

## PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 6, 2012

**Fitch: AAA**  
**Moody's: Aaa**  
**Standard & Poor's: AAA**  
**(See "RATINGS" herein.)**

### NEW ISSUE – FULL BOOK ENTRY

*In the opinion of McCarter & English, LLP, Bond Counsel to the Trust, assuming compliance by the Trust and, as applicable, the Series 1994A Borrowers, the Series 1994B Borrowers, the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers with certain tax covenants described herein, under existing law interest on the Series 2012A-R Refunding Bonds is excluded from gross income of the owners thereof for federal income tax purposes 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. (See "TAX MATTERS" herein.)*

*Interest on the Series 2012B-R Refunding Bonds and the Series 2012C-R Refunding Bonds is included in gross income for federal income tax purposes.*

*Bond Counsel is further of the opinion that, under existing law, interest on the Series 2012 Refunding Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. (See "TAX MATTERS" herein.)*



### NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

**\$198,420,000\* Environmental Infrastructure Refunding Bonds,  
 Series 2012A-R**

**\$1,280,000\* Environmental Infrastructure Refunding Bonds,  
 Series 2012B-R (Federally Taxable)**

**\$9,060,000\* Environmental Infrastructure Refunding Bonds,  
 Series 2012C-R (Federally Taxable)**

#### Dated: Date of Delivery

**Due: September 1, as shown on the inside cover hereof**

The \$198,420,000\* aggregate principal amount of "Environmental Infrastructure Refunding Bonds, Series 2012A-R" (the "Series 2012A-R Refunding Bonds"), the \$1,280,000\* aggregate principal amount of "Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable)" (the "Series 2012B-R Refunding Bonds") and the \$9,060,000\* aggregate principal amount of "Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable)" (the "Series 2012C-R Refunding Bonds"; the Series 2012A-R Refunding Bonds, the Series 2012B-R Refunding Bonds and the Series 2012C-R Refunding Bonds are referred to, collectively, herein as the "Series 2012 Refunding Bonds"; capitalized terms used in this cover to the Official Statement, but not defined herein, shall have the meanings ascribed to such terms in the body of the Official Statement) will be issued by the New Jersey Environmental Infrastructure Trust (the "Trust"). The principal of the Series 2012 Refunding Bonds will be payable on September 1 in the years shown on the inside cover hereof, upon presentation and surrender thereof at the corporate trust office of (i) with respect to the Series 2012A-R Refunding Bonds and the Series 2012C-R Refunding Bonds, U.S. Bank National Association, or any successors thereto, as Series 2012A-R Refunding Fiduciary and Series 2012C-R Refunding Fiduciary, respectively, and (ii) with respect to the Series 2012B-R Refunding Bonds, The Bank of New York Mellon, or any successors thereto, as Series 2012B-R Refunding Fiduciary. Interest on the Series 2012 Refunding Bonds will be payable on March 1, 2013 and semiannually thereafter on March 1 and September 1 of each year to and including their respective dates of maturity. Each Series of the Series 2012 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. Purchases of beneficial interests in the Series 2012 Refunding Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any whole multiple thereof. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2012 Refunding Bonds, payments of the principal of and interest on the Series 2012 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 Series 2012 Refunding Bonds. (See "THE SERIES 2012 REFUNDING BONDS" herein.)

The Series 2012 Refunding Bonds will not be subject to optional redemption or mandatory sinking fund redemption prior to their stated maturities. (See "THE SERIES 2012 REFUNDING BONDS – No Optional or Mandatory Sinking Fund Redemption" herein.)

Each Series of the Series 2012 Refunding Bonds is being issued as "Refunding Bonds" pursuant to (i) the Trust Act, (ii) all other applicable law, and (iii) the respective Refunding Program Bond Resolution for the purpose of (a) funding a portion of the Applicable Escrow Fund to refund and defease the Applicable Bonds to be Refunded of the Trust, the proceeds of which originally were used by the Trust to make the Applicable Refunding Program Trust Loans to certain municipalities, certain local government authorities, and certain private water supply companies (the "Refunding Program Borrowers") in the State of New Jersey (the "State") to finance or refinance a portion of the costs of their environmental infrastructure facilities, and (b) funding a portion of the costs of issuing the Series 2012 Refunding Bonds.

Upon their issuance, each Series of the Series 2012 Refunding Bonds shall be on parity with the Applicable Remaining Outstanding Refunding Program Bonds, and shall be entitled to the same benefit and security of the Applicable Refunding Program Bond Resolution, including, without limitation, the pledge of the Applicable Refunding Program Trust Estate, as the Applicable Remaining Outstanding Refunding Program Bonds. Each Refunding Program Trust Estate primarily consists of: (i) the repayments made by the Applicable Refunding Program Borrowers of the Applicable Refunding Program Trust Loans; (ii) the repayments by the Applicable Refunding Program Borrowers of the companion Refunding Program Fund Loans; (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement; (iv) with respect to certain authority Refunding Program Borrowers only, moneys on deposit in the Applicable Refunding Program Borrower Debt Service Reserve Funds and moneys payable pursuant to the Applicable Refunding Program Borrower Service Agreements and the Applicable Government Borrower Guaranties; (v) certain State-aid payable to the Applicable municipal and county Refunding Program Borrowers and certain Applicable municipal and county Refunding Program Participants and the Applicable Government Borrower Guarantors; and (vi) moneys on deposit in the Applicable Refunding Program Debt Service Reserve Funds (as defined herein). For a more detailed discussion of the security for the Series 2012 Refunding Bonds, see "SECURITY FOR THE SERIES 2012 REFUNDING BONDS" herein.

TO THE EXTENT THAT A SERIES OF THE SERIES 2012 REFUNDING BONDS DOES NOT ACHIEVE THE REQUIRED LEVEL OF SAVINGS, SUCH SERIES OF THE SERIES 2012 REFUNDING BONDS WILL NOT BE ISSUED. (See "PLAN OF REFUNDING" herein.)

**NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE TRUST, BUT SOLELY TO THE EXTENT OF THE APPLICABLE REFUNDING PROGRAM TRUST ESTATE DESCRIBED HEREIN) IS OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 REFUNDING BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (THE TRUST HAS NO TAXING POWER) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2012 REFUNDING BONDS.**

A detailed maturity and pricing schedule for each Series of the Series 2012 Refunding Bonds is set forth on the inside cover page hereof.

*The Series 2012 Refunding Bonds are offered when, as and if issued and delivered and subject to the receipt of the approving legal opinions of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Trust. Certain legal matters will be passed upon for the Trust by Jeffrey S. Chiesa, Attorney General of the State, General Counsel to the Trust. The Trust expects that the Series 2012 Refunding Bonds in definitive form will be available for delivery to DTC in New York, New York, and that payment for the Series 2012 Refunding Bonds will occur in Newark, New Jersey, on or about August 23, 2012.*

August , 2012

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

### NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

#### \$198,420,000\* Environmental Infrastructure Refunding Bonds, Series 2012A-R

Year	Initial Principal Amount*	Interest Rate	Price or Yield	CUSIP	Year	Initial Principal Amount*	Interest Rate	Price or Yield	CUSIP
2013	\$ 3,270,000	%	%		2020	\$15,315,000	%	%	
2014	8,935,000				2021	15,885,000			
2015	11,390,000				2022	16,105,000			
2016	18,980,000				2023	23,695,000			
2017	13,630,000				2024	14,415,000			
2018	14,170,000				2025	17,520,000			
2019	14,745,000				2026	10,365,000			

#### \$1,280,000\* Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable)

Year	Initial Principal Amount*	Interest Rate	Price or Yield	CUSIP	Year	Initial Principal Amount*	Interest Rate	Price or Yield	CUSIP
2013	\$175,000	%	%		2018	\$ 95,000	%	%	
2014	260,000				2019	95,000			
2015	280,000				2020	100,000			
2016	85,000				2021	105,000			
2017	85,000								

#### \$9,060,000\* Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable)

Year	Initial Principal Amount*	Interest Rate	Price or Yield	CUSIP	Year	Initial Principal Amount*	Interest Rate	Price or Yield	CUSIP
2013	\$670,000	%	%		2019	\$870,000	%	%	
2014	705,000				2020	915,000			
2015	740,000				2021	960,000			
2016	770,000				2022	910,000			
2017	800,000				2023	885,000			
2018	835,000								

\* Preliminary, subject to change.

# **NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

## **DIRECTORS**

WARREN H. VICTOR, Chairman  
HERBERT BARRACK, Vice Chairman  
ROBERT A. BRIANT, SR., Treasurer  
BOB MARTIN, Commissioner of the New Jersey  
Department of Environmental Protection, *Ex Officio*  
ANDREW P. SIDAMON-ERISTOFF, New Jersey State Treasurer, *Ex Officio*  
RICHARD E. CONSTABLE, III, Commissioner of the New Jersey  
Department of Community Affairs, *Ex Officio*

## **EXECUTIVE STAFF**

DAVID E. ZIMMER, CFA, Executive Director and Assistant Secretary

## **ADVISORS**

McCARTER & ENGLISH, LLP, Bond Counsel  
JEFFREY S. CHIESA, ATTORNEY GENERAL OF THE STATE OF NEW JERSEY, General Counsel  
PUBLIC FINANCIAL MANAGEMENT, INC., Financial Advisor

## **SERIES 2012A-R REFUNDING FIDUCIARY AND SERIES 2012C-R REFUNDING FIDUCIARY**

U.S. BANK NATIONAL ASSOCIATION

## **SERIES 2012B-R REFUNDING FIDUCIARY**

THE BANK OF NEW YORK MELLON

## **SERIES TRUSTEE FOR THE SERIES 1995B BONDS, SERIES 1998F REFUNDING BONDS, SERIES 1998G REFUNDING BONDS AND SERIES 2001C BONDS**

THE BANK OF NEW YORK MELLON

## **SERIES TRUSTEE FOR THE SERIES 2003A BONDS, SERIES 2004A BONDS, SERIES 2005A BONDS AND SERIES 2006A BONDS**

U.S. BANK NATIONAL ASSOCIATION

## **LOAN SERVICER FOR THE SERIES 2001C BONDS AND SERIES 2003A BONDS**

TD BANK, N.A.

## **LOAN SERVICER FOR THE SERIES 1995B BONDS, SERIES 1998F REFUNDING BONDS AND SERIES 1998G REFUNDING BONDS**

U.S. BANK NATIONAL ASSOCIATION

## **MASTER PROGRAM TRUSTEE**

U.S. BANK TRUST NATIONAL ASSOCIATION

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 Financing Programs, any Borrower, any Participant, the Bond Resolutions, the Bonds (including, without limitation, the Series 2012 Refunding Bonds), the Loan Servicing Agreements, the Trust Loan Agreements, the Fund Loan Agreements, the Master Program Trust Agreement, the Borrower Bond Resolutions, the Borrower Bonds, the Borrower Service Agreements, the Borrower Guaranties, the Private Borrower Letters of Credit, the Private Borrower Mortgages, the Private Borrower Special Reserve Funds or the Continuing Disclosure Agreements (as such terms are defined herein) other than as contained in this Official Statement in connection with the offering of the Series 2012 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 Series 2012 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 Series 2012 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.

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THE FOLLOWING STATEMENT IS REQUIRED TO BE PUBLISHED  
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.

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# OFFICIAL STATEMENT

of the

## NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

Relating to its

**\$198,420,000\* Environmental Infrastructure Refunding Bonds, Series 2012A-R**  
**\$1,280,000\* Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable)**  
**\$9,060,000\* Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable)**

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### INTRODUCTION

This Official Statement, which includes the cover and inside cover pages hereof and the Appendices attached hereto, has been disseminated by the New Jersey Environmental Infrastructure Trust (the “Trust”) to provide certain information relating to the Trust and to the issuance, sale and delivery by the Trust of: (i) its “Environmental Infrastructure Refunding Bonds, Series 2012A-R”, dated the date of issuance thereof, in the aggregate principal amount of \$198,420,000\* (the “Series 2012A-R Refunding Bonds”); (ii) its “Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable)”, dated the date of issuance thereof, in the aggregate principal amount of \$1,280,000\* (the “Series 2012B-R Refunding Bonds”); and (iii) its “Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable)”, dated the date of issuance thereof, in the aggregate principal amount of \$9,060,000\* (the “Series 2012C-R Refunding Bonds”); the Series 2012A-R Refunding Bonds, the Series 2012B-R Refunding Bonds and the Series 2012C-R Refunding Bonds shall be referred to collectively herein as the “Series 2012 Refunding Bonds”).

Due to the complexity of the Financing Programs (as defined herein), investors considering a purchase of the Series 2012 Refunding Bonds may wish to refer to the glossary of those defined terms that are used in the body of this Official Statement, which glossary is set forth as Appendix H hereto. The term “Applicable”, when used in this Official Statement, shall mean (i) with respect to any Series of Bonds (as defined herein), that particular Series of Bonds, and (ii) with respect to any document or party relating to a Series of Bonds, the document or party relating to such particular Series of Bonds. 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 Series 2012 Refunding Bonds should read this Official Statement in its entirety, including the cover and inside cover pages and the Appendices attached hereto.

### Authority for the Issuance of the Series 2012 Refunding Bonds

The Series 2012A-R Refunding Bonds are being issued pursuant to: (i) the “New Jersey Environmental Infrastructure Trust Act”, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (the “State”) (N.J.S.A. 58:11B-1 *et seq.*), as the same has been, and from time to time may be, amended and supplemented (the “Trust Act”); (ii) all other applicable law; and (iii) (a) with respect to the 1998F Allocable Portion as set forth on Schedule I hereto (the “1998F Allocable Portion”), the “Wastewater Treatment Bond Resolution, Series 1994A”, adopted by the Trust on September 29, 1994, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Wastewater Treatment Insured Refunding Bonds, Series 1998F (1994A Financing Program) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on March 10, 1998, and (2) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2012A-R of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 12, 2012, and as the same will be amended and supplemented by a certificate of

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\* Preliminary, subject to change.

an authorized officer of the Trust dated the date of issuance of the Series 2012A-R Refunding Bonds (the “Series 2012A-R Refunding Supplemental Bond Resolution”) (as so amended and supplemented, the “Series 1994A Bond Resolution”); (b) with respect to the 1998G Allocable Portion as set forth on Schedule I hereto (the “1998G Allocable Portion”), the “Wastewater Treatment Insured Bond Resolution, Series 1994B”, adopted by the Trust on September 29, 1994, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Wastewater Treatment Insured Refunding Bonds, Series 1998G (1994B Financing Program) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on March 10, 1998, and (2) the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “Series 1994B Bond Resolution”); (c) with respect to the 2004A Allocable Portion as set forth on Schedule I hereto (the “2004A Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 2004A”, adopted by the Trust on September 20, 2004, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2007C (2004A Financing Program) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on January 11, 2007, (2) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2010A of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 8, 2010 (the “Series 2010A Supplemental Bond Resolution”), and (3) the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “Series 2004A Bond Resolution”); (d) with respect to the 2005A Allocable Portion as set forth on Schedule I hereto (the “2005A Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 2005A”, adopted by the Trust on September 20, 2005, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “Series 2005A Bond Resolution”); and (e) with respect to the 2006A Allocable Portion as set forth on Schedule I hereto (the “2006A Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 2006A”, adopted by the Trust on September 19, 2006, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as the same has been amended and supplemented by (1) the Series 2010A Supplemental Resolution, and (2) the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “Series 2006A Bond Resolution”; the Series 1994A Bond Resolution, the Series 1994B Bond Resolution, the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution shall be referred to collectively herein as the “Series 2012A-R Refunding Program Bond Resolutions”).

The Series 2012B-R Refunding Bonds are being issued pursuant to: (i) the Trust Act; (ii) all other applicable law; and (iii) (a) with respect to the 1995B Allocable Portion set forth on Schedule I hereto (the “1995B Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 1995B”, adopted by the Trust on September 22, 1995, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as the same has been amended and supplemented by the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 12, 2012, and as the same will be amended and supplemented by a certificate of an authorized officer of the Trust dated the date of issuance of the Series 2012B-R Refunding Bonds (the “Series 2012B-R Refunding Supplemental Bond Resolution”) (as so amended and supplemented, the “Series 1995B Bond Resolution”); and (b) with respect to the 2001C Allocable Portion as set forth on Schedule I hereto (the “2001C Allocable Portion”; the 1998F Allocable Portion, the 1998G Allocable Portion, the 2004A Allocable Portion, the 2005A Allocable Portion, the 2006A Allocable Portion, the 1995B Allocable Portion and the 2001C Allocable Portion shall be referred to collectively herein as the “Allocable Portions”), the “Environmental Infrastructure Bond Resolution, Series 2001C”, adopted by the Trust on September 17, 2001, as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as the same has been amended and supplemented by the Series 2012B-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “Series 2001C Bond Resolution”; the Series 1995B Bond Resolution and the Series 2001C Bond Resolution shall be referred to collectively herein as the “Series 2012B-R Refunding Program Bond Resolutions”).

The Series 2012C-R Refunding Bonds are being issued pursuant to: (i) the Trust Act; (ii) all other applicable law; and (iii) the “Environmental Infrastructure Bond Resolution, Series 2003A”, adopted by the Trust on September 15, 2003, as the same may be amended and supplemented from time to time in accordance with the terms

thereof, including, without limitation, as the same has been amended and supplemented by (1) the Series 2010A Refunding Supplemental Bond Resolution, and (2) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 12, 2012, and as the same will be amended and supplemented by a certificate of an authorized officer of the Trust dated the date of issuance of the Series 2012C-R Refunding Bonds (the “Series 2012C-R Refunding Supplemental Bond Resolution”) (as so amended and supplemented, the “Series 2003A Bond Resolution”; the Series 2012A-R Refunding Program Bond Resolutions, the Series 2012B-R Refunding Program Bond Resolutions and the Series 2003A Bond Resolution shall be referred to collectively herein as the “Refunding Program Bond Resolutions”).

### **No Redemption of the Series 2012 Refunding Bonds**

The Series 2012 Refunding Bonds will not be subject to optional redemption or mandatory sinking fund redemption prior to their stated maturities. See “THE SERIES 2012 REFUNDING BONDS – No Optional or Mandatory Sinking Fund Redemption”.

### **Purpose for Issuance of the Series 2012 Refunding Bonds**

The Series 2012 Refunding Bonds are being issued to:

- (i) effect, together with certain other available moneys, the Series 2012 Refunding of the Bonds to be Refunded (as defined herein); and
- (ii) provide a portion of the costs of issuance relating to the Series 2012 Refunding Bonds.

The savings achieved through the Series 2012 Refunding of the Bonds to be Refunded will be passed on to the Applicable Participating Series Borrowers (as defined herein), as credits to their existing Refunded Bonds Trust Loan (as defined herein) repayment obligations.

See “PLAN OF REFUNDING”, “THE SERIES 2012 REFUNDING BONDS”, “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and “SOURCES AND USES OF FUNDS FOR THE SERIES 2012 REFUNDING BONDS” herein.

