certain covenants that permit Bond Counsel to the Trust to conclude that the 1993 Borrowers will not to take any action or fail to take any action that would cause interest on the 1993 Bonds, including, without limitation, the 2003 Refunding Bonds, to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or that would cause the 2003 Refunding Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code so as to cause interest on the 2003 Refunding Bonds to be treated as an item of tax preference under Section 57 of the Code. We have assumed, with your permission, continuing compliance by the Trust with the provisions and procedures set forth in the 2003 Tax Certificate and by the 1993 Borrowers with the above covenants in rendering our opinion with respect to the exclusion of interest on the 2003 Refunding Bonds from gross income for federal income tax purposes and with respect to interest on the 2003 Refunding Bonds not constituting an item of tax preference.

Based upon and subject to the foregoing and, with your permission, the further assumptions and qualifications set forth below, it is our opinion that:

(1) The Trust has been duly created and is validly existing as a public body corporate and politic under the provisions of the Constitution and statutes of the State,
including the Act, with power to adopt the 1993 Bond Resolution, to enter into the 1993 Trust Loan Agreements and to issue the 2003 Refunding Bonds.

(2) The 2003 Supplemental Bond Resolution has been duly and lawfully adopted by the Trust in accordance with the provisions of the 1993 Original Bond Resolution and the Act, constitutes a “Supplemental Resolution” as defined in the 1993 Original Bond Resolution, and is authorized or permitted by the provisions of the 1993 Original Bond Resolution. The order, certificates and amounts of money that are delivered or paid to the 1993 Trustee in accordance with the provisions of Section 2.04 of the 1993 Original Bond Resolution constitute compliance with the conditions stated therein for the authentication and delivery of the 2003 Refunding Bonds as “Refunding Bonds” thereunder. The 1993 Bond Resolution has been duly and lawfully adopted by the Trust, is in full force and effect, is valid and binding upon the Trust and is enforceable in accordance with its terms, and no other authorization for the 1993 Bond Resolution is required. The 1993 Bond Resolution creates the valid pledge that it purports to create of the 1993 Trust Estate, including, without limitation, payments made to the Trust pursuant to the 1993 Trust Loan Agreements.

(3) The 2003 Refunding Bonds have been duly and validly authorized and issued by the Trust in accordance with applicable law, including, without limitation, the Act, and in accordance with the 1993 Bond Resolution, are valid and binding obligations of the Trust enforceable in accordance with their terms and the terms of the 1993 Bond Resolution, and are entitled to the benefits of the 1993 Bond Resolution and the Act. Neither the State nor any political subdivision thereof (other than the Trust, but solely to the extent of the 1993 Trust Estate) is obligated to pay the principal of or interest on the 2003 Refunding Bonds, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof (other than the Trust, but solely to the extent of the 1993 Trust Estate) is pledged to the payment of the principal of or interest on the 2003 Refunding Bonds. The Trust has no taxing power.

(4) The 1993 Trust Loan Agreements have been duly authorized, executed and delivered by the Trust and, assuming the valid authorization, execution and delivery by each of the 1993 Borrowers, are the valid and binding obligations of the Trust enforceable against the Trust in accordance with their respective terms.

(5) Under existing statutes, regulations, rulings and court decisions, interest on the 2003 Refunding Bonds is not includable for federal income tax purposes in gross income of the owners thereof pursuant to Section 103 of the Code, and interest on the 2003 Refunding Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Interest on the 2003 Refunding Bonds and any gain on the sale thereof are not includable in gross income under the existing New Jersey Gross Income Tax Act. We express no opinion regarding any other federal income tax consequences arising with respect to the 2003 Refunding Bonds.
In rendering the opinions set forth above, we note that the enforceability of rights or remedies with respect to the 1993 Bond Resolution, the 1993 Trust Loan Agreements and the 2003 Refunding Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights or remedies heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

In rendering the opinions contained in paragraphs 4 and 5 above, we have relied upon the respective opinions, dated the date hereof, of independent counsel to each of the 1993 Borrowers with respect to certain legal consequences concerning the use by the 1993 Borrowers of the proceeds of the 1993 Trust Loans.