### **Series 2012 Refunding Bonds; Allocable Portions**

#### **1. Series 2012A-R Refunding Bonds**

A portion of the Series 2012A-R Refunding Bonds, consisting of the 1998F Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 1994A Bond Resolution. Upon their issuance, the 1998F Allocable Portion of the Series 2012A-R Refunding Bonds shall be entitled to the benefit and security of the Series 1994A Bond Resolution, including, without limitation, the pledge of the Series 1994A Trust Estate (as defined herein).

A portion of the Series 2012A-R Refunding Bonds, consisting of the 1998G Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 1994B Bond Resolution. Upon their issuance, the 1998G Allocable Portion of the Series 2012A-R Refunding Bonds shall be entitled to the benefit and security of the Series 1994B Bond Resolution, including, without limitation, the pledge of the Series 1994B Trust Estate (as defined herein).

A portion of the Series 2012A-R Refunding Bonds, consisting of the 2004A Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 2004A Bond Resolution. Upon their issuance, the 2004A Allocable Portion of the Series 2012A-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2004A Bonds (as defined herein) and shall be entitled to the same benefit and security of the Series 2004A Bond Resolution, including, without limitation, the pledge of the Series 2004A Trust Estate (as defined herein), as the Remaining Outstanding Series 2004A Bonds.

A portion of the Series 2012A-R Refunding Bonds, consisting of the 2005A Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 2005A Bond Resolution. Upon their issuance, the 2005A Allocable Portion of the Series 2012A-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2005A Bonds (as defined herein) and shall be entitled to the same benefit and security of the Series 2005A Bond Resolution, including, without limitation, the pledge of the Series 2005A Trust Estate (as defined herein), as the Remaining Outstanding Series 2005A Bonds.

A portion of the Series 2012A-R Refunding Bonds, consisting of the 2006A Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 2006A Bond Resolution. Upon their issuance, the 2006A Allocable Portion of the Series 2012A-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2006A Bonds (as defined herein) and shall be entitled to the same benefit and security of the Series 2006A Bond Resolution, including, without limitation, the pledge of the Series 2006A Trust Estate (as defined herein), as the Remaining Outstanding Series 2006A Bonds.

See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Schedule I - “ALLOCABLE PORTIONS” herein.

## **2. Series 2012B-R Refunding Bonds**

A portion of the Series 2012B-R Refunding Bonds, consisting of the 1995B Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 1995B Bond Resolution. Upon their issuance, the 1995B Allocable Portion of the Series 2012B-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 1995B Bonds (as defined herein) and shall be entitled to the same benefit and security of the Series 1995B Bond Resolution, including, without limitation, the pledge of the Series 1995B Trust Estate (as defined herein), as the Remaining Outstanding Series 1995B Bonds.

A portion of the Series 2012B-R Refunding Bonds, consisting of the 2001C Allocable Portion, has been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 2001C Bond Resolution. Upon their issuance, the 2001C Allocable Portion of the Series 2012B-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2001C Bonds (as defined herein) and shall be entitled to the same benefit and security of the Series 2001C Bond Resolution, including, without limitation, the pledge of the Series 2001C Trust Estate (as defined herein), as the Remaining Outstanding Series 2001C Bonds.

See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Schedule I - “ALLOCABLE PORTIONS” herein.

## **3. Series 2012C-R Refunding Bonds**

The Series 2012C-R Refunding Bonds have been authorized for issuance by the Trust as “Refunding Bonds” as defined in and pursuant to the Series 2003A Bond Resolution. Upon their issuance, the Series 2012C-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2003A Bonds (as defined herein) and shall be entitled to the same benefit and security of the Series 2003A Bond Resolution, including, without limitation, the pledge of the Series 2003A Trust Estate (as defined herein), as the Remaining Outstanding Series 2003A Bonds.

### **Security for the Series 2012A-R Refunding Bonds**

The Series 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion, are secured primarily by:

- (i) the repayments by the Series 1994A Borrowers (as defined herein) of the Series 1994A Trust Loans (as defined herein);
- (ii) the repayments by the Series 1994A Borrowers of the companion Series 1994A Fund Loans (as defined herein);

- (iii) certain of the Fund Loan (as defined herein) repayments by those Borrowers (as defined herein) in the Coverage Providing Financing Programs (as defined herein) that are held by the Master Program Trustee (as defined herein) in accordance with the terms of the Master Program Trust Agreement (as defined herein);
- (iv) with respect to certain authority Series 1994A Borrowers only, moneys on deposit in the Series 1994A Borrower Debt Service Reserve Funds (as defined herein) and moneys payable pursuant to the Series 1994A Borrower Service Agreements (as defined herein) and any applicable Government Borrower Guaranties;
- (v) certain State-aid payable to the municipal and county Series 1994A Borrowers, certain municipal and county Series 1994A Participants (as defined herein) and certain Government Borrower Guarantors (as defined herein), if applicable; and
- (vi) moneys on deposit in the Series 1994A Debt Service Reserve Fund (as defined herein).

The Series 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion, are secured primarily by:

- (i) the repayments by the Series 1994B Borrowers (as defined herein) of the Series 1994B Trust Loans (as defined herein);
- (ii) the repayments by the Series 1994B Borrowers of the companion Series 1994B Fund Loans (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;
- (iv) certain State-aid payable to the municipal and county Series 1994B Borrowers; and
- (v) moneys on deposit in the Series 1994B Debt Service Reserve Fund (as defined herein).

The Series 2012A-R Refunding Bonds, to the extent of the 2004A Allocable Portion, and the Remaining Outstanding Series 2004A Bonds are secured primarily by:

- (i) the repayments by the Series 2004A Borrowers (as defined herein) of the Series 2004A Trust Loans (as defined herein);
- (ii) the repayments by the Series 2004A Borrowers of the companion Series 2004A Fund Loans (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;
- (iv) with respect to certain authority Series 2004A Borrowers only, moneys on deposit in the Series 2004A Borrower Debt Service Reserve Funds (as defined herein) and moneys payable pursuant to the Series 2004A Borrower Service Agreements (as defined herein) and any applicable Government Borrower Guaranties;
- (v) certain State-aid payable to the municipal and county Series 2004A Borrowers, certain municipal and county Series 2004A Participants (as defined herein) and certain Government Borrower Guarantors, if applicable; and

- (vi) moneys on deposit in the Series 2004A Debt Service Reserve Fund (as defined herein).

The Series 2012A-R Refunding Bonds, to the extent of the 2005A Allocable Portion, and the Remaining Outstanding Series 2005A Bonds are secured primarily by:

- (i) the repayments by the Series 2005A Borrowers (as defined herein) of the Series 2005A Trust Loans (as defined herein);
- (ii) the repayments by the Series 2005A Borrowers of the companion Series 2005A Fund Loans (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;
- (iv) with respect to certain authority Series 2005A Borrowers only, moneys on deposit in the Series 2005A Borrower Debt Service Reserve Funds (as defined herein) and moneys payable pursuant to the Series 2005A Borrower Service Agreements (as defined herein) and any applicable Government Borrower Guaranties;
- (v) certain State-aid payable to the municipal and county Series 2005A Borrowers, certain municipal and county Series 2005A Participants (as defined herein) and certain Government Borrower Guarantors, if applicable; and
- (vi) moneys on deposit in the Series 2005A Debt Service Reserve Fund (as defined herein).

The Series 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, and the Remaining Outstanding Series 2006A Bonds are secured primarily by:

- (i) the repayments by the Series 2006A Borrowers (as defined herein) of the Series 2006A Trust Loans (as defined herein);
- (ii) the repayments by the Series 2006A Borrowers of the companion Series 2006A Fund Loans (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;
- (iv) with respect to certain authority Series 2006A Borrowers only, moneys on deposit in the Series 2006A Borrower Debt Service Reserve Funds (as defined herein) and moneys payable pursuant to the Series 2006A Borrower Service Agreements (as defined herein) and any applicable Government Borrower Guaranties;
- (v) certain State-aid payable to the municipal and county Series 2006A Borrowers, certain municipal and county Series 2006A Participants (as defined herein) and certain Government Borrower Guarantors, if applicable; and
- (vi) moneys on deposit in the Series 2006A Debt Service Reserve Fund (as defined herein).

For a more detailed discussion of the security for the Series 2012A-R Refunding Bonds, see “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” herein.

### **Security for the Series 2012B-R Refunding Bonds**

The Series 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, and the Remaining Outstanding Series 1995B Bonds are secured primarily by:

- (i) the repayment by the Series 1995B Borrower (as defined herein) of the Series 1995B Trust Loan (as defined herein);
- (ii) the repayment by the Series 1995B Borrower of the companion Series 1995B Fund Loan (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;
- (iv) certain State-aid payable to certain municipal and county Series 1995B Participants (as defined herein); and
- (v) moneys on deposit in the Series 1995B Debt Service Reserve Fund (as defined herein).

The Series 2012B-R Refunding Bonds, to the extent of the 2001C Allocable Portion, and the Remaining Outstanding Series 2001C Bonds are secured primarily by:

- (i) the repayment by the Series 2001C Borrower (as defined herein) of the Series 2001C Trust Loan (as defined herein);
- (ii) the repayment by the Series 2001C Borrower of the companion Series 2001C Fund Loan (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;
- (iv) certain State-aid payable to the municipal Series 2001C Borrower; and
- (v) moneys on deposit in the Series 2001C Debt Service Reserve Fund (as defined herein).

For a more detailed discussion of the security for the Series 2012B-R Refunding Bonds, see “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” herein.

### **Security for the Series 2012C-R Refunding Bonds**

The Series 2012C-R Refunding Bonds and the Remaining Outstanding Series 2003A Bonds are secured primarily by:

- (i) the repayments by the Series 2003A Borrowers (as defined herein) of the Series 2003A Trust Loans (as defined herein);
- (ii) the repayments by the Series 2003A Borrowers of the companion Series 2003A Fund Loans (as defined herein);
- (iii) certain of the Fund Loan repayments by those Borrowers in the Coverage Providing Financing Programs that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement;

- (iv) with respect to certain authority Series 2003A Borrowers only, moneys on deposit in the Series 2003A Borrower Debt Service Reserve Funds (as defined herein) and moneys payable pursuant to the Series 2003A Borrower Service Agreements (as defined herein) and any applicable Government Borrower Guaranties;
- (v) certain State-aid payable to the municipal and county Series 2003A Borrowers, certain municipal and county Series 2003A Participants (as defined herein) and certain Government Borrower Guarantors, if applicable; and
- (vi) moneys on deposit in the Series 2003A Debt Service Reserve Fund (as defined herein).

For a more detailed discussion of the security for the Series 2012C-R Refunding Bonds, see “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” herein.

Brief descriptions of the Trust, the Financing Programs, any Borrower, any Participant, the Bond Resolutions, the Bonds (including, without limitation, the Series 2012 Refunding Bonds), the Loan Servicing Agreements, the Trust Loan Agreements, the Fund Loan Agreements, the Master Program Trust Agreement, the Borrower Bond Resolutions, the Borrower Bonds, the Borrower Service Agreements, the Borrower Guaranties, the Private Borrower Letters of Credit, the Private Borrower Mortgages, the Private Borrower Special Reserve Funds and the Continuing Disclosure Agreements (as such terms are defined herein) are set forth in this Official Statement. However, all such descriptions are qualified in their entirety by reference to the definitive forms of such agreements, copies of which may be examined at the principal corporate offices of the Trust, located at 3131 Princeton Pike, Building 6, Suite 201, Lawrenceville, New Jersey 08648 (telephone (609)-219-8600) (the “Trust Offices”).

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 Series 2012 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”). Pursuant and subject to the provisions of the Trust Act, the purpose of the Trust is to make and contract to make loans to New Jersey local government units, nonprofit entities and private entities authorized to construct, operate, maintain and implement Systems (as defined herein), to finance or refinance all or a portion of the costs of certain Projects (as defined herein).

Since 1987, the Trust and the State have provided loan financing for allowable costs of acquiring, constructing, improving or installing (“Allowable Costs”) wastewater treatment projects (the “Wastewater Treatment Projects”) for wastewater treatment systems (the “Wastewater Treatment Systems”) undertaken by local government units in the State (the “Wastewater Treatment Borrowers”). Beginning in 1998, the Trust and the State expanded the loan financing program (the “Financing Program”) to include the provision of loan financing for Allowable Costs of drinking water supply projects (the “Water Supply Projects”; the Wastewater Treatment Projects and the Water Supply Projects shall be referred to collectively herein as the “Projects”) for drinking water supply systems (the “Water Supply Systems”; the Wastewater Treatment Systems and the Water Supply Systems shall be referred to collectively herein as the “Systems”) undertaken by local government units, nonprofit entities and private



entities (collectively, the “Water Supply Borrowers”; the Wastewater Treatment Borrowers and the Water Supply Borrowers shall be referred to collectively herein as the “Borrowers”). Local government units that constitute Borrowers (the “Local Unit Borrowers”) include, without limitation, counties, municipalities and regional, county and municipal utilities, sewerage and improvement authorities, commissions and joint meetings located in the State, as well as State authorities. Water Supply Borrowers include, without limitation, nonprofit corporations and private water supply companies (collectively, the “Private Borrowers”), as well as Local Unit Borrowers.

### **Membership of the Trust**

The Trust consists of a seven member Board of Directors. Three are members *ex officio*: the New Jersey State Treasurer; the Commissioner of the New Jersey Department of Community Affairs; and the Commissioner of the New Jersey Department of Environmental Protection. The four other directors are appointed. One director is appointed by the Governor of the State (the “Governor”) upon the recommendation of the President of the State Senate. One director is appointed by the Governor upon the recommendation of the Speaker of the State General Assembly. Both serve during the two year legislative term in which they are appointed. Two directors are appointed by the Governor with the advice and consent of the State Senate, each for a four year term. Each appointed director serves until a successor is appointed and qualified, and is eligible for reappointment. Any vacancy is filled in the same manner as the original appointment. The Governor designates one of the appointed directors to be the chairman and chief executive officer, who serves for a term of two years and until a successor has been designated. The directors elect biannually a vice chairman from among the appointed directors.

The current directors and officers of the Trust are as set forth below.

Warren H. Victor, Chairman; President and Chief Operating Officer, Action Business Consultants, Inc. Mr. Victor was appointed by the Governor upon the recommendation of the Speaker of the State General Assembly. Mr. Victor’s current term expired on January 13, 2012; he will continue to serve until a successor is appointed and qualified.

Herbert Barrack, Vice Chairman; Retired. Mr. Barrack committed forty-four years of distinguished service to the United States Environmental Protection Agency prior to his retirement. Mr. Barrack was appointed by the Governor with the advice and consent of the State Senate. Mr. Barrack’s current term expires on May 13, 2013.

Robert A. Briant, Sr., Treasurer; Consultant, Utility and Transportation Contractors Association of New Jersey. Mr. Briant was appointed by the Governor upon the recommendation of the President of the State Senate. Mr. Briant’s current term expired on January 13, 2010; he will continue to serve until a successor is appointed and qualified.

Bob Martin, Director, *ex officio*; Commissioner of the New Jersey Department of Environmental Protection.

Andrew P. Sidamon-Eristoff, Director, *ex officio*; New Jersey State Treasurer.

Richard E. Constable, III, Director, *ex officio*; Commissioner of the New Jersey Department of Community Affairs.

One position on the Board of Directors currently is vacant.

The Trust also has an Executive Director, David E. Zimmer, who serves at the pleasure of the Board of Directors. Mr. Zimmer has been serving as Executive Director of the Trust since November 24, 2010, and is also the Assistant Secretary of the Trust.

## **THE PROJECTS**

### **General**

On an annual basis, the Trust is required, pursuant to the Trust Act, to submit a list of eligible Wastewater Treatment Projects and a list of eligible Water Supply Projects to the State Legislature for its consideration. The Projects are ranked in order of priority based upon ranking criteria developed in conformance with the provisions of applicable federal legislation. The lists set forth a description of each Project, its purpose, cost and construction schedule, and the amount of the proposed Trust Loan with respect to each such Project. Annually, the State Legislature adopts legislation setting forth the Projects that may be financed by the Trust and the maximum amount of the Trust Loan with respect to each such Project. The Trust also must submit to the State Legislature a financial plan setting forth how the Trust intends to fund the Trust Loans for the Projects approved by the State Legislature. Annually, the State Legislature approves such financial plan.

### **Smart Growth Projects**

In recent years, the State has undertaken a comprehensive program to incentivize (i) construction, development and growth in certain designated urban areas, and (ii) preservation of open space through land acquisition in suburban and rural areas (collectively, the “Smart Growth Program”). The designated urban areas include: the City of Asbury Park, the City of Atlantic City, the City of Camden, the City of Elizabeth, the City of Jersey City, the City of New Brunswick, the City of Newark, the City of Paterson, the City of Trenton and the County of Hudson. In 2003, this comprehensive State program was applied to the Financing Program. Any Project undertaken (i) within a designated urban area, (ii) as a combined sewer overflow project, (iii) within an approved proximity to a designated transportation center (so-called “transit villages”), (iv) as the remediation of an approved Brownfield Development Area (so-called BDA projects that most commonly involve the remediation of municipal landfills and other contaminated sites), (v) within a State-approved Transfer of Development Rights receiving area in accordance with applicable State law, and (vi) as a septic management project, shall be referred to herein as a “Smart Growth Project”.

In addition, commencing in 2010, the State has undertaken a comprehensive program to incentivize (i) the construction of “green infrastructure”, and (ii) Water Supply Projects to be undertaken by small water systems serving less than 500 customers. Any Project that has been designated by the Department as a “green infrastructure” Project shall be referred to herein as a “Green Project”. Any Water Supply Project to be undertaken by a small water system serving less than 500 customers shall be referred to herein as a “Small Water System Project”.

Any Project that is not a Smart Growth Project, a Green Project or a Small Water System Project shall be referred to herein as a “Conventional Project.” See “THE FINANCING PROGRAM” herein for a discussion of Smart Growth Projects, Green Projects and Small Water System Projects, and the implications of such designations for the Financing Program.

### **Refunding Program Series Projects**

Each of the Series 1994A Borrowers has covenanted in its respective Loan Agreement (as defined herein) to undertake and complete the Project (the “Series 1994A Project”) described in such Loan Agreement. Each of the Series 1994A Projects (i) is a Wastewater Treatment Project, and (ii) is a Conventional Project. All remaining Project Fund (as such term is defined in the Series 1994A Bond Resolution) moneys allocable to each such Series 1994A Project, if any, are either (i) needed to complete payment for such Series 1994A Project, or (ii) are to be deposited by the Trust in the Series 1998F Escrow Fund (as defined herein) for the Series 2012A-R Refunding of the Series 1998F Refunding Bonds to be Refunded.

Each of the Series 1994B Borrowers has covenanted in its respective Loan Agreement (as defined herein) to undertake and complete the Project (the “Series 1994B Project”) described in such Loan Agreement. Each of the Series 1994B Projects (i) is a Wastewater Treatment Project, and (ii) is a Conventional Project. All remaining Project Fund (as such term is defined in the Series 1994B Bond Resolution) moneys allocable to each such Series 1994B Project, if any, are either (i) needed to complete payment for such Series 1994B Project, or (ii) are to be

deposited by the Trust in the Series 1998G Escrow Fund (as defined herein) for the Series 2012A-R Refunding of the Series 1998G Refunding Bonds to be Refunded.

Each of the Series 2004A Borrowers has covenanted in its respective Loan Agreement to undertake and complete the Project (the “Series 2004A Project”) described in such Loan Agreement. Each of the Series 2004A Projects (i) is a Wastewater Treatment Project or a Water Supply Project, and (ii) is a Conventional Project or a Smart Growth Project. All remaining Project Fund (as such term is defined in the Series 2004A Bond Resolution) moneys allocable to each such Series 2004A Project, if any, are either (i) needed to complete payment for such Series 2004A Project, or (ii) in the case of the Participating Series 2004A Borrowers (as defined herein), are to be deposited by the Trust in the Series 2004A Escrow Fund (as defined herein) for the Series 2012A-R Refunding of the Series 2004A Bonds to be Refunded.

Each of the Series 2005A Borrowers has covenanted in its respective Loan Agreement to undertake and complete the Project (the “Series 2005A Project”) described in such Loan Agreement. Each of the Series 2005A Projects (i) is a Wastewater Treatment Project or a Water Supply Project, and (ii) is a Conventional Project or a Smart Growth Project. All remaining Project Fund (as such term is defined in the Series 2005A Bond Resolution) moneys allocable to each such Series 2005A Project, if any, are either (i) needed to complete payment for such Series 2005A Project, or (ii) in the case of the Participating Series 2005A Borrowers (as defined herein), are to be deposited by the Trust in the Series 2005A Escrow Fund (as defined herein) for the Series 2012A-R Refunding of the Series 2005A Bonds to be Refunded.

Each of the Series 2006A Borrowers has covenanted in its respective Loan Agreement to undertake and complete the Project (the “Series 2006A Project”) described in such Loan Agreement. Each of the Series 2006A Projects (i) is a Wastewater Treatment Project or a Water Supply Project, and (ii) is a Conventional Project or a Smart Growth Project. All remaining Project Fund (as such term is defined in the Series 2006A Bond Resolution) moneys allocable to each such Series 2006A Project, if any, are either (i) needed to complete payment for such Series 2006A Project, or (ii) in the case of the Participating Series 2006A Borrowers (as defined herein), are to be deposited by the Trust in the Series 2006A Escrow Fund (as defined herein) for the Series 2012A-R Refunding of the Series 2006A Bonds to be Refunded.

The Series 1995B Borrower has covenanted in its Loan Agreement to undertake and complete the Project (the “Series 1995B Project”) described in such Loan Agreement. The Series 1995B Project (i) is a Wastewater Treatment Project, and (ii) is a Conventional Project. All remaining Project Fund (as such term is defined in the Series 1995B Bond Resolution) moneys allocable to such Series 1995B Project, if any, are either (i) needed to complete payment for such Series 1995B Project, or (ii) are to be deposited by the Trust in the Series 1995B Escrow Fund (as defined herein) for the Series 2012B-R Refunding of the Series 1995B Bonds to be Refunded.

The Series 2001C Borrower has covenanted in its Loan Agreement to undertake and complete the Project (the “Series 2001C Project”) described in such Loan Agreement. The Series 2001C Project (i) is a Wastewater Treatment Project, and (ii) is a Conventional Project. All remaining Project Fund (as such term is defined in the Series 2001C Bond Resolution) moneys allocable to such Series 2001C Project, if any, are either (i) needed to complete payment for such Series 2001C Project, or (ii) are to be deposited by the Trust in the Series 2001C Escrow Fund (as defined herein) for the Series 2012B-R Refunding of the Series 2001C Bonds to be Refunded.

Each of the Series 2003A Borrowers has covenanted in its respective Loan Agreement to undertake and complete the Project (the “Series 2003A Project”) described in such Loan Agreement. Each of the Series 2003A Projects (i) is a Wastewater Treatment Project or a Water Supply Project, and (ii) is a Conventional Project or a Smart Growth Project. All remaining Project Fund (as such term is defined in the Series 2003A Bond Resolution) moneys allocable to each such Series 2003A Project, if any, are either (i) needed to complete payment for such Series 2003A Project, or (ii) in the case of the Participating Series 2003A Borrowers (as defined herein), are to be deposited by the Trust in the Series 2003A Escrow Fund (as defined herein) for the Series 2012C-R Refunding of the Series 2003A Bonds to be Refunded.

In order to examine the list of the Projects of the Refunding Program Borrowers (as defined herein) or the Projects for any other Financing Program, please contact the Trust at its Trust Offices.

## **THE FINANCING PROGRAM**

### **General Structure of the Financing Program**

In each Financing Program, the Project of each Borrower is financed through a combination of several sources of funds:

- (i) an interest bearing loan from the Trust (the “Trust Loans”);
- (ii) a companion zero-interest loan from the State, acting by and through the Department (the “Fund Loans”; the Trust Loans and the Fund Loans shall be referred to collectively herein as the “Loans”); and
- (iii) if necessary, funds of the Borrower obtained from any lawful source, for all costs of the Project that cannot or, by election of the Borrower, will not be financed by the Loans.

The sum of the Trust Loan and the Fund Loan provides the moneys necessary to fund all or a portion of the Allowable Costs of a Project. The Allowable Costs of a Project are calculated and determined pursuant to (i) the rules and regulations of the Trust (the “Trust Regulations”), (ii) the rules and regulations of the Department (the “Department Regulations”) and (iii) certain applicable federal regulations (the “Federal Regulations”; the Trust Regulations, the Department Regulations and the Federal Regulations shall be referred to collectively herein as the “Regulations”). In addition, there are certain costs associated with a Project and the financing thereof that, pursuant to the Federal Regulations and the Department Regulations, are not Allowable Costs. Consistent with the Trust Regulations, certain of such costs may be financed exclusively with proceeds of the Trust Loan.

In certain instances, funds of the Borrower will provide for (i) the unallowable costs of a Project that cannot be financed through either the Fund Loan or the Trust Loan and (ii) any Allowable Costs of the Project that (a) the Borrower elects not to fund through the Loans or (b) represent post-closing cost overruns with respect to the Project. However, in the event the actual Allowable Costs of any Project exceed the Loans made for such Project in any Financing Program, the Borrower constructing such Project may apply for a supplemental Trust Loan and a supplemental Fund Loan in any succeeding Financing Program.

### **Trust Loans**

The principal amount of each Trust Loan consists of the following:

- (i) (a) with respect to each Financing Program since 2003, other than the Series 2009 Financing Program, the Series 2010A Financing Program (each of which is discussed in clause (b) below), and the Series 2012 Financing Program (which is discussed in clause (c) below), an amount sufficient to fund up to 25% of the Allowable Costs of the Project in the case of a Smart Growth Project, or up to 50% of the Allowable Costs of the Project in the case of a Conventional Project; and with the commencement in 2010 of the Green Project and Small Water System Project initiatives, funding for Green Projects shall be in an amount sufficient to fund up to 25% of the Allowable Costs thereof and funding for Small Water System Projects shall be in an amount sufficient to fund up to 50% of the Allowable Costs thereof;<sup>†</sup>
- (b) with respect to the Series 2009 Financing Program and the Series 2010A Financing Program only, an amount sufficient to fund up to 25% of the Allowable Costs of the Project (regardless of whether such Project is a Smart Growth Project, a Green Project, a Small Water System Project or a Conventional Project); provided, however, that such principal

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<sup>†</sup> In the case of a Trust Loan to finance completion costs of a Project that was the subject of a prior Trust Loan in a prior Financing Program (a “Supplemental Project”), the portion of the Allowable Costs of the Supplemental Project to be financed by such supplemental Trust Loan shall be calculated pursuant to the same formula as the prior Trust Loan with respect to such Project.

amount shall consist of up to 50% of the Allowable Costs of the Project in the case of a Trust Loan to finance costs of a Project that consists of the acquisition of land for the preservation of open space (a “Land Project”);<sup>†</sup> and

- (c) with respect to the Series 2012 Financing Program only, an amount sufficient to fund up to 25% of the Allowable Costs of the Project (regardless of whether such Project is a Smart Growth Project, a Green Project, a Small Water System Project or a Conventional Project);<sup>‡</sup>
- (ii) an amount sufficient to fund (a) with respect to each Financing Program prior to the Series 2009 Financing Program, 100% of that portion of the Allowable Costs of the Project consisting of certain engineering and environmental services provided by the Department, and (b) commencing with the Series 2009 Financing Program, 50% of that portion of the Allowable Costs of the Project consisting of certain engineering and environmental services provided by the Department;
- (iii) in the case of a Conventional Project, a Green Project or a Small Water System Project, if elected by the Borrower (collectively, the “Reserve Capacity Borrowers”), an amount sufficient to fund Project costs associated with providing System capacity not currently required by current System users (in the case of a Smart Growth Project, such costs are included by the Regulations in the Allowable Costs of the Project);
- (iv) in those Financing Programs in which a Debt Service Reserve Fund (as defined herein) is required pursuant to the terms of the applicable Bond Resolution (as defined herein), an amount equal to that portion of the respective Debt Service Reserve Fund (the “Debt Service Reserve Funds”), created and existing pursuant to the respective Bond Resolution, attributable to:
  - (a) in the case of a Conventional Project, a Green Project or a Small Water System Project, the cost of funding reserve capacity for the Reserve Capacity Borrowers, if any; and
  - (b) the Private Borrowers, if any;
- (v) that portion of the costs of issuance relating to the Bonds that is allocable to a given Borrower; and
- (vi) if elected by the Borrower, the amount sufficient to fund capitalized interest with respect to the Trust Loan of such Borrower.

The Trust Loan is financed by the Trust with the proceeds of a series of bonds, notes or other obligations of the Trust (the “Bonds”; each Series of the Bonds shall be referred to herein as a “Series”). Each Trust Loan is made by the Trust pursuant to a loan agreement (the “Trust Loan Agreements”) by and between the Trust and the Borrower. The repayment obligations of the Borrower, pursuant to the Trust Loan Agreement, are evidenced and secured by a bond, note or other obligation issued by or on behalf of the Borrower in favor of the Trust (the “Borrower Trust Loan Bonds”) pursuant to the terms of the Borrower’s bond ordinance or resolution authorizing the issuance of such Borrower Trust Loan Bond (the “Borrower Trust Loan Bond Resolutions”). Trust Loan repayments are established to be due and owing at such times and in such aggregate amounts as is necessary to pay the debt service on the Series of Bonds that financed the Trust Loans. All principal of and interest on Borrower Trust Loan Bonds (evidencing and securing the principal of and interest on the Trust Loans) is payable at least thirty (30) days prior to the payment dates of the respective Series of Bonds from which any such Trust Loans were funded. Each Borrower Trust Loan Bond is assigned by the Trust to the trustee (the “Trustee”) for the Series of Bonds that financed the Trust Loan of any such Borrower. For a description of the provisions of the Trust Loan Agreements, see Appendix F hereto – “SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM SERIES BORROWERS), THE REFUNDING PROGRAM FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS”.

Typically, the proceeds of a Series of Bonds will finance the making of a number of Trust Loans. Any Series of Bonds must be issued pursuant to the Trust Act, all other applicable law and the terms of a bond resolution

duly adopted by the Trust (the “Bond Resolution”). Series of Bonds issued pursuant to separate Bond Resolutions in separate or the same Financing Programs are not secured on a parity basis, except to the extent of their common interest in certain moneys made available pursuant to the Master Program Trust Agreement. A particular Series of Bonds may fund both Wastewater Treatment Projects and Water Supply Projects, and the security for one Project may be used to secure another type of Project in accordance with the Federal Regulations. The Trust has issued Bonds (excluding Refunding Bonds (as defined in the Bond Resolutions)) in the aggregate principal amount of \$2,688,345,000.

## **Fund Loans**

Other than as described in the second succeeding paragraph with respect to the Series 2009 Financing Program and the Series 2010A Financing Program, the Fund Loan is financed from a combination of (i) capitalization grants from the United States federal government, (ii) proceeds from the issuance of general obligation bonds of the State (except in the case of Fund Loans made to Private Borrowers), (iii) appropriations from the State Legislature and (iv) repayments of prior Fund Loans which repayments have been deposited in the State Revolving Fund (“SRF”).

The principal amount of each Fund Loan consists of the following:

- (i) with respect to each Financing Program since 2003, other than the Series 2009 Financing Program, the Series 2010A Financing Program (each of which is described in paragraph (ii) below) and the Series 2012 Financing Program (which is discussed in paragraph (iii) below), an amount sufficient to fund up to 75% of the Allowable Costs of the Project in the case of a Smart Growth Project, or up to 50% of the Allowable Costs of the Project in the case of a Conventional Project; and with the commencement in 2010 of the Green Project and the Small Water System Project initiatives, funding for Green Projects shall be in an amount sufficient to fund up to 75% of the Allowable Costs thereof and funding for Small Water System Projects shall be in an amount sufficient to fund up to 50% of the Allowable Costs thereof;<sup>†</sup>
- (ii) with respect to the Series 2009 Financing Program and the Series 2010A Financing Program only, an amount sufficient to fund up to 75% of the Allowable Costs of the Project (regardless of whether such Project is a Smart Growth Project or a Conventional Project); provided, however, that such principal amount shall consist of up to 50% of the Allowable Costs of the Project in the case of a Fund Loan to finance costs of a Land Project;<sup>†</sup> and
- (iii) with respect to the Series 2012 Financing Program only, an amount sufficient to fund up to 75% of the Allowable Costs of the Project (regardless of whether such Project is a Smart Growth Project, a Green Project, a Small Water System Project or a Conventional Project).<sup>†</sup>

With respect to the Series 2009 Financing Program and the Series 2010A Financing Program only, certain qualifying Borrowers received Fund Loans from monies provided to the State pursuant to the American Recovery and Reinvestment Act of 2009 (collectively, the “ARRA Fund Loans”). On the respective dates of issuance of the Series 2009 Bonds and the Series 2010A Bonds, the State forgave the repayment of a portion of the principal of each ARRA Fund Loan made in connection with the Series 2009 Financing Program and the Series 2010A Financing Program, such principal forgiveness equal to the lesser of (i) two-thirds (2/3) of the initial principal amount of such ARRA Fund Loan, or (ii) \$5,000,000.

With respect to the Series 2010 B&C Financing Program only, certain of the Series 2010 B&C Borrowers received Fund Loans, a portion of the principal of which was forgiven by the State (collectively, the “Principal Forgiveness Fund Loans”). On the date of issuance of the Series 2010 B&C Bonds, the State forgave the repayment obligation of a portion of the principal of each Principal Forgiveness Fund Loan, equal to the lesser of (i)

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<sup>†</sup> In the case of a Fund Loan to finance a Supplemental Project, the portion of the Allowable Costs of the Supplemental Project financed by such supplemental Fund Loan shall be calculated pursuant to the same formula as the prior Fund Loan with respect to such Project.

one half (1/2) (or, in the case of a Small Water System Project, two-thirds (2/3)) of the initial principal amount of such Principal Forgiveness Fund Loan, or (ii) \$2,500,000.

With respect to the Series 2012 Financing Program only, certain of the Series 2012 Borrowers received Principal Forgiveness Fund Loans. On the date of issuance of the Series 2012 Bonds, the State forgave the repayment obligation of a portion of the principal of each Principal Forgiveness Fund Loan, equal to the lesser of (i) one third (1/3) of the initial principal amount of such Principal Forgiveness Fund Loan, or (ii) \$2,000,000.

Each Fund Loan is made pursuant to a loan agreement (the “Fund Loan Agreements”; the Trust Loan Agreements and the Fund Loan Agreements shall be referred to collectively herein as the “Loan Agreements”) by and between the State, acting by and through the Department, and the Borrower. The repayment obligations of the Borrower, pursuant to the Fund Loan Agreement, are evidenced and secured by a bond, note or other obligation issued by or on behalf of the Borrower in favor of the State (the “Borrower Fund Loan Bonds”; the Borrower Trust Loan Bonds and the Borrower Fund Loan Bonds shall be referred to collectively herein as the “Borrower Bonds”) pursuant to the terms of the Borrower’s bond ordinance or resolution authorizing the issuance of such Borrower Fund Loan Bond (the “Borrower Fund Loan Bond Resolutions”; the Borrower Trust Loan Bond Resolutions and the Borrower Fund Loan Bond Resolutions shall be referred to collectively herein as the “Borrower Bond Resolutions”). All principal of Borrower Fund Loan Bonds (evidencing and securing the principal of the Fund Loans) is payable at least thirty (30) days prior to the payment date of the respective Series of Bonds from which any companion Trust Loans were funded in order to provide additional security for such Bonds. For a description of the provisions of the Fund Loan Agreements, see Appendix F hereto – “SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM SERIES BORROWERS), THE REFUNDING PROGRAM FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS”.

Each Borrower acknowledges in its respective Loan Agreements the right of the Trust to apply repayments of the Fund Loan to the payment of debt service on the Bonds that financed the companion Trust Loan prior to the application of such repayments to the Fund Loan itself. The terms of the Bond Resolutions (i) ensure the priority of the payment of debt service on Bonds over the repayment of any companion Fund Loans and (ii) facilitate Trust Loan and Fund Loan repayments, in general, by the Borrowers. For certain of the Financing Programs, the Trust has entered into a Loan Servicing and Trust Bonds Security Agreement (the “Loan Servicing Agreements”) with the State and a bank or trust company (the “Loan Servicers”) to service the repayment of the Trust Loans and the Fund Loans. For more information on the Loan Servicing Agreements see “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

### **The Series 1994A Financing Program**

The Trust issued its “Wastewater Treatment Bonds, Series 1994A” in an original aggregate principal amount of \$17,450,000 (the “Series 1994A Bonds”) on November 10, 1994, as part of the Financing Program for 1994 (the “Series 1994A Financing Program”). The Trust Loans (the “Series 1994A Trust Loans”) and the Fund Loans (the “Series 1994A Fund Loans”; the Series 1994A Trust Loans and the Series 1994A Fund Loans shall be referred to collectively herein as the “Series 1994A Loans”) for the Series 1994A Financing Program were closed in escrow prior to November 10, 1994. The Borrowers participating in the Series 1994A Financing Program (the “Series 1994A Borrowers”) that have Series 1994A Loans that are currently outstanding are listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”. On April 30, 1998, the Trust issued its “Wastewater Treatment Insured Refunding Bonds, Series 1998F (1994A Financing Program)” (the “Series 1998F Refunding Bonds”) in the original aggregate principal amount of \$10,950,000 to refund a portion of the then outstanding Series 1994A Bonds. As of the date of this Official Statement, none of the Series 1994A Bonds remain outstanding.