This opinion letter is limited to the laws of the State and the federal laws of the United States, exclusive of conflicts of laws provisions, and we express no opinion under any other laws.

The opinions expressed herein are based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Trust with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

We have examined an executed 2003 Refunding Bond, and, in our opinion, the form of said 2003 Refunding Bond and its execution are regular and proper. This opinion letter is issued solely for the benefit of the addressee hereof and may not be relied upon or quoted in whole or in part by any other person without our prior written consent.

Very truly yours,
APPENDIX F

GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT
[THIS PAGE INTENTIONALLY LEFT BLANK]
GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT

The following is an index of defined terms used in the Official Statement and corresponding page numbers where such terms are defined in the Official Statement.

1993 Annual Charges, 15
1993 Bond Resolution, 13
1993 Bonds, 13
1993 Borrower Debt Service Reserve Fund, 15
1993 Borrower Loan Bonds, 6
1993 Borrower State Loan Bonds, 6
1993 Borrower Trust Loan Bonds, 5
1993 Borrowers, 5
1993 Debt Service Funds, 17
1993 Debt Service Reserve Fund, 5 and 17
1993 Debt Service Reserve Requirement, 17
1993 Escrow Agent, 9
1993 Escrow Deposit Agreement, 9
1993 Escrow Fund, 9
1993 Financing Program, 5
1993 General Obligation Borrowers, 7
1993 Indirect Participants, 5
1993 Indirect Service Agreements, 5
1993 Loan Agreements, 6
1993 Loan Servicer, 7
1993 Original Bond Resolution, 5
1993 Participants, 5
1993 Prior Bond Defeasance, 9
1993 Prior Bonds, 5
1993 Projects, 5
1993 Redemption Date, 9
1993 Service Agreements, 5
1993 Special Obligation Borrowers, 7
1993 State Loan Agreements, 6
1993 State Loans, 6
1993 Trust Bonds Security Account, 7
1993 Trust Estate, 13
1993 Trust Loan Agreements, 5
1993 Trust Loans, 5
2003 Refunding Bonds, 1
2003 Refunding of the 1993 Prior Bonds, 9
2003 Supplemental Bond Resolution, 13
Beneficial Owner, 11
Bond Counsel, 2
Bond Insurance Policy, 2
Bond Insurer, 2
Borrower Annual Reports, 28
Borrower Bond Resolutions, 7
Borrower Continuing Disclosure Agreements, 28
Clean Water Act, 6
Code, 29
Company, 19
Continuing Disclosure Agreements, 28
Department, 3
Direct Participant, 11
Disclosure Local Units, 28
DTC, 2
DTCC, 11
Exchange Act, 19
Governor, 3
Indirect Participants, 11
Insurance Trustee, 18
JBOC, 5
Loans, 6
Local Bond Law, 14
Local Units, 5
Moody's, 30
Municipal Qualified Bond Act, 14
Paying Agent, 1
Record Date, 10
Refunding Agreements, 14
Rule 15c2-12, 27
SEC, 11
Standard & Poor's, 30
State, 1
State Loan Agreements, 6
Systems, 5
Tax Certificate, 29
Trust, 1
Trust Annual Report, 27
Trust Continuing Disclosure Agreement, 27
Trustee, 1
Wastewater Bond Act of 1985, 6
Wastewater Treatment Fund, 6
APPENDIX G

FORM OF BOND INSURANCE POLICY OF AMBAC ASSURANCE CORPORATION REGARDING THE 2003 REFUNDING BONDS
Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations at related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereupon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursment was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preference or transfer and therefore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached. Due for Payment is not referable to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is not cancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Presidential Seal

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)