Repayments of the Series 1994A Loans have been collected by U.S. Bank National Association, Morristown, New Jersey (as successor in interest to First Union National Bank, Newark, New Jersey) (“U.S. Bank National Association”), as Loan Servicer (the “Series 1994A Loan Servicer”), pursuant to the Loan Servicing Agreement (the “Series 1994A Loan Servicing Agreement”) for the Series 1994A Financing Program. Upon receipt of such repayments, the Series 1994A Loan Servicer is required to immediately pay to The Bank of New York

Mellon, Woodland Park, New Jersey (as successor in interest to The Bank of New York (NJ), West Paterson, New Jersey) (“The Bank of New York Mellon”), as trustee and paying agent for the Series 1994A Bonds (the “Series 1994A Trustee” and the “Series 1994A Paying Agent”), up to an amount sufficient to pay the debt service coming due on the immediately following (i) April 1 or October 1, as the case may be, with respect to the Bonds previously issued and outstanding pursuant to the Series 1994A Bond Resolution, including, without limitation, the Series 1998F Refunding Bonds and, (ii) March 1 or September 1, as the case may be, with respect to the 1998F Allocable Portion of the Series 2012A-R Refunding Bonds, when issued. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012A-R Refunding Bonds, the principal of and interest on the Series 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion, is payable by the Series 1994A Trustee not later than three days prior to each Interest Payment Date (as hereinafter defined) (or such shorter period as may be required by the Master Program Trust Agreement) to U.S. Bank National Association, as Series 2012A-R Refunding Fiduciary (the “Series 2012A-R Refunding Fiduciary”).

### **The Series 1994B Financing Program**

The Trust issued its “Wastewater Treatment Insured Bonds, Series 1994B” in an original aggregate principal amount of \$28,770,000 (the “Series 1994B Bonds”) on November 10, 1994, as part of the Financing Program for 1994 (the “Series 1994B Financing Program”). The Trust Loans (the “Series 1994B Trust Loans”) and the Fund Loans (the “Series 1994B Fund Loans”; the Series 1994B Trust Loans and the Series 1994B Fund Loans shall be referred to collectively herein as the “Series 1994B Loans”) for the Series 1994B Financing Program were closed in escrow prior to November 10, 1994. The Borrowers participating in the Series 1994B Financing Program (the “Series 1994B Borrowers”) that have Series 1994B Loans that are currently outstanding are listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”. On April 30, 1998, the Trust issued its “Wastewater Treatment Insured Refunding Bonds, Series 1998G (1994B Financing Program)” (the “Series 1998G Refunding Bonds”) in the original aggregate principal amount of \$17,090,000 to refund a portion of the then outstanding Series 1994B Bonds. As of the date of this Official Statement, none of the Series 1994B Bonds remain outstanding.

Repayments of the Series 1994B Loans have been collected by U.S. Bank National Association, as Loan Servicer (the “Series 1994B Loan Servicer”), pursuant to the Loan Servicing Agreement (the “Series 1994B Loan Servicing Agreement”) for the Series 1994B Financing Program. Upon receipt of such repayments, the Series 1994B Loan Servicer is required to immediately pay to The Bank of New York Mellon, as trustee and paying agent for the Series 1994B Bonds (the “Series 1994B Trustee” and the “Series 1994B Paying Agent”), up to an amount sufficient to pay the debt service coming due on the immediately following (i) April 1 or October 1, as the case may be, with respect to the Bonds previously issued and outstanding pursuant to the Series 1994B Bond Resolution, including, without limitation, the Series 1998G Refunding Bonds, and (ii) March 1 or September 1, as the case may be, with respect to the 1998G Allocable Portion of the Series 2012A-R Refunding Bonds, when issued. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012A-R Refunding Bonds, the principal of and interest on the Series 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion, is payable by the Series 1994B Trustee not later than three days prior to each Interest Payment Date (as hereinafter defined) (or such shorter period as may be required by the Master Program Trust Agreement) to the Series 2012A-R Refunding Fiduciary.

### **The Series 2004A Financing Program**

The Trust issued its “Environmental Infrastructure Bonds, Series 2004A” in an original aggregate principal amount of \$115,270,000 (the “Series 2004A Bonds”) on November 4, 2004, as part of the Financing Program for 2004 (the “Series 2004A Financing Program”). The Trust Loans (the “Series 2004A Trust Loans”) and the Fund Loans (the “Series 2004A Fund Loans”; the Series 2004A Trust Loans and the Series 2004A Fund Loans shall be referred to collectively herein as the “Series 2004A Loans”) for the Series 2004A Financing Program were closed in



escrow prior to November 4, 2004. The Borrowers participating in the Series 2004A Financing Program (the “Series 2004A Borrowers”) that have Series 2004A Loans that are currently outstanding are listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”. On September 26, 2007, the Trust issued its “Environmental Infrastructure Refunding Bonds, Series 2007C (2004A Financing Program)” (the “Series 2007C Refunding Bonds”) in the original aggregate principal amount of \$38,830,000 to refund a portion of the then outstanding Series 2004A Bonds. On August 18, 2010, the Trust issued a portion (the “Series 2004A Allocable Portion of the Series 2010A Refunding Bonds”) of its “Environmental Infrastructure Refunding Bonds, Series 2010A” (the “Series 2010A Refunding Bonds”) in the original aggregate principal amount of \$2,040,000 to refund a portion of the then outstanding Series 2004A Bonds.

Repayments of the Series 2004A Loans have been collected by U.S. Bank National Association, as trustee and paying agent for the Series 2004A Bonds (the “Series 2004A Trustee” and the “Series 2004A Paying Agent”) pursuant to the Series 2004A Bond Resolution, the Series 2004A Trust Loan Agreements (as defined herein) and the Series 2004A Fund Loan Agreements (as defined herein). Upon receipt of such repayments, the Series 2004A Trustee is required to allocate such repayments of the Series 2004A Loans up to an amount sufficient to pay the debt service coming due on the immediately following March 1 or September 1, as the case may be, with respect to the Bonds issued and outstanding pursuant to the Series 2004A Bond Resolution, including, without limitation, the Series 2004A Bonds, the Series 2007C Refunding Bonds, the Series 2004A Allocable Portion of the Series 2010A Refunding Bonds and, when issued, the 2004A Allocable Portion of the Series 2012A-R Refunding Bonds. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012A-R Refunding Bonds, the principal of and interest on the Series 2012A-R Refunding Bonds, to the extent of the 2004A Allocable Portion, is payable by the Series 2004A Trustee not later than three days prior to each Interest Payment Date (or such shorter period as may be required by the Master Program Trust Agreement) to the Series 2012A-R Refunding Fiduciary.

### **The Series 2005A Financing Program**

The Trust issued its “Environmental Infrastructure Bonds, Series 2005A” in an original aggregate principal amount of \$121,110,000 (the “Series 2005A Bonds”) on November 10, 2005, as part of the Financing Program for 2005 (the “Series 2005A Financing Program”). The Trust Loans (the “Series 2005A Trust Loans”) and the Fund Loans (the “Series 2005A Fund Loans”; the Series 2005A Trust Loans and the Series 2005A Fund Loans shall be referred to collectively herein as the “Series 2005A Loans”) for the Series 2005A Financing Program were closed in escrow prior to November 10, 2005. The Borrowers participating in the Series 2005A Financing Program (the “Series 2005A Borrowers”) that have Series 2005A Loans that are currently outstanding are listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”.

Repayments of the Series 2005A Loans have been collected by U.S. Bank National Association, as trustee and paying agent for the Series 2005A Bonds (the “Series 2005A Trustee” and the “Series 2005A Paying Agent”) pursuant to the Series 2005A Bond Resolution, the Series 2005A Trust Loan Agreements (as defined herein) and the Series 2005A Fund Loan Agreements (as defined herein). Upon receipt of such repayments, the Series 2005A Trustee is required to allocate such repayments of the Series 2005A Loans up to an amount sufficient to pay the debt service coming due on the immediately following March 1 or September 1, as the case may be, with respect to the Bonds issued and outstanding pursuant to the Series 2005A Bond Resolution, including, without limitation, the Series 2005A Bonds and, when issued, the 2005A Allocable Portion of the Series 2012A-R Refunding Bonds. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012A-R Refunding Bonds, the principal of and interest on the Series 2012A-R Refunding Bonds, to the extent of the 2005A Allocable Portion, is payable by the Series 2005A Trustee not later than three days prior to each Interest Payment Date (or such shorter period as may be required by the Master Program Trust Agreement) to the Series 2012A-R Refunding Fiduciary.

## **The Series 2006A Financing Program**

The Trust issued its “Environmental Infrastructure Bonds, Series 2006A” in an original aggregate principal amount of \$148,850,000 (the “Series 2006A Bonds”) on November 9, 2006, as part of the Financing Program for 2006 (the “Series 2006A Financing Program”). The Trust Loans (the “Series 2006A Trust Loans”) and the Fund Loans (the “Series 2006A Fund Loans”; the Series 2006A Trust Loans and the Series 2006A Fund Loans shall be referred to collectively herein as the “Series 2006A Loans”) for the Series 2006A Financing Program were closed in escrow prior to November 9, 2006. The Borrowers participating in the Series 2006A Financing Program (the “Series 2006A Borrowers”) that have Series 2006A Loans that are currently outstanding are listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”. On August 10, 2010, the Trust issued a portion (the “Series 2006A Allocable Portion of the Series 2010 Refunding Bonds”) of the Series 2010A Refunding Bonds to refund a portion of the then outstanding Series 2006A Bonds.

Repayments of the Series 2006A Loans have been collected by the U.S. Bank National Association, as trustee and paying agent for the Series 2006A Bonds (the “Series 2006A Trustee” and the “Series 2006A Paying Agent”) pursuant to the Series 2006A Bond Resolution, the Series 2006A Trust Loan Agreements (as defined herein) and the Series 2006A Fund Loan Agreements (as defined herein). Upon receipt of such repayments, the Series 2006A Trustee is required to allocate such repayments of the Series 2006A Loans up to an amount sufficient to pay the debt service coming due on the immediately following March 1 or September 1, as the case may be, with respect to the Bonds issued and outstanding pursuant to the Series 2006A Bond Resolution, including, without limitation, the Series 2006A Bonds, the Series 2006A Allocable Portion of the Series 2010A Refunding Bonds and, when issued, the 2006A Allocable Portion of the series 2012A-R Refunding Bonds. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012A-R Refunding Bonds, the principal of and interest on the Series 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, is payable by the Series 2006A Trustee not later than three days prior to each Interest Payment Date (or such shorter period as may be required by the Master Program Trust Agreement) to the Series 2012A-R Refunding Fiduciary.

## **The Series 1995B Financing Program**

The Trust issued its “Environmental Infrastructure Bonds, Series 1995B (Federally Taxable)” in an original aggregate principal amount of \$2,235,000 (the “Series 1995B Bonds”) on November 9, 1995, as part of the Financing Program for 1995 (the “Series 1995B Financing Program”). The Trust Loan (the “Series 1995B Trust Loan”) and the Fund Loan (the “Series 1995B Fund Loan”; the Series 1995B Trust Loan and the Series 1995B Fund Loan shall be referred to collectively herein as the “Series 1995B Loans”) for the Series 1995B Financing Program were closed in escrow prior to November 9, 1995. The Borrower participating in the Series 1995B Financing Program (the “Series 1995B Borrower”) that has Series 1995B Loans that are currently outstanding is listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”.

Repayments of the Series 1995B Loans have been collected by U.S. Bank National Association, as Loan Servicer (the “Series 1995B Loan Servicer”), pursuant to the Loan Servicing Agreement (the “Series 1995B Loan Servicing Agreement”) for the Series 1995B Financing Program. Upon receipt of such repayments, the Series 1995B Loan Servicer is required to immediately pay to The Bank of New York Mellon, as trustee and paying agent for the Series 1995B Bonds (the “Series 1995B Trustee” and the “Series 1995B Paying Agent”), up to an amount sufficient to pay the debt service coming due on the immediately following March 1 or September 1, as the case may be, with respect to the Bonds issued and outstanding pursuant to the Series 1995B Bond Resolution, including, without limitation, the Series 1995B Bonds and, when issued, the 1995B Allocable Portion of the Series 2012B-R Refunding Bonds. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012B-R Refunding Bonds, the principal of and interest on the Series 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, is payable by the Series 1995B Trustee not later than three days prior to each Interest Payment Date (or such shorter period as may be required by the Master Program Trust Agreement) to the Series 2012B-R Refunding Fiduciary.

### **The Series 2001C Financing Program**

The Trust issued its “Environmental Infrastructure Bonds, Series 2001C (Federally Taxable)” in an original aggregate principal amount of \$1,330,000 (the “Series 2001C Bonds”) on November 8, 2001, as part of the Financing Program for 2001 (the “Series 2001C Financing Program”). The Trust Loan (the “Series 2001C Trust Loan”) and the Fund Loan (the “Series 2001C Fund Loan”; the Series 2001C Trust Loan and the Series 2001C Fund Loan shall be referred to collectively herein as the “Series 2001C Loans”) for the Series 2001C Financing Program were closed in escrow prior to November 9, 2001. The Borrower participating in the Series 2001C Financing Program (the “Series 2001C Borrower”) that has Series 2001C Loans that are currently outstanding is listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”.

Repayments of the Series 2001C Loan have been collected by TD Bank, N.A., as Loan Servicer (the “Series 2001C Loan Servicer”), pursuant to the Loan Servicing Agreement (the “Series 2001C Loan Servicing Agreement”) for the Series 2001C Financing Program. Upon receipt of such repayments, the Series 2001C Loan Servicer is required to immediately pay to The Bank of New York Mellon, as trustee and paying agent for the Series 2001C Bonds (the “Series 2001C Trustee” and the “Series 2001C Paying Agent”), up to an amount sufficient to pay the debt service coming due on the immediately following March 1 or September 1, as the case may be, with respect to the Bonds issued and outstanding pursuant to the Series 2001C Bond Resolution, including, without limitation, the Series 2001C Bonds and, when issued, the 2001C Allocable Portion of the Series 2012B-R Refunding Bonds. See “SECURITY FOR THE SERIES 2012 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012B-R Refunding Bonds, the principal of and interest on the Series 2012B-R Refunding Bonds, to the extent of the 2001C Allocable Portion, is payable by the Series 2001C Trustee not later than three days prior to each Interest Payment Date (or such shorter period as may be required by the Master Program Trust Agreement), to the Series 2012B-R Refunding Fiduciary.

### **The Series 2003A Financing Program**

The Trust issued its “Environmental Infrastructure Bonds, Series 2003A” in an original aggregate principal amount of \$66,420,000 (the “Series 2003A Bonds”) on November 6, 2003, as part of the Financing Program for 2003 (the “Series 2003A Financing Program”). The Trust Loans (the “Series 2003A Trust Loans”; the Series 1994A Trust Loans, the Series 1994B Trust Loans, the Series 2004A Trust Loans, the Series 2005A Trust Loans, the Series 2006A Trust Loans, the Series 1995B Trust Loan, the Series 2001C Trust Loan and the Series 2003A Trust Loans shall be referred to collectively herein as the “Refunding Program Trust Loans”) and the Fund Loans (the “Series 2003A Fund Loans”; the Series 2003A Trust Loans and the Series 2003A Fund Loans shall be referred to collectively herein as the “Series 2003A Loans”; the Series 1994A Fund Loans, the Series 1994B Fund Loans, the Series 2004A Fund Loans, the Series 2005A Fund Loans, the Series 2006A Fund Loans, the Series 1995B Fund Loan, the Series 2001C Fund Loan and the Series 2003A Fund Loans shall be referred to collectively herein as the “Refunding Program Fund Loans”; the Series 1994A Loans, the Series 1994B Loans, the Series 2004A Loans, the Series 2005A Loans, the Series 2006A Loans, the Series 1995B Loans, the Series 2001C Loans and the Series 2003A Loans shall be referred to collectively herein as the “Refunding Program Loans”) for the Series 2003A Financing Program were closed in escrow prior to November 6, 2003. The Borrowers participating in the Series 2003A Financing Program (the “Series 2003A Borrowers”; the Series 1994A Borrowers, the Series 1994B Borrowers, the Series 2004A Borrowers, the Series 2005A Borrowers, the Series 2006A Borrowers, the Series 1995B Borrower, the Series 2001C Borrower and the Series 2003 Borrowers shall be referred to collectively herein as the “Refunding Program Borrowers”) that have Series 2003A Loans that are currently outstanding are listed in Appendix B hereto – “REFUNDING PROGRAM BORROWERS”.

Repayments of the Series 2003A Loans have been collected by TD Bank, N.A., as Loan Servicer (the “Series 2003A Loan Servicer”; the Series 1994A Loan Servicer, the Series 1994B Loan Servicer, the Series 1995B Loan Servicer, the Series 2001C Loan Servicer and the Series 2003A Loan Servicer shall be referred to collectively herein as the “Refunding Program Loan Servicers”), pursuant to the Loan Servicing Agreement (the “Series 2003A Loan Servicing Agreement”; the Series 1994A Loan Servicing Agreement, the Series 1994B Loan Servicing Agreement, the Series 1995B Loan Servicing Agreement, the Series 2001C Loan Servicing Agreement and the Series 2003A Loan Servicing Agreement shall be referred to collectively herein as the “Refunding Program Loan Servicing Agreements”) for the Series 2003A Financing Program. Upon receipt of such repayments, the Series 2003A Loan Servicer is required to immediately pay to U.S. Bank National Association, as trustee and paying agent for the Series 2003A Bonds (the “Series 2003A Trustee” and the “Series 2003A Paying Agent”; the Series 1994A Trustee, the Series 1994B Trustee, the Series 2004A Trustee, the Series 2005A Trustee, the Series 2006A Trustee, the Series 1995B Trustee, the Series 2001C Trustee, and the Series 2003A Trustee shall be referred to collectively herein as the “Refunding Program Trustees”; the Series 1994A Paying Agent, the Series 1994B Paying Agent, the Series 2004A Paying Agent, the Series 2005A Paying Agent, the Series 2006A Paying Agent, the Series 1995B Paying Agent, the Series 2001C Paying Agent, and the Series 2003A Trustee shall be referred to collectively herein as the “Refunding Program Paying Agents”), up to an amount sufficient to pay the debt service coming due on the immediately following March 1 or September 1, as the case may be, with respect to the Bonds issued and outstanding pursuant to the Series 2003A Bond Resolution, including, without limitation, the Series 2003A Bonds and, when issued, the Series 2012C-R Refunding Bonds. See “SECURITY FOR THE SERIES 2010 REFUNDING BONDS” and Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2010 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

Upon the issuance of the Series 2012C-R Refunding Bonds, the principal of and interest on the Series 2012C-R Refunding Bonds is payable by the Series 2003A Trustee not later than three days prior to each Interest Payment Date (or such shorter period as may be required by the Master Program Trust Agreement), to the Series 2012C-R Refunding Fiduciary.

## **PLAN OF REFUNDING**

### **Series 2012A-R Refunding of the Series 1998F Refunding Bonds to be Refunded**

*General.* The Series 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion, are being issued pursuant to, *inter alia*, the Series 1994A Bond Resolution, to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “Series 2012A-R Refunding of the Series 1998F Refunding Bonds to be Refunded”) and (ii) the defeasance (the “Series 1998F Refunding Bond Defeasance”) of the remaining outstanding principal amount of the Series 1998F Refunding Bonds (the “Series 1998F Refunding Bonds to be Refunded”).

The Series 1998F Refunding Bond Defeasance is scheduled to occur upon issuance of the Series 2012A-R Refunding Bonds. Therefore, upon issuance of the Series 2012A-R Refunding Bonds and upon the Series 1998F Refunding Bond Defeasance, the Series 1998F Refunding Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 1994A Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012A-R Refunding Bonds (the “Series 1998F Escrow Deposit Agreement”), by and between the Trust and The Bank of New York Mellon, as escrow agent for the Series 1998F Refunding Bonds to be Refunded (the “Series 1998F Escrow Agent”), the Series 1998F Escrow Agent will be irrevocably instructed to pay on September 24, 2012 (the “Series 1998F Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 1998F Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 1998F Refunding Bonds to be Refunded maturing on April 1 of each year, commencing on April 1, 2013 through and including April 1, 2014; and

- (ii) all of the accrued but unpaid interest on the Series 1998F Refunding Bonds to be Refunded, through and including the Series 1998F Redemption Date.

*Series 1998F Refunding Bond Defeasance.* Upon the Series 1998F Refunding Bond Defeasance, the holders of the Series 1998F Refunding Bonds to be Refunded will have no interest in and to the Series 1994A Trust Estate pledged pursuant to the Series 1994A Bond Resolution, and the holders of the Series 1998F Refunding Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 1998F Escrow Fund for payment of the principal of and interest on the Series 1998F Refunding Bonds to be Refunded.

*The Pledge of the Series 1994A Trust Estate.* The Series 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 1994A Bond Resolution. Upon their issuance, the Series 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion, shall be entitled to the benefit and security of the Series 1994A Bond Resolution, including, without limitation, the pledge of the Series 1994A Trust Estate.

*Participating Series 1994A Borrowers.* The savings achieved through the Series 2012A-R Refunding of the Series 1998F Refunding Bonds to be Refunded will be passed on to all Series 1994A Borrowers (collectively, the “Participating Series 1994A Borrowers”) as a credit to their existing Series 1994A Trust Loan repayment obligations. The Series 1994A Trust Loan repayments of each of the Participating Series 1994A Borrowers (representing part of the Series 1994A Trust Estate) shall continue to secure the Series 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion.

#### **Series 2012A-R Refunding of the Series 1998G Refunding Bonds to be Refunded**

*General.* The Series 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion, are being issued pursuant to, *inter alia*, the Series 1994B Bond Resolution, to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “Series 2012A-R Refunding of the Series 1998G Refunding Bonds to be Refunded”) and (ii) the defeasance (the “Series 1998G Refunding Bond Defeasance”) of the remaining outstanding principal amount of the Series 1998G Refunding Bonds (the “Series 1998G Refunding Bonds to be Refunded”).

The Series 1998G Refunding Bond Defeasance is scheduled to occur upon issuance of the Series 2012A-R Refunding Bonds. Therefore, upon issuance of the Series 2012A-R Refunding Bonds and upon the Series 1998G Refunding Bond Defeasance, the Series 1998G Refunding Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 1994B Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012A-R Refunding Bonds (the “Series 1998G Escrow Deposit Agreement”), by and between the Trust and The Bank of New York Mellon, as escrow agent for the Series 1998G Refunding Bonds to be Refunded (the “Series 1998G Escrow Agent”), the Series 1998G Escrow Agent will be irrevocably instructed to pay on September 24, 2012 (the “Series 1998G Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 1998G Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 1998G Refunding Bonds to be Refunded maturing on April 1 of each year, commencing on April 1, 2013 through and including April 1, 2014; and
- (ii) all of the accrued but unpaid interest on the Series 1998G Refunding Bonds to be Refunded, through and including the Series 1998G Redemption Date.

*Series 1998G Refunding Bond Defeasance.* Upon the Series 1998G Refunding Bond Defeasance, the holders of the Series 1998G Refunding Bonds to be Refunded will have no interest in and to the Series 1994B Trust Estate pledged pursuant to the Series 1994B Bond Resolution, and the holders of the Series 1998G Refunding Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 1998G Escrow Fund for payment of the principal of and interest on the Series 1998G Refunding Bonds to be Refunded.

*The Pledge of the Series 1994B Trust Estate.* The Series 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 1994B Bond Resolution. Upon their issuance, the Series 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion, shall be entitled to the benefit and security of the Series 1994B Bond Resolution, including, without limitation, the pledge of the Series 1994B Trust Estate.

*Participating Series 1994B Borrowers.* The savings achieved through the Series 2012A-R Refunding of the Series 1998G Refunding Bonds to be Refunded will be passed on to all Series 1994B Borrowers (collectively, the “Participating Series 1994B Borrowers”) as a credit to their existing Series 1994B Trust Loan repayment obligations. The Series 1994B Trust Loan repayments of each of the Participating Series 1994B Borrowers (representing part of the Series 1994B Trust Estate) shall continue to secure the Series 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion.

### **Series 2012A-R Refunding of the Series 2004A Bonds to be Refunded**

*General.* The Series 2012A-R Refunding Bonds, to the extent of the 2004A Allocable Portion, are being issued pursuant to, *inter alia*, the Series 2004A Bond Resolution to provide funds that, together with certain other available moneys, will finance (i) the advance refunding (the “Series 2012A-R Refunding of the Series 2004A Bonds to be Refunded”) and (ii) the defeasance (the “Series 2004A Bond Defeasance”) of a portion of the remaining outstanding principal amount of the Series 2004A Bonds (the “Series 2004A Bonds to be Refunded”).

The Series 2004A Bond Defeasance is scheduled to occur upon issuance of the Series 2012A-R Refunding Bonds. Therefore, upon issuance of the Series 2012A-R Refunding Bonds and upon the Series 2004A Bond Defeasance, the Series 2004A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 2004A Bond Resolution. However, (i) Series 2004A Bonds outstanding in the principal amount of \$11,205,000, which Series 2004A Bonds are not Series 2004A Bonds to be Refunded and shall not be the subject of the Series 2004A Bond Defeasance, (ii) the Series 2007C Refunding Bonds currently outstanding in the principal amount of \$38,830,000 and (iii) the Series 2004A Allocable Portion of the Series 2010A Refunding Bonds currently outstanding in the principal amount of \$2,040,000 (collectively, the “Remaining Outstanding Series 2004A Bonds”), shall remain outstanding pursuant to the terms of the Series 2004A Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012A-R Refunding Bonds (the “Series 2004A Escrow Deposit Agreement”), by and between the Trust and U.S. Bank National Association, as escrow agent for the Series 2004A Bonds to be Refunded (the “Series 2004A Escrow Agent”), the Series 2004A Escrow Agent will be irrevocably instructed to pay on September 1, 2013 (the “Series 2004A Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 2004A Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 2004A Bonds to be Refunded maturing on (1) September 1 of each year, commencing on September 1, 2014 through and including September 1, 2016 and (2) September 1 of each year, commencing on September 1, 2023 through and including September 1, 2024; and
- (ii) all of the accrued but unpaid interest on the Series 2004A Bonds to be Refunded, from September 1, 2012 through and including the Series 2004A Redemption Date.

*Series 2004A Bond Defeasance.* Upon the Series 2004A Bond Defeasance, the holders of the Series 2004A Bonds to be Refunded will have no interest in and to the Series 2004A Trust Estate pledged pursuant to the Series 2004A Bond Resolution, and the holders of the Series 2004A Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 2004A Escrow Fund for payment of the principal of and interest on the Series 2004A Bonds to be Refunded.

*The Pledge of the Series 2004A Trust Estate.* The Series 2012A-R Refunding Bonds, to the extent of the 2004A Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 2004A Bond Resolution. Upon their issuance, the Series 2012A-R Refunding Bonds, to the extent of the

2004A Allocable Portion, shall be on parity with the Remaining Outstanding Series 2004A Bonds and shall be entitled to the same benefit and security of the Series 2004A Bond Resolution, including, without limitation, the pledge of the Series 2004A Trust Estate, as the Remaining Outstanding Series 2004A Bonds.

The Remaining Outstanding Series 2004A Bonds consist of (i) those Series 2004A Bonds maturing on September 1, 2012 through and including September 1, 2013, (ii) the Series 2007C Refunding Bonds, and (iii) the Series 2004A Allocable Portion of the Series 2010A Refunding Bonds.

*Participating Series 2004A Borrowers.* The savings achieved through the Series 2012A-R Refunding of the Series 2004A Bonds to be Refunded will be passed on to all Series 2004A Borrowers (collectively, the “Participating Series 2004A Borrowers”) as a credit to their existing Series 2004A Trust Loan repayment obligations. However, the Series 2004A Trust Loan repayments of each of the Participating Series 2004A Borrowers (representing part of the Series 2004A Trust Estate) shall continue to secure the Series 2012A-R Refunding Bonds, to the extent of the 2004A Allocable Portion, and the Remaining Outstanding Series 2004A Bonds.

### **Series 2012A-R Refunding of the Series 2005A Bonds to be Refunded**

*General.* The Series 2012A-R Refunding Bonds, to the extent of the 2005A Allocable Portion, are being issued pursuant to, *inter alia*, the Series 2005A Bond Resolution to provide funds that, together with certain other available moneys, will finance (i) the advance refunding (the “Series 2012A-R Refunding of the Series 2005A Bonds to be Refunded”) and (ii) the defeasance (the “Series 2005A Bond Defeasance”) of a portion of the remaining outstanding principal amount of the Series 2005A Bonds (the “Series 2005A Bonds to be Refunded”).

The Series 2005A Bond Defeasance is scheduled to occur upon issuance of the Series 2012A-R Refunding Bonds. Therefore, upon issuance of the Series 2012A-R Refunding Bonds and upon the Series 2005A Bond Defeasance, the Series 2005A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 2005A Bond Resolution. However, Series 2005A Bonds outstanding in the principal amount of \$17,080,000, which Series 2005A Bonds are not Series 2005A Bonds to be Refunded and shall not be the subject of the Series 2005A Bond Defeasance (the “Remaining Outstanding Series 2005A Bonds”), shall remain outstanding pursuant to the terms of the Series 2005A Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012A-R Refunding Bonds (the “Series 2005A Escrow Deposit Agreement”), by and between the Trust and U.S. Bank National Association, as escrow agent for the Series 2005A Bonds to be Refunded (the “Series 2005A Escrow Agent”), the Series 2005A Escrow Agent will be irrevocably instructed to pay on September 1, 2014 (the “Series 2005A Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 2005A Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 2005A Bonds to be Refunded maturing on September 1 of each year, commencing on September 1, 2015 through and including September 1, 2025; and
- (ii) all of the accrued but unpaid interest on the Series 2005A Bonds to be Refunded, from September 1, 2012 through and including the Series 2005A Redemption Date.

*Series 2005A Bond Defeasance.* Upon the Series 2005A Bond Defeasance, the holders of the Series 2005A Bonds to be Refunded will have no interest in and to the Series 2005A Trust Estate pledged pursuant to the Series 2005A Bond Resolution, and the holders of the Series 2005A Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 2005A Escrow Fund for payment of the principal of and interest on the Series 2005A Bonds to be Refunded.

*The Pledge of the Series 2005A Trust Estate.* The Series 2012A-R Refunding Bonds, to the extent of the 2005A Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 2005A Bond Resolution. Upon their issuance, the Series 2012A-R Refunding Bonds, to the extent of the

2005A Allocable Portion, shall be on parity with the Remaining Outstanding Series 2005A Bonds and shall be entitled to the same benefit and security of the Series 2005A Bond Resolution, including, without limitation, the pledge of the Series 2005A Trust Estate, as the Remaining Outstanding Series 2005A Bonds.

The Remaining Outstanding Series 2005A Bonds consist of those Series 2005A Bonds maturing on September 1, 2012 through and including September 1, 2014.

*Participating Series 2005A Borrowers.* The savings achieved through the Series 2012A-R Refunding of the Series 2005A Bonds to be Refunded will be passed on to all Series 2005A Borrowers (collectively, the “Participating Series 2005A Borrowers”) as a credit to their existing Series 2005A Trust Loan repayment obligations. However, the Series 2005A Trust Loan repayments of each of the Participating Series 2005A Borrowers (representing part of the Series 2005A Trust Estate) shall continue to secure the Series 2012A-R Refunding Bonds, to the extent of the 2005A Allocable Portion, and the Remaining Outstanding Series 2005A Bonds.

### **Series 2012A-R Refunding of the Series 2006A Bonds to be Refunded**

*General.* The Series 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, are being issued pursuant to, *inter alia*, the Series 2006A Bond Resolution to provide funds that, together with certain other available moneys, will finance (i) the advance refunding (the “Series 2012A-R Refunding of the Series 2006A Bonds to be Refunded”) and (ii) the defeasance (the “Series 2006A Bond Defeasance”) of a portion of the remaining outstanding principal amount of the Series 2006A Bonds (the “Series 2006A Bonds to be Refunded”).

The Series 2006A Bond Defeasance is scheduled to occur upon issuance of the Series 2012A-R Refunding Bonds. Therefore, upon issuance of the Series 2012A-R Refunding Bonds and upon the Series 2006A Bond Defeasance, the Series 2006A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 2006A Bond Resolution. However, (i) Series 2006A Bonds outstanding in the principal amount of \$28,425,000, which Series 2006A Bonds are not Series 2006A Bonds to be Refunded and shall not be the subject of the Series 2006A Bond Defeasance and (ii) the Series 2006A Allocable Portion of the Series 2010A Refunding Bonds currently outstanding in the principal amount of \$9,685,000 (collectively, the “Remaining Outstanding Series 2006A Bonds”), shall remain outstanding pursuant to the terms of the Series 2006A Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012A-R Refunding Bonds (the “Series 2006A Escrow Deposit Agreement”), by and between the Trust and U.S. Bank National Association, as escrow agent for the Series 2006A Bonds to be Refunded (the “Series 2006A Escrow Agent”), the Series 2006A Escrow Agent will be irrevocably instructed to pay on September 1, 2015 (the “Series 2006A Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 2006A Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 2006A Bonds to be Refunded maturing on (1) September 1 of each year, commencing on September 1, 2016 through and including September 1, 2023 and (2) September 1 of each year, commencing on September 1, 2025 through and including September 1, 2026; and
- (ii) all of the accrued but unpaid interest on the Series 2006A Bonds to be Refunded, from September 1, 2012 through and including the Series 2006A Redemption Date.

*Series 2006A Bond Defeasance.* Upon the Series 2006A Bond Defeasance, the holders of the Series 2006A Bonds to be Refunded will have no interest in and to the Series 2006A Trust Estate pledged pursuant to the Series 2006A Bond Resolution, and the holders of the Series 2006A Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 2006A Escrow Fund for payment of the principal of and interest on the Series 2006A Bonds to be Refunded.

*The Pledge of the Series 2006A Trust Estate.* The Series 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the



Series 2006A Bond Resolution. Upon their issuance, the Series 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, shall be on parity with the Remaining Outstanding Series 2006A Bonds and shall be entitled to the same benefit and security of the Series 2006A Bond Resolution, including, without limitation, the pledge of the Series 2006A Trust Estate, as the Remaining Outstanding Series 2006A Bonds.

The Remaining Outstanding Series 2006A Bonds consist of (i) those Series 2006A Bonds maturing on September 1, 2012 through and including September 1, 2015, (ii) the Series 2006A Allocable Portion of the Series 2010A Refunding Bonds and (iii) those Series 2006A Bonds allocable to the Series 2006A Trust Loan made by the Trust to the following Series 2006A Borrower: City of Bayonne Redevelopment Agency (the “Non-Participating Series 2006A Borrower”).

*Participating Series 2006A Borrowers.* The savings achieved through the Series 2012A-R Refunding of the Series 2006A Bonds to be Refunded will be passed on to all Series 2006A Borrowers (other than the Non-Participating Series 2006A Borrower) (collectively, the “Participating Series 2006A Borrowers”) as a credit to their existing Series 2006A Trust Loan repayment obligations. However, the Series 2006A Trust Loan repayments of each of the Participating Series 2006A Borrowers and the Non-Participating Series 2006A Borrower (representing part of the Series 2006A Trust Estate) shall continue to secure the Series 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, and the Remaining Outstanding Series 2006A Bonds.

### **Series 2012B-R Refunding of the Series 1995B Bonds to be Refunded**

*General.* The Series 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, are being issued pursuant to, *inter alia*, the Series 1995B Bond Resolution, to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “Series 2012B-R Refunding of the Series 1995B Bonds to be Refunded”) and (ii) the defeasance (the “Series 1995B Bond Defeasance”) of a portion of the remaining outstanding principal amount of the Series 1995B Bonds (the “Series 1995B Bonds to be Refunded”).

The Series 1995B Bond Defeasance is scheduled to occur upon issuance of the Series 2012B-R Refunding Bonds. Therefore, upon issuance of the Series 2012B-R Refunding Bonds and upon the Series 1995B Bond Defeasance, the Series 1995B Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 1995B Bond Resolution. However, Series 1995B Bonds outstanding in the principal amount of \$165,000, which Series 1995B Bonds are not Series 1995B Bonds to be Refunded and shall not be the subject of the Series 1995B Bond Defeasance (the “Remaining Outstanding Series 1995B Bonds”), shall remain outstanding pursuant to the terms of the Series 1995B Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012B-R Refunding Bonds (the “Series 1995B Escrow Deposit Agreement”), by and between the Trust and The Bank of New York Mellon, as escrow agent for the Series 1995B Bonds to be Refunded (the “Series 1995B Escrow Agent”), the Series 1995B Escrow Agent will be irrevocably instructed to pay on September 24, 2012 (the “Series 1995B Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 1995B Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 1995B Bonds to be Refunded maturing on September 1 of each year, commencing on September 1, 2013 through and including September 1, 2015; and
- (ii) all of the accrued but unpaid interest on the Series 1995B Bonds to be Refunded, through and including the Series 1995B Redemption Date.

*Series 1995B Bond Defeasance.* Upon the Series 1995B Bond Defeasance, the holders of the Series 1995B Bonds to be Refunded will have no interest in and to the Series 1995B Trust Estate pledged pursuant to the Series 1995B Bond Resolution, and the holders of the Series 1995B Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 1995B Escrow Fund for payment of the principal of and interest on the Series 1995B Bonds to be Refunded.

*The Pledge of the 1995B Trust Estate.* The Series 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 1995B Bond Resolution. Upon their issuance, the Series 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, shall be on parity with the Remaining Outstanding Series 1995B Bonds and shall be entitled to the same benefit and security of the Series 1995B Bond Resolution, including, without limitation, the pledge of the Series 1995B Trust Estate, as the Remaining Outstanding Series 1995B Bonds.

The Remaining Outstanding Series 1995B Bonds consist of those Series 1995B Bonds maturing on September 1, 2012.

*Participating Series 1995B Borrower.* The savings achieved through the Series 2012B-R Refunding of the Series 1995B Bonds to be Refunded will be passed on to the Series 1995B Borrower (the “Participating Series 1995B Borrower”) as a credit to its existing Series 1995B Trust Loan repayment obligations. However, the Series 1995B Trust Loan repayments of the Participating Series 1995B Borrower (representing part of the Series 1995B Trust Estate) shall continue to secure the Series 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, and the Remaining Outstanding Series 1995B Bonds.

### **Series 2012B-R Refunding of the Series 2001C Bonds to be Refunded**

*General.* The Series 2012B-R Refunding Bonds, to the extent of the 2001C Allocable Portion, are being issued pursuant to, *inter alia*, the Series 2001C Bond Resolution to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “Series 2012B-R Refunding of the Series 2001C Bonds to be Refunded”) and (ii) the defeasance (the “Series 2001C Bond Defeasance”) of a portion of the remaining outstanding principal amount of the Series 2001C Bonds (the “Series 2001C Bonds to be Refunded”).

The Series 2001C Bond Defeasance is scheduled to occur upon issuance of the Series 2012B-R Refunding Bonds. Therefore, upon issuance of the Series 2012B-R Refunding Bonds and upon the Series 2001C Bond Defeasance, the Series 2001C Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 2001C Bond Resolution. However, Series 2001C Bonds outstanding in the principal amount of \$135,000, which Series 2001C Bonds are not Series 2001C Bonds to be Refunded and shall not be the subject of the Series 2001C Bond Defeasance (the “Remaining Outstanding Series 2001C Bonds”), shall remain outstanding pursuant to the terms of the Series 2001C Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012B-R Refunding Bonds (the “Series 2001C Escrow Deposit Agreement”), by and between the Trust and The Bank of New York Mellon, as escrow agent for the Series 2001C Bonds to be Refunded (the “Series 2001C Escrow Agent”), the Series 2001C Escrow Agent will be irrevocably instructed to pay on September 4, 2012 (such date being the first Business Day following September 1, 2012) (the “Series 2001C Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 2001C Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 2001C Bonds to be Refunded maturing on September 1 of each year, commencing on September 1, 2014 through and including September 1, 2021;
- (ii) all of the accrued but unpaid interest on the Series 2001C Bonds to be Refunded, through and including the Series 2001C Redemption Date; and
- (iii) the redemption premium applicable to redeeming the Series 2001C Bonds to be Refunded, on the Series 2001C Redemption Date.

*Series 2001C Bond Defeasance.* Upon the Series 2001C Bond Defeasance, the holders of the Series 2001C Bonds to be Refunded will have no interest in and to the Series 2001C Trust Estate pledged pursuant to the Series 2001C Bond Resolution, and the holders of the Series 2001C Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 2001C Escrow Fund for payment of the principal and redemption premium of and interest on the Series 2001C Bonds to be Refunded.

*The Pledge of the Series 2001C Trust Estate.* The Series 2012B-R Refunding Bonds, to the extent of the 2001C Allocable Portion, have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 2001C Bond Resolution. Upon their issuance, the Series 2012B-R Refunding Bonds, to the extent of the 2001C Allocable Portion, shall be on parity with the Remaining Outstanding Series 2001C Bonds and shall be entitled to the same benefit and security of the Series 2001C Bond Resolution, including, without limitation, the pledge of the Series 2001C Trust Estate, as the Remaining Outstanding Series 2001C Bonds.

The Remaining Outstanding Series 2001C Bonds consist of those Series 2001C Bonds maturing on September 1, 2012 and September 1, 2013.

*Participating Series 2001C Borrowers.* The savings achieved through the Series 2012B-R Refunding of the Series 2001C Bonds to be Refunded will be passed on to the Series 2001C Borrower (the “Participating Series 2001C Borrower”) as a credit to its existing Series 2001C Trust Loan repayment obligations. However, the Series 2001C Trust Loan repayments of the Participating Series 2001C Borrower (representing part of the Series 2001C Trust Estate) shall continue to secure the Series 2012B-R Refunding Bonds, to the extent of the 2001C Allocable Portion, and the Remaining Outstanding Series 2001C Bonds.

### **Series 2012C-R Refunding of the Series 2003A Bonds to be Refunded**

*General.* The Series 2012C-R Refunding Bonds are being issued pursuant to, *inter alia*, the Series 2003A Bond Resolution to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “Series 2012C-R Refunding of the Series 2003A Bonds to be Refunded”) and (ii) the defeasance (the “Series 2003A Bond Defeasance”) of a portion of the remaining outstanding principal amount of the Series 2003A Bonds (the “Series 2003A Bonds to be Refunded”).

The Series 2003A Bond Defeasance is scheduled to occur upon issuance of the Series 2012C-R Refunding Bonds. Therefore, upon issuance of the Series 2012C-R Refunding Bonds and upon the Series 2003A Bond Defeasance, the Series 2003A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the Series 2003A Bond Resolution. However, (i) Series 2003A Bonds outstanding in the principal amount of \$3,450,000, which Series 2003A Bonds are not Series 2003A Bonds to be Refunded and shall not be the subject of the Series 2003A Bond Defeasance and (ii) the Series 2003A Allocable Portion of the Series 2010A Refunding Bonds currently outstanding in the principal amount of \$30,680,000 (collectively, the “Remaining Outstanding Series 2003A Bonds”), shall remain outstanding pursuant to the terms of the Series 2003A Bond Resolution.

Pursuant to an Escrow Deposit Agreement, to be dated the date of issuance of the Series 2012C-R Refunding Bonds (the “Series 2003A Escrow Deposit Agreement”), by and between the Trust and U.S. Bank National Association, as escrow agent for the Series 2003A Bonds to be Refunded (the “Series 2003A Escrow Agent”), the Series 2003A Escrow Agent will be irrevocably instructed to pay on September 24, 2012 (the “Series 2003A Redemption Date”) the following, such payments being made from amounts deposited into an escrow fund (the “Series 2003A Escrow Fund”) and earnings thereon:

- (i) all of the principal due with respect to the Series 2003A Bonds to be Refunded maturing on September 1 of each year, commencing on September 1, 2013 through and including September 1, 2023; and
- (ii) all of the accrued but unpaid interest on the Series 2003A Bonds to be Refunded on the Series 2003A Redemption Date.

*Series 2003A Bond Defeasance.* Upon the Series 2003A Bond Defeasance, the holders of the Series 2003A Bonds to be Refunded will have no interest in and to the Series 2003A Trust Estate pledged pursuant to the Series 2003A Bond Resolution, and the holders of the Series 2003A Bonds to be Refunded shall be entitled solely to the moneys and securities held in the Series 2003A Escrow Fund for payment of the principal of and interest on the Series 2003A Bonds to be Refunded.

*The Pledge of the Series 2003A Trust Estate.* The Series 2012C-R Refunding Bonds have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 2003A Bond Resolution. Upon their issuance, the Series 2012C-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2003A Bonds and shall be entitled to the same benefit and security of the Series 2003A Bond Resolution, including, without limitation, the pledge of the Series 2003A Trust Estate, as the Remaining Outstanding Series 2003A Bonds.

The Remaining Outstanding Series 2003A Bonds consist of (i) those Series 2003A Bonds maturing on September 1, 2012 and (ii) the Series 2003A Allocable Portion of the Series 2010A Refunding Bonds.

*Participating Series 2003A Borrowers.* The savings achieved through the Series 2012C-R Refunding of the Series 2003A Bonds to be Refunded will be passed on to all Series 2003A Borrowers (collectively, the “Participating Series 2003A Borrowers”) as a credit to their existing Series 2003A Trust Loan repayment obligations. However, the Series 2003A Trust Loan repayments of each of the Participating Series 2003A Borrowers (representing part of the Series 2003A Trust Estate) shall continue to secure the Series 2012C-R Refunding Bonds and the Remaining Outstanding Series 2003A Bonds.

## **THE SERIES 2012 REFUNDING BONDS**

### **General Description**

The Series 2012 Refunding Bonds will be dated the date of issuance thereof and are scheduled to mature on September 1 in the years (the “Principal Payment Dates”) and in the principal amounts set forth on the inside cover page hereof. The Series 2012 Refunding Bonds will bear interest from their dated date payable by check or draft semiannually on March 1 and September 1 of each year until their respective maturities (the “Interest Payment Dates”), commencing March 1, 2013, at the rates per annum set forth on the inside cover page hereof. The Series 2012 Refunding Bonds will be payable as to principal upon presentation and surrender thereof at the corporate trust office of (i) with respect to the Series 2012A-R Refunding Bonds, the Series 2012A-R Refunding Fiduciary; (ii) with respect to the Series 2012B-R Refunding Bonds, the Series 2012B-R Refunding Fiduciary; and (iii) (ii) with respect to the Series 2012C-R Refunding Bonds, the Series 2012B-R Refunding Fiduciary. The Series 2012 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”). Purchases of beneficial interests in the Series 2012 Refunding Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any integral multiple thereof.

### **No Optional or Mandatory Sinking Fund Redemption**

The Series 2012 Refunding Bonds will not be subject to optional redemption or mandatory sinking fund redemption prior to their respective stated maturity dates.

### **Book-Entry-Only System**

DTC will act as securities depository for the Series 2012 Refunding Bonds. The Series 2012 Refunding Bonds will be issued as fully-registered securities 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 Series 2012 Refunding Bond certificate will be issued for each maturity of the Series 2012 Refunding Bonds, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“DTC Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among

DTC Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfer and pledges between DTC Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. DTC 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 DTC Direct Participant, either directly or indirectly ("DTC Indirect Participants" and, together with DTC Direct Participants, "DTC Participants"). The DTC rules applicable to its DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2012 Refunding Bonds under the DTC system must be made by or through DTC Direct Participants, which will receive a credit for the Series 2012 Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Refunding Bond ("Beneficial Owner") is in turn to be recorded on the DTC Direct Participants' and DTC Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Direct Participant or DTC Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Refunding Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Refunding Bonds, except in the event that use of the book-entry-system for the Series 2012 Refunding Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Refunding Bonds deposited by DTC Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. The deposit of Series 2012 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 Series 2012 Refunding Bonds. DTC's records reflect only the identity of the DTC Direct Participants to whose accounts such Series 2012 Refunding Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Direct Participants, by DTC Direct Participants to DTC Indirect Participants, and by DTC Direct Participants and DTC 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 Series 2012 Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Direct Participants to whose accounts the Series 2012 Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2012 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 DTC Direct Participants' accounts upon DTC's receipt of funds and corresponding details from the Trust or, the Refunding Fiduciaries, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participant and not of DTC, the Refunding Fiduciaries, the Refunding Program Trustees, the Refunding Program Paying Agents, the Refunding Program Loan Servicers or the Trust, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal, redemption premium, if any, and interest 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 Refunding Fiduciaries. Disbursement of such payments to DTC Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC Direct Participants and DTC Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Refunding Bonds at any time by giving reasonable notice to the Trust or the Refunding Fiduciaries. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012 Refunding Bond certificates are required to be printed and delivered.

The Trust may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012 Refunding Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Trust believes to be reliable, but the Trust takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the DTC Participants.

The Trust, the Refunding Fiduciaries, the Refunding Program Trustees, the Refunding Program Paying Agents, the Refunding Program Loan Servicers and the Master Program Trustee cannot and do not give any assurances that DTC will distribute to the DTC Direct Participants or that the DTC Direct Participants or the DTC Indirect Participants will distribute to the Beneficial Owners of the Series 2012 Refunding Bonds (i) payments of principal or interest on the Series 2012 Refunding Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in the Series 2012 Refunding Bonds or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2012 Refunding Bonds, or that they will do so on a timely basis or that DTC, its DTC Direct Participants or its DTC Indirect Participants will serve and act in the manner described in this Official Statement.

None of the Trust, the Refunding Fiduciaries, the Refunding Program Trustees, the Refunding Program Paying Agents, the Refunding Program Loan Servicers nor the Master Program Trustee will have any responsibility or obligations to any DTC Direct Participant, DTC Indirect Participant or any person claiming a beneficial ownership interest in the Series 2012 Refunding Bonds under or through DTC or any DTC Direct Participant, or any other person who is not shown in the registration books of the Trust kept by the Applicable Refunding Program Trustee as being a Series 2012 Refunding Bondholder. The Trust, the Refunding Fiduciaries, the Refunding Program Trustees, the Refunding Program Paying Agents, the Refunding Program Loan Servicers and the Master Program Trustee shall have no responsibility with respect to (i) any ownership interest in the Series 2012 Refunding Bonds; (ii) the payment by DTC to any DTC Direct Participant or by any DTC Direct Participants or DTC Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of or interest on the Series 2012 Refunding Bonds; (iii) the delivery to any DTC Participant or any Beneficial Owner of any notice which is permitted or required to be given to Series 2012 Refunding Bondholders under any Refunding Program Bond Resolutions; or (iv) any consent given or other action taken by DTC or Cede & Co. as Series 2012 Refunding Bondholder.

So long as Cede & Co. is the registered owner of the Series 2012 Refunding Bonds, as the nominee of DTC, references herein to the Series 2012 Refunding Bondholders or registered owners of the Series 2012 Refunding Bonds (other than under the captions "TAX MATTERS" and "SECONDARY MARKET DISCLOSURE") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2012 Refunding Bonds.

## **SECURITY FOR THE SERIES 2012 REFUNDING BONDS**

### **Refunding Bonds; Parity Obligations**

The Series 2012A-R Refunding Bonds have been authorized for issuance as "Refunding Bonds" as defined in and pursuant to: (a) to the extent of the 1998F Allocable Portion, the Series 1994A Bond Resolution; (b) to the

extent of the 1998G Allocable Portion, the Series 1994B Bond Resolution; (c) to the extent of the 2004A Allocable Portion, the Series 2004A Bond Resolution; (d) to the extent of the 2005A Allocable Portion, the Series 2005A Bond Resolution; and (e) to the extent of the 2006A Allocable Portion, the Series 2006A Bond Resolution. Upon their issuance, the Series 2012A-R Refunding Bonds shall be on parity with (1) to the extent of the 2004A Allocable Portion, the Remaining Outstanding Series 2004A Bonds; (2) to the extent of the 2005A Allocable Portion, the Remaining Outstanding Series 2005A Bonds; and (3) to the extent of the 2006A Allocable Portion, the Remaining Outstanding Series 2006A Bonds; and shall be entitled to the same benefit and security of the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution, respectively, including, without limitation, the pledge of the Series 2004A Trust Estate, the Series 2005A Trust Estate and the Series 2006A Trust Estate, respectively, as the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds and the Remaining Outstanding Series 2006A Bonds, respectively. Each of the Series 1998F Refunding Bond Defeasance, the Series 1998G Refunding Bond Defeasance, the Series 2004A Bond Defeasance, the Series 2005A Bond Defeasance and the Series 2006A Bond Defeasance is scheduled to occur upon issuance of the Series 2012A-R Refunding Bonds. Therefore, upon (i) issuance of the Series 2012A-R Refunding Bonds and (ii) each of the Series 1998F Refunding Bond Defeasance, the Series 1998G Refunding Bond Defeasance, the Series 2003A Bond Defeasance, the Series 2004A Bond Defeasance and the Series 2006A Bond Defeasance, respectively, the Series 1998F Refunding Bonds to be Refunded, the Series 1998G Refunding Bonds to be Refunded, the Series 2004A Bonds to be Refunded, the Series 2005A Bonds to be Refunded and the Series 2006A Bonds to be Refunded, respectively, will no longer remain outstanding.

The Series 2012B-R Refunding Bonds have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to: (a) to the extent of the 1995B Allocable Portion, the Series 1995B Bond Resolution; and (b) to the extent of the 2001C Allocable Portion, the Series 2001C Bond Resolution. Upon their issuance, the Series 2012B-R Refunding Bonds shall be on parity with (1) to the extent of the 1995B Allocable Portion, the Remaining Outstanding Series 1995B Bonds; and (2) to the extent of the 2001C Allocable Portion, the Remaining Outstanding Series 2001C Bonds and shall be entitled to the same benefit and security of the Series 1995B Bond Resolution and the Series 2001C Bond Resolution, respectively, including, without limitation, the pledge of the Series 1995B Trust Estate and the Series 2001C Trust Estate, respectively, as the Remaining Outstanding Series 1995B Bonds and the Remaining Outstanding Series 2001C Bonds. Each of the Series 1995B Bond Defeasance and the Series 2001C Bond Defeasance is scheduled to occur upon issuance of the Series 2012B-R Refunding Bonds. Therefore, upon (i) issuance of the Series 2012B-R Refunding Bonds and (ii) the Series 1995B Bond Defeasance and the Series 2001C Bond Defeasance, respectively, the Series 1995B Bonds to be Refunded and the Series 2001C Bonds to be Refunded, respectively, will no longer remain outstanding.

The Series 2012C-R Refunding Bonds have been authorized for issuance as “Refunding Bonds” as defined in and pursuant to the Series 2003A Bond Resolution. Upon their issuance, the Series 2012B-R Refunding Bonds shall be on parity with the Remaining Outstanding Series 2003A Bonds and shall be entitled to the same benefit and security of the Series 2003A Bond Resolution, including, without limitation, the pledge of Series 2003A Trust Estate, as the Remaining Outstanding Series 2003A Bonds, respectively. The Series 2003A Bond Defeasance is scheduled to occur upon issuance of the Series 2012C-R Refunding Bonds. Therefore, upon (i) issuance of the Series 2012C-R Refunding Bonds and (ii) the Series 2003A Bond Defeasance, the Series 2003A Bonds to be Refunded will no longer remain outstanding.

#### **The Series 2012A-R Refunding Bonds – General: 1998F Allocable Portion and 1998G Allocable Portion**

The Series 2012A-R Refunding Bonds will be special obligations of the Trust payable from and secured solely by, to the extent of the 1998F Allocable Portion and the 1998G Allocable Portion, a pledge of and lien upon all of the right, title and interest of the Trust in, to and under, respectively, the following:

- (i) loan repayments made pursuant to the Trust Loan Agreements entered into in connection with each of the Series 1994A Financing Program (the “Series 1994A Trust Loan Agreements”) and the Series 1994B Financing Program (the “Series 1994B Trust Loan Agreements”), which loan repayments are held by the Series 1994A Loan Servicer and the Series 1994B Loan Servicer, respectively, in the Series 1994A Trust Bonds Security Account and the Series 1994B Trust Bonds Security Account, respectively (each as defined herein);

- (ii) the Borrower Trust Loan Bonds issued by each of the Series 1994A Borrowers and the Series 1994B Borrowers in connection with the Series 1994A Trust Loan Agreements (the “Series 1994A Borrower Trust Loan Bonds”) and the Series 1994B Trust Loan Agreements (the “Series 1994B Borrower Trust Loan Bonds”), respectively, pursuant to the terms of the Applicable Borrower Trust Loan Bond Resolution, respectively, (the “Series 1994A Borrower Trust Loan Bond Resolutions” and the “Series 1994B Borrower Trust Loan Bond Resolutions”), which Series 1994A Borrower Trust Loan Bonds and Series 1994B Borrower Trust Loan Bonds, respectively, are held by the Trust and assigned by the Trust to the Series 1994A Trustee and the Series 1994B Trustee, respectively, as security for the loan repayments described in clause (i) above;
- (iii) loan repayments made pursuant to the Fund Loan Agreements entered into in connection with the Series 1994A Financing Program (the “Series 1994A Fund Loan Agreements”) and the Series 1994B Financing Program (the “Series 1994B Fund Loan Agreements”), which loan repayments are held by the Series 1994A Loan Servicer and the Series 1994B Loan Servicer in the Series 1994A Trust Bonds Security Account and the Series 1994B Trust Bonds Security Account, respectively;
- (iv) the other Series 1994A Revenues and the other Series 1994B Revenues (each as defined herein), respectively, not included in clauses (i) or (iii) above;
- (v) the Series 1994A Debt Service Reserve Fund and the Series 1994B Debt Service Reserve Fund, respectively, established pursuant to the Series 1994A Bond Resolution and the Series 1994B Bond Resolution, respectively, including all proceeds and investment income derived therefrom (respectively, the “Series 1994A Debt Service Reserve Fund” and the “Series 1994B Debt Service Reserve Fund”); and
- (vi) all other funds, accounts and subaccounts established pursuant to the Series 1994A Bond Resolution and the Series 1994B Bond Resolution, respectively, (but excluding the Debt Service Reserve Fund, the Operating Expense Fund, the Project Fund and the Rebate Fund established pursuant to each), together with all proceeds and investment income of the foregoing (items (i) through (vi) are referred to collectively herein, respectively, as the “Series 1994A Trust Estate” and the “Series 1994B Trust Estate”).

Each of the Series 1994A Trust Estate and the Series 1994B Trust Estate, respectively, does not include the Trust’s right, title and interest in those certain Series 1994A Trust Loan repayments and Series 1994B Trust Loan repayments, respectively, that were required to be held by the Series 1994A Loan Servicer and the Series 1994B Loan Servicer, respectively, and that, upon receipt by the Applicable Series Loan Servicer were not to be deposited in the Series 1994A Trust Bonds Security Account and the Series 1994B Trust Bonds Security Account, respectively.

Each of the “Series 1994A Revenues” and the “Series 1994B Revenues” include, respectively, the following:

- (i) all Series 1994A Loan repayments from the Series 1994A Borrowers that were required to be deposited in the Series 1994A Trust Bonds Security Account to satisfy debt service due on the Bonds issued pursuant to the Series 1994A Bond Resolution; and all Series 1994B Loan repayments from the Series 1994B Borrowers that were required to be deposited in the Series 1994B Trust Bonds Security Account to satisfy debt service due on the Bonds issued pursuant to the Series 1994B Bond Resolution, respectively, including:
  - (a) moneys payable pursuant to the respective Series 1994A Borrower Service Agreements and Government Borrower Guaranties, if any, if such Series 1994A Borrower Service Agreement or Government Borrower Guaranty is required pursuant to the respective Series 1994A Borrower Trust Loan Bond Resolution; and



- (b) moneys derived from the respective Series 1994A Borrower Debt Service Reserve Funds (as defined herein), if such Series 1994A Borrower Debt Service Reserve Fund is required pursuant to the respective Series 1994A Borrower Trust Loan Bond Resolution;
- (ii) payments, if any, made, respectively, to the Series 1994A Trustee and the Series 1994B Trustee by the Master Program Trustee from amounts on deposit in the Master Program Trust Account (as defined herein) (and all subaccounts therein) (See “Master Program Trust Agreement” below);
- (iii) the proceeds derived from the payments included in clauses (i) and (ii) above, including, without limitation, investment income; and
- (iv) if necessary to satisfy the Series 1994A Loan repayments from municipal and county Series 1994A Borrowers and certain authority Series 1994A Borrowers, the State-aid payable to such municipal and county Series 1994A Borrowers, certain municipal and county Series 1994A Participants and certain Government Borrower Guarantors, if any; and, if necessary to satisfy the Series 1994B Loan repayments from municipal and county Series 1994B Borrowers, the State-aid payable to such municipal and county Series 1994B Borrowers (See “Refunding Program Borrower Service Agreements and Government Borrower Guaranties” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 1994A Bond Resolution and the Series 1994B Bond Resolution, respectively, the Series 1994A Trust Estate and the Series 1994B Trust Estate, respectively, is pledged and assigned as security for the payment of the principal or redemption premium, if any, of and the interest on the Series 2012A-R Refunding Bonds, to the extent of the Applicable Allocable Portion thereof, subject to certain provisions of the Series 1994A Bond Resolution and the Series 1994B Bond Resolution, respectively, permitting the application thereof for the purposes and on the terms and conditions set forth therein. Each of the Series 1994A Trust Estate and the Series 1994B Trust Estate is immediately 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 otherwise against the Trust. In addition, the Master Program Trustee has pledged its interest in and to moneys and securities on deposit in the Master Program Trust Account to the Series 1994A Trustee (as part of the Series 1994A Trust Estate) and the Series 1994B Trustee (as part of the Series 1994B Trust Estate) to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012A-R Refunding Bonds are Coverage Receiving Bonds, they are secured by Fund Loan repayments from Coverage Providing Financing Programs that have been transferred to the Master Program Trustee for deposit in the Master Program Trust Account. Fund Loan repayments under the Coverage Providing Financing Programs provide additional security for Coverage Receiving Bonds. See “Coverage Providing Financing Programs” and “Coverage Receiving Financing Programs” herein.

The full faith and credit of the Trust are NOT pledged, either expressly or by implication, to the payment of the principal or redemption premium, if any, of or the interest on the Series 2012A-R Refunding Bonds. The Trust has no taxing power, and it has no claim on any revenues or receipts of the State or any agency or political subdivision thereof or of any Series 1994A Borrower or any Series 1994B Borrower, except as expressly provided in the Series 1994A Trust Loan Agreements or the Series 1994B Trust Loan Agreements, as the case may be.

**The Series 2012A-R Refunding Bonds – General: 2004A Allocable Portion, 2005A Allocable Portion and 2006A Allocable Portion**

The Series 2012A-R Refunding Bonds will be special obligations of the Trust payable from and secured solely by, to the extent of the 2004A Allocable Portion, the 2005A Allocable Portion and the 2006A Allocable Portion, a pledge of and lien upon all of the right, title and interest of the Trust in, to and under, respectively, the following:

- (i) loan repayments made pursuant to the Trust Loan Agreements entered into in connection with each of the Series 2004A Financing Program (the “Series 2004A Trust Loan Agreements”), the

Series 2005A Financing Program (the “Series 2005A Trust Loan Agreements”) and the Series 2006A Financing Program (the “Series 2006A Trust Loan Agreements”), respectively, which loan repayments are collected by the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively;

- (ii) the Borrower Trust Loan Bonds issued by each of the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers, in connection with the Series 2004A Trust Loan Agreements (the “Series 2004A Borrower Trust Loan Bonds”), the Series 2005A Trust Loan Agreements (the “Series 2005A Borrower Trust Loan Bonds”) and the Series 2006A Trust Loan Agreements (the “Series 2006A Borrower Trust Loan Bonds”), respectively, pursuant to the terms of the Applicable Borrower Trust Loan Bond Resolution, respectively, (the “Series 2004A Borrower Trust Loan Bond Resolutions”, the “Series 2005A Borrower Trust Loan Bond Resolutions” and the “Series 2006A Borrower Trust Loan Bond Resolutions”), which Series 2004A Borrower Trust Loan Bonds, Series 2005A Borrower Trust Loan Bonds and Series 2006A Borrower Trust Loan Bonds are held by the Trust and assigned by the Trust to the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively, as security for the loan repayments described in clause (i) above;
- (iii) loan repayments made pursuant to the Fund Loan Agreements entered into in connection with the Series 2004A Financing Program (the “Series 2004A Fund Loan Agreements”), the Series 2005A Financing Program (the “Series 2005A Fund Loan Agreements”) and the Series 2006A Financing Program (the “Series 2006A Fund Loan Agreements”), which loan repayments are collected by the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively;
- (iv) the other Series 2004A Revenues (as defined herein), the other Series 2005A Revenues (as defined herein) and the other Series 2006A Revenues (as defined herein), respectively, not included in clauses (i) or (iii) above;
- (v) the Series 2004A Debt Service Reserve Fund, the Series 2005A Debt Service Reserve Fund and the Series 2006A Debt Service Reserve Fund, respectively, established pursuant to the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution, respectively, including all proceeds and investment income derived therefrom (respectively, the “Series 2004A Debt Service Reserve Fund”, the “Series 2005A Debt Service Reserve Fund” and the “Series 2006A Debt Service Reserve Fund”); and
- (vi) all other funds, accounts and subaccounts established pursuant to each of the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution (but excluding the Debt Service Reserve Fund, the Operating Expense Fund, the Project Fund and the Rebate Fund established pursuant to each), together with all proceeds and investment income of the foregoing (items (i) through (vi) are referred to collectively herein as the “Series 2004A Trust Estate”, “Series 2005A Trust Estate” and the “Series 2006A Trust Estate”, respectively).

The “Series 2004A Revenues”, the “Series 2005A Revenues” and the “Series 2006A Revenues”, respectively, include the following:

- (i) all Series 2004A Loan repayments from the Series 2004A Borrowers that were required to be deposited with the Series 2004A Trustee to satisfy debt service due on the Bonds issued pursuant to the Series 2004A Bond Resolution, all Series 2005A Loan repayments from the Series 2005A Borrowers that were required to be deposited with the Series 2005A Trustee to satisfy debt service due on the Bonds issued pursuant to the Series 2005A Bond Resolution, and all Series 2006A Loan repayments from the Series 2006A Borrowers that were required to be deposited with the Series 2006A Trustee to satisfy debt service due on the Bonds issued pursuant to the Series 2006A Bond Resolution, respectively, including:
  - (a) moneys payable pursuant to the respective Series 2004A Borrower Service Agreements and Government Borrower Guaranties, if any, if such Series 2004A Borrower Service

Agreement or Government Borrower Guaranty is required pursuant to the respective Series 2004A Borrower Trust Loan Bond Resolution; moneys payable pursuant to the respective Series 2005A Borrower Service Agreements and Government Borrower Guaranties, if any, if such Series 2005A Borrower Service Agreement or Government Borrower Guaranty is required pursuant to the respective Series 2005A Borrower Trust Loan Bond Resolution; and moneys payable pursuant to the respective Series 2006A Borrower Service Agreements and Government Borrower Guaranties, if any, if such Series 2006A Borrower Service Agreement or Government Borrower Guaranty is required pursuant to the respective Series 2006A Borrower Trust Loan Bond Resolution; and

- (b) moneys derived from the respective Series 2004A Borrower Debt Service Reserve Funds (as defined herein), if such Series 2004A Borrower Debt Service Reserve Fund is required pursuant to the respective Series 2004A Borrower Trust Loan Bond Resolution; moneys derived from the respective Series 2005A Borrower Debt Service Reserve Funds (as defined herein), if such Series 2005A Borrower Debt Service Reserve Fund is required pursuant to the respective Series 2005A Borrower Trust Loan Bond Resolution; and moneys derived from the respective Series 2006A Borrower Debt Service Reserve Funds (as defined herein), if such Series 2006A Borrower Debt Service Reserve Fund is required pursuant to the respective Series 2006A Borrower Trust Loan Bond Resolution;
- (ii) payments, if any, made to the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively, by the Master Program Trustee from amounts on deposit in the Master Program Trust Account (and all subaccounts therein) (See “Master Program Trust Agreement” below);
- (iii) the proceeds derived from the payments included in clauses (i) and (ii) above, including, without limitation, investment income; and
- (iv) if necessary to satisfy the Series 2004A Loan repayments from municipal and county Series 2004A Borrowers and certain authority Series 2004A Borrowers, the State-aid payable to such municipal and county Series 2004A Borrowers, certain municipal and county Series 2004A Participants and certain Government Borrower Guarantors, if any; if necessary to satisfy the Series 2005A Loan repayments from municipal and county Series 2005A Borrowers and certain authority Series 2005A Borrowers, the State-aid payable to such municipal and county Series 2005A Borrowers, certain municipal and county Series 2005A Participants and certain Government Borrower Guarantors, if any; and if necessary to satisfy the Series 2006A Loan repayments from municipal and county Series 2006A Borrowers and certain authority Series 2006A Borrowers, the State-aid payable to such municipal and county Series 2006A Borrowers, certain municipal and county Series 2006A Participants and certain Government Borrower Guarantors, if any (See “Refunding Program Borrower Service Agreements and Government Borrower Guaranties” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution, respectively, each of the Series 2004A Trust Estate, the Series 2005A Trust Estate and the Series 2006A Trust Estate, respectively, is pledged and assigned as security for the payment of the principal or redemption premium, if any, of and the interest on the Series 2012A-R Refunding Bonds, to the extent of the Applicable Allocable Portion thereof and the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds and the Remaining Outstanding Series 2006A Bonds, respectively, subject to certain provisions of the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein. Each of the Series 2004A Trust Estate, the Series 2005A Trust Estate and the Series 2006A Trust Estate, respectively, is immediately 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 otherwise against the Trust. In addition, the Master Program Trustee has pledged its interest in and to moneys and securities on deposit in the Master Program Trust Account to the Series 2004A Trustee (as part of the Series 2004A Trust Estate), the Series

2005A Trustee (as part of the Series 2005A Trust Estate) and the Series 2006A Trustee (as part of the Series 2006A Trust Estate) to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012A-R Refunding Bonds are Coverage Receiving Bonds, they are secured by Fund Loan repayments from Coverage Providing Financing Programs that have been transferred to the Master Program Trustee for deposit in the Master Program Trust Account. Fund Loan repayments under the Coverage Providing Financing Programs provide additional security for Coverage Receiving Bonds. See “Coverage Providing Financing Programs” and “Coverage Receiving Financing Programs” herein.

The full faith and credit of the Trust are NOT pledged, either expressly or by implication, to the payment of the principal or redemption premium, if any, of or the interest on the Series 2012A-R Refunding Bonds. The Trust has no taxing power, and it has no claim on any revenues or receipts of the State or any agency or political subdivision thereof or of any Series 2004A Borrower, Series 2005A Borrower or Series 2006A Borrower, except as expressly provided in the Series 2004A Trust Loan Agreements, the Series 2005A Trust Loan Agreements and the Series 2006A Trust Loan Agreements.

#### **The Series 2012B-R Refunding Bonds – General: 1995B Allocable Portion and 2001C Allocable Portion**

The Series 2012B-R Refunding Bonds will be special obligations of the Trust payable from and secured solely by, to the extent of the 1995B Allocable Portion and the 2001C Allocable Portion, a pledge of and lien upon all of the right, title and interest of the Trust in, to and under, respectively, the following:

- (i) loan repayments made pursuant to the Trust Loan Agreement entered into in connection with the Series 1995B Financing Program (the “Series 1995B Trust Loan Agreement”) and the Trust Loan Agreement entered into in connection with the Series 2001C Financing Program (the “Series 2001C Trust Loan Agreement”), which loan repayments are held, respectively, by the Series 1995B Loan Servicer in the Series 1995B Trust Bonds Security Account (as defined herein) and the Series 2001C Loan Servicer in the Series 2001C Trust Bonds Security Account (as defined herein);
- (ii) the Borrower Trust Loan Bond issued by the Series 1995B Borrower in connection with the Series 1995B Trust Loan Agreement (the “Series 1995B Borrower Trust Loan Bond”), and the Borrower Trust Loan Bond issued by the Series 2001C Borrower in connection with the Series 2001C Trust Loan Agreement (the “Series 2001C Borrower Trust Loan Bond”) pursuant to the terms of the Applicable Borrower Trust Loan Bond Resolution (respectively, the “Series 1995B Borrower Trust Loan Bond Resolution” and the “Series 2001C Borrower Trust Loan Bond Resolution”), which Series 1995B Borrower Trust Loan Bond and Series 2001C Borrower Trust Loan Bond are held by the Trust and assigned by the Trust, respectively, to the Series 1995B Trustee and the Series 2001C Trustee as security for the loan repayments described in clause (i) above;
- (iii) loan repayments made pursuant to the Fund Loan Agreements entered into in connection with the Series 1995B Financing Program (the “Series 1995B Fund Loan Agreement”) and the Series 2001C Financing Program (the “Series 2001C Fund Loan Agreement”), which loan repayments are held, respectively, by the Series 1995B Loan Servicer in the Series 1995B Trust Bonds Security Account, and the Series 2001C Loan Servicer in the Series 2001C Trust Bonds Security Account;
- (iv) the other Series 1995B Revenues (as defined herein) and the other Series 2001C Revenues (as defined herein) not included in clauses (i) or (iii) above;
- (v) the Series 1995B Debt Service Reserve Fund and the Series 2001C Debt Service Reserve Fund, respectively, established pursuant to the Series 1995B Bond Resolution and the Series 2001C Bond Resolution, respectively, including all proceeds and investment income derived therefrom

(respectively, the “Series 1995B Debt Service Reserve Fund” and the “Series 2001C Debt Service Reserve Fund”); and

- (vi) all other funds, accounts and subaccounts established, respectively, pursuant to the Series 1995B Bond Resolution and the Series 2001C Bond Resolution (but excluding the Debt Service Reserve Fund, the Operating Expense Fund, the Project Fund and the Rebate Fund established pursuant to each), together with all proceeds and investment income of the foregoing (items (i) through (vi) are referred to collectively herein, respectively, as the “Series 1995B Trust Estate” and the “Series 2001C Trust Estate”).

Each of the Series 1995B Trust Estate and the Series 2001C Trust Estate, respectively, does not include the Trust’s right, title and interest in those certain Series 1995B Trust Loan repayments and the Series 2001C Trust Loan repayments, respectively, that were required to be held by the Series 1995B Loan Servicer and the Series 2001C Loan Servicer and that, upon receipt by the Applicable Series Loan Servicer, were not to be deposited in the Series 1995B Trust Bonds Security Account and the Series 2001C Trust Bonds Security Account, respectively.

The “Series 1995B Revenues” and the “Series 2001C Revenues”, respectively, include:

- (i) all Series 1995B Loan repayments from the Series 1995B Borrower that were required to be deposited in the Series 1995B Trust Bonds Security Account to satisfy debt service due on the Bonds issued pursuant to the Series 1995B Bond Resolution, and all Series 2001C Loan repayments from the Series 2001C Borrower that were required to be deposited in the Series 2001C Trust Bonds Security Account to satisfy debt service due on the Bonds issued pursuant to the Series 2001C Bond Resolution, respectively, including moneys payable pursuant to the Series 1995B Borrower Service Agreement;
- (ii) payments, if any, made, respectively, to the Series 1995B Trustee and the Series 2001C Trustee by the Master Program Trustee from amounts on deposit in the Master Program Trust Account (and all subaccounts therein) (See “Master Program Trust Agreement” below);
- (iii) the proceeds derived from the payments included in clauses (i) and (ii) above, including, without limitation, investment income; and
- (iv) if necessary to satisfy the Series 2001C Loan repayments from the municipal Series 2001C Borrower, the State-aid payable to such municipal Series 2001C Borrower and, if necessary to satisfy the Series 1995B Loan repayments from the authority Series 1995B Borrower, the State-aid payable to certain municipal and county Series 1995B Participants (See “Refunding Program Borrower Service Agreements and Government Borrower Guaranties” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 1995B Bond Resolution and the Series 2001C Bond Resolution, respectively, each of the Series 1995B Trust Estate and the Series 2001C Trust Estate is pledged and assigned as security for the payment of the principal or redemption premium, if any, of and the interest on the Series 2012B-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof and the Remaining Outstanding Series 1995B Bonds and the Remaining Outstanding Series 2001C Bonds, respectively, subject to certain provisions of the Series 1995B Bond Resolution and the Series 2001C Bond Resolution, respectively, permitting the application thereof for the purposes and on the terms and conditions set forth therein. Each of the Series 1995B Trust Estate and the Series 2001C Trust Estate is immediately 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 otherwise against the Trust. In addition, the Master Program Trustee has pledged its interest in and to moneys and securities on deposit in the Master Program Trust Account to each of the Series 1995B Trustee (as part of the Series 1995B Trust Estate) and the Series 2001C Trustee (as part of the Series 2001C Trust Estate) to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012B-R Refunding Bonds are Coverage Receiving Bonds, they are secured by Fund Loan repayments from Coverage Providing Financing Programs that have been transferred to the Master Program Trustee for deposit in the Master Program Trust Account. Fund Loan repayments under the Coverage Providing Financing Programs provide additional security for Coverage Receiving Bonds. See “Coverage Providing Financing Programs” and “Coverage Receiving Financing Programs” herein.

The full faith and credit of the Trust are NOT pledged, either expressly or by implication, to the payment of the principal or redemption premium, if any, of or the interest on the Series 2012B-R Refunding Bonds. The Trust has no taxing power, and it has no claim on any revenues or receipts of the State or any agency or political subdivision thereof or of the Series 1995B Borrower or the Series 2001C Borrower, except as expressly provided, respectively, in the Series 1995B Trust Loan Agreement and the Series 2001C Trust Loan Agreement.

### **The Series 2012C-R Refunding Bonds – General**

The Series 2012C-R Refunding Bonds will be special obligations of the Trust payable from and secured solely by a pledge of and lien upon all of the right, title and interest of the Trust in, to and under:

- (i) loan repayments made pursuant to the Trust Loan Agreements entered into in connection with the Series 2003A Financing Program (the “Series 2003A Trust Loan Agreements”; the Series 1994A Trust Loan Agreements, the Series 1994B Trust Loan Agreements, the Series 2004A Trust Loan Agreements, the Series 2005A Trust Loan Agreements, the Series 2006A Trust Loan Agreements, the Series 1995B Trust Loan Agreement, the Series 2001C Trust Loan Agreement and the Series 2003A Trust Loan Agreements shall be referred to collectively herein as the “Refunding Program Trust Loan Agreements”), which loan repayments are held by the Series 2003A Loan Servicer in the Series 2003A Trust Bonds Security Account (as defined herein);
- (ii) the Borrower Trust Loan Bonds issued by the Series 2003A Borrowers in connection with the Series 2003A Trust Loan Agreements (the “Series 2003A Borrower Trust Loan Bonds”; the Series 1994A Borrower Trust Loan Bonds, the Series 1994B Borrower Trust Loan Bonds, the Series 2004A Borrower Trust Loan Bonds, the Series 2005A Borrower Trust Loan Bonds, the Series 2006A Borrower Trust Loan Bonds, the Series 1995B Borrower Trust Loan Bond, the Series 2001C Borrower Trust Loan Bond and the Series 2003A Borrower Trust Loan Bonds shall be referred to collectively herein as the “Refunding Program Borrower Trust Loan Bonds”) pursuant to the terms of the Borrower Trust Loan Bond Resolutions (the “Series 2003A Borrower Trust Loan Bond Resolutions”; the Series 1994A Borrower Trust Loan Bond Resolutions, the Series 1994B Borrower Trust Loan Bond Resolutions, the Series 2004A Borrower Trust Loan Bond Resolutions, the Series 2005A Borrower Trust Loan Bond Resolutions, the Series 2006A Borrower Trust Loan Bond Resolutions, the Series 1995B Borrower Trust Loan Bond Resolution, the Series 2001C Borrower Trust Loan Bond Resolution and the Series 2003A Borrower Trust Loan Bond Resolutions shall be referred to collectively herein as the “Refunding Program Borrower Trust Loan Bond Resolutions”), which Series 2003A Borrower Trust Loan Bonds are held by the Trust and assigned by the Trust to the Series 2003A Trustee as security for the loan repayments described in clause (i) above;
- (iii) loan repayments made pursuant to the Fund Loan Agreements entered into in connection with the Series 2003A Financing Program (the “Series 2003A Fund Loan Agreements”; the Series 1994A Fund Loan Agreements, the Series 1994B Fund Loan Agreements, the Series 2004A Fund Loan Agreements, the Series 2005A Fund Loan Agreements, the Series 2006A Fund Loan Agreements, the Series 1995B Fund Loan Agreement, the Series 2001C Fund Loan Agreement and the Series 2003A Fund Loan Agreements shall be referred to collectively herein as the “Refunding Program Fund Loan Agreements”), which loan repayments are held by the Series 2003A Loan Servicer in the Series 2003A Trust Bonds Security Account;
- (iv) the other Series 2003A Revenues (as defined herein) not included in clauses (i) or (iii) above;

- (v) the Series 2003A Debt Service Reserve Fund established pursuant to the Series 2003A Bond Resolution, including all proceeds and investment income derived therefrom (the “Series 2003A Debt Service Reserve Fund”; the Series 1994A Debt Service Reserve Fund, the Series 1994B Debt Service Reserve Fund, the Series 2004A Debt Service Reserve Fund, the Series 2005A Debt Service Reserve Fund, the Series 2006A Debt Service Reserve Fund, the Series 1995B Debt Service Reserve Fund, the Series 2001C Debt Service Reserve Fund and the Series 2003A Debt Service Reserve Fund shall be referred to collectively herein as the “Refunding Program Debt Service Reserve Funds”); and
- (vi) all other funds, accounts and subaccounts established pursuant to the Series 2003A Bond Resolution (but excluding the Operating Expense Fund, the Project Fund and the Rebate Fund), together with all proceeds and investment income of the foregoing (items (i) through (vi) are referred to collectively herein as the “Series 2003A Trust Estate”; the Series 1994A Trust Estate, the Series 1994B Trust Estate, the Series 2004A Trust Estate, the Series 2005A Trust Estate, the Series 2006A Trust Estate, the Series 1995B Trust Estate, the Series 2001C Trust Estate and the Series 2003A Trust Estate shall be referred to collectively herein as the “Refunding Program Trust Estates”).

The Series 2003A Trust Estate does not include the Trust’s right, title and interest in those certain Series 2003A Trust Loan repayments that were required to be held by the Series 2003A Loan Servicer and that, upon receipt by the Series 2003A Loan Servicer, were not to be deposited in the Series 2003A Trust Bonds Security Account.

The “Series 2003A Revenues” include:

- (vii) all Series 2003A Loan repayments from the Series 2003A Borrowers that were required to be deposited in the Series 2003A Trust Bonds Security Account to satisfy debt service due on the Series 2003A Bonds, including moneys payable pursuant to the respective Series 2003A Borrower Service Agreements (as defined herein), if such Series 2003A Borrower Service Agreement is required pursuant to the respective Series 2003A Borrower Trust Loan Bond Resolution; and
- (viii) payments, if any, made to the Series 2003A Trustee by the Master Program Trustee from amounts on deposit in the Master Program Trust Account (and all subaccounts therein) (See “Master Program Trust Agreement” below);
- (ix) the proceeds derived from the payments included in clauses (i) and (ii) above, including, without limitation, investment income; and
- (x) if necessary to satisfy the Series 2003A Loan repayments from municipal and county Series 2003A Borrowers, the State-aid payable to such municipal and county Series 2003A Borrowers; and if necessary to satisfy the Series 2003A Loan repayments from the authority Series 2003A Borrower, the State-aid payable to certain municipal and county Series 2003A Participants (See “Series 2003A Borrower Service Agreements” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 2003A Bond Resolution, the Series 2003A Trust Estate is pledged and assigned as security for the payment of the principal or redemption premium, if any, of and the interest on the Series 2012C-R Refunding Bonds and the Remaining Outstanding Series 2003A Bonds, subject to certain provisions of the Series 2003A Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Series 2003A Bond Resolution. The Series 2003A Trust Estate shall become immediately 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 otherwise against the Trust. In addition, the Master Program Trustee has pledged its interest in and to moneys and securities on deposit in the Master Program Trust Account to the Series 2003A Trustee (as part of the Series 2003A Trust Estate) to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012C-R Refunding Bonds are Coverage Receiving Bonds, they are secured by Fund Loan repayments from Coverage Providing Financing Programs that have been transferred to the Master Program Trustee for deposit in the Master Program Trust Account. Fund Loan repayments under the Coverage Providing Financing Programs provide additional security for Coverage Receiving Bonds. See “Coverage Providing Financing Programs” and “Coverage Receiving Financing Programs” herein.

The full faith and credit of the Trust are NOT pledged, either expressly or by implication, to the payment of the principal or redemption premium, if any, of or the interest on the Series 2012C-R Refunding Bonds. The Trust has no taxing power, and it has no claim on any revenues or receipts of the State or any agency or political subdivision thereof or of any Series 2003A Borrower, except as expressly provided in the Series 2003A Trust Loan Agreements.

### **Coverage Providing Financing Programs**

Upon the issuance of the Series 1995 Bonds (as defined herein), the Trust, the State, the prior loan servicers, the prior Trustees and United States Trust Company of New York, as master program trustee thereunder, entered into the Master Program Trust Agreement, dated as of November 1, 1995, as amended and supplemented (the “Master Program Trust Agreement”). In accordance with that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement (the “Succession Agreement”), dated as of November 1, 2001, and entered into pursuant to the successor provisions set forth in the Master Program Trust Agreement, State Street Bank & Trust Company, N.A. (predecessor to U.S. Bank Trust National Association) became the master program trustee (the “Master Program Trustee”) as of November 1, 2001. The Master Program Trustee holds all moneys, and securities purchased with moneys, deposited in the Master Program Trust Account established pursuant to the Master Program Trust Agreement (the “Master Program Trust Account”) in trust for the benefit of all holders of Coverage Receiving Bonds. Once the Interest Payment Date and/or the Principal Payment Date, as the case may be, with respect to either Series of the Series 2012 Refunding Bonds has been reached and the Applicable Refunding Fiduciary is still unable to satisfy the debt service payment due on the Applicable Series of Series 2012 Refunding Bonds on any such date, the Master Program Trustee shall satisfy any such deficiency to the extent of moneys on deposit in the Master Program Trust Account in accordance with the terms of the Master Program Trust Agreement, as further described herein under the caption “Security for the Series 2012 Refunding Bonds – Available Security Provisions for the Series 2012 Refunding Bonds – 6. Master Program Trust Agreement”.

Pursuant to the Master Program Trust Agreement, a Coverage Providing Financing Program is a Financing Program for which the State has agreed to subordinate its right to receive Fund Loan repayments to the payment of the principal of and interest on each series of Coverage Receiving Bonds. Any Fund Loan repayments payable pursuant to a given Coverage Providing Financing Program that remain following the repayment in full of the companion Trust Loans made pursuant to such Coverage Providing Financing Program are made available to secure each series of Coverage Receiving Bonds. Because the Trust Loan repayments in a given Coverage Providing Financing Program are used to pay debt service on the series of Bonds that financed such Trust Loans, this subordination by the State of its right to receive Fund Loan repayments remaining after repayment in full of such companion Trust Loans provides additional security for each such series of Coverage Receiving Bonds.

State approval is required for future Financing Programs to be designated as Coverage Providing Financing Programs that would provide additional security for Coverage Receiving Bonds, including the Series 2012 Refunding Bonds. Although the State has previously agreed to this subordination in every year that this additional security through the Master Program Trust Agreement has been in existence (i.e., from 1995 to the present) and although the Trust knows of no reason why the State would not agree to this future subordination, the Trust cannot assure that the State will continue to provide such subordination. Notwithstanding the foregoing, the State may not revoke the subordination authorized for the Coverage Providing Financing Programs from 1992 through and including 2012 for so long as Coverage Receiving Bonds, including the Series 2012 Refunding Bonds, under Coverage Receiving Financing Programs are outstanding.

“Coverage Providing Financing Programs” currently consist of all Financing Programs from 1992 through and including 2012 (including the Financing Programs containing all series of Refunding Bonds that have refunded the Bonds originally issued in 1989 to date), but excluding that portion of the 2001 Financing Program that refunded



all of the Bonds originally issued under the 1990 Financing Program (the “Excluded Financing Programs”). It should be noted that on December 1, 2005, the Trust issued its Environmental Infrastructure Revenue Bonds (Bergen County Improvement Authority – EnCap Golf Holdings, LLC Project), Series 2005 (the “BCIA-EnCap Bonds”), which bonds were not issued pursuant to the traditional Financing Program of the Trust. Therefore, the BCIA-EnCap Bonds are not Coverage Receiving Bonds and do not constitute a Coverage Providing Financing Program.

See Appendix D – “AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS”.

### **Coverage Receiving Financing Programs**

Coverage Receiving Financing Programs are secured by the balance of Fund Loan repayments made pursuant to Coverage Providing Financing Programs. Specifically, once Fund Loan repayments made pursuant to a given Coverage Providing Financing Program are no longer needed to secure the Series of Bonds issued to fund the companion Trust Loans made by the Trust as part of such Coverage Providing Financing Program, such Fund Loan repayments are turned over to the Master Program Trustee for deposit in the Master Program Trust Account so as to provide additional security for all Bonds issued in all Coverage Receiving Financing Programs, including, without limitation, the Series 2012 Refunding Bonds (the “Coverage Receiving Bonds”), as such term is more fully defined below. Under the terms of the Master Program Trust Agreement, the holders of all Coverage Receiving Bonds have a pro-rata secured interest in the moneys and securities on deposit in the Master Program Trust Account. This pro-rata interest is maintained by requiring each series of Coverage Receiving Bonds to amortize principal on September 1 of each year and to pay interest semiannually on March 1 and September 1 of each year until final maturity (stated or otherwise).

The Trust retains full discretion to determine, with the consent of the State, whether future Financing Programs will be Coverage Providing Financing Programs, Coverage Receiving Financing Programs, both or neither. If more series of Coverage Receiving Bonds are issued by the Trust in future Financing Programs without a corresponding increase in Coverage Providing Financing Programs, the amount of security provided by the Coverage Providing Financing Programs that will be available to all series of Coverage Receiving Bonds will decrease. Therefore, there is a potential to reduce the amount of security available from the Coverage Providing Financing Programs to any one series of Coverage Receiving Bonds, such as the Series 2012 Refunding Bonds.

“Coverage Receiving Financing Programs” currently consist of:

- (i) the two series of Bonds issued to finance the 1995 Financing Program (the “Series 1995 Bonds”);
- (ii) the two series of Bonds issued to finance the 1996 Financing Program (the “Series 1996 Bonds”);
- (iii) the single series of Bonds issued to finance the 1997 Financing Program (exclusive of that portion of the 1997 Financing Program that refunded one series of Bonds issued under the 1990 Financing Program and one series of Bonds issued under the 1991 Financing Program) (the “Series 1997 Bonds”);
- (iv) the two series of Bonds issued to finance the 1998 Financing Program (exclusive of that portion of the 1998 Financing Program that refunded a portion of two series of Bonds issued under the 1992 Financing Program) (the “Series 1998 Bonds”);
- (v) the two series of Bonds issued to finance the 1999 Financing Program (the “Series 1999 Bonds”);
- (vi) the two series of Bonds issued to finance the 2000 Financing Program (the “Series 2000 Bonds”);
- (vii) the three series of Bonds issued to finance the 2001 Financing Program (the “Series 2001 Bonds”);
- (viii) the two series of Bonds issued to finance the 2002 Financing Program (the “Series 2002 Bonds”);

- (ix) the single series of Bonds issued to finance the 2003 Financing Program (the “Series 2003 Bonds”);
- (x) the two series of Bonds issued to finance the 2004 Financing Program (the “Series 2004 Bonds”);
- (xi) the two series of Bonds issued to finance the 2005 Financing Program (the “Series 2005 Bonds”);
- (xii) the two series of Bonds issued to finance the 2006 Financing Program (the “Series 2006 Bonds”);
- (xiii) the single series of Bonds issued to finance the 2007 Financing Program (the “Series 2007 Bonds”);
- (xiv) the single series of Bonds issued to finance the 2008 Financing Program (the “Series 2008 Bonds”);
- (xv) the two series of Bonds issued to finance the 2009 Financing Program (the “Series 2009 Bonds”);
- (xvi) the single series of Bonds issued to finance the 2010A Financing Program (the “Series 2010A Bonds”);
- (xvii) the two series of Bonds issued to finance the 2010 B&C Financing Program (the “Series 2010 B&C Bonds”); and
- (xviii) the three series of Bonds issued to finance the 2012 Financing Program (the “Series 2012 Bonds”).

Coverage Receiving Financing Programs also include the Financing Programs containing all Series of Refunding Bonds that have refunded all or a portion of the above-referenced Series of Bonds, including, without limitation, the Series 2012 Refunding Bonds, and all future Financing Programs so designated by the Trust in accordance with Section 4(a) of the Master Program Trust Agreement. The Series 1995 Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1998 Bonds, the Series 1999 Bonds, the Series 2000 Bonds, the Series 2001 Bonds, the Series 2002 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, the Series 2005 Bonds, the Series 2006 Bonds, the Series 2007 Bonds, the Series 2008 Bonds, the Series 2009 Bonds, the Series 2010A Bonds, the Series 2010 B&C Bonds, the Series 2012 Bonds, all Series of Refunding Bonds that have refunded all or a portion of such Series of Bonds (including, without limitation, the Series 2012 Refunding Bonds), and all series of Bonds to be issued pursuant to future Financing Programs as so designated (the “Future Bonds”) may be referred to collectively as “Coverage Receiving Bonds.” It should be noted that on December 1, 2005, the Trust issued the BCIA-EnCap Bonds, which bonds were not issued pursuant to the traditional Financing Program of the Trust. Therefore, the BCIA-EnCap Bonds are not Coverage Receiving Bonds and do not constitute a Coverage Providing Financing Program.

See Appendix D – “AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS”.

### **Amount of Coverage**

To the extent that each Borrower in each Coverage Providing Financing Program repays its Trust Loan and Fund Loan on time and in full, Fund Loan repayments will be available to secure the Coverage Receiving Bonds as of each semiannual debt service payment date of such Coverage Receiving Bonds in the aggregate amounts set forth in Appendix D - “AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS.” Although these amounts currently are scheduled to be available to provide additional security for the Coverage Receiving Bonds, no assurance can be given by the Trust that all such Trust Loan and Fund Loan repayments will be made by the Borrowers on time and in full. In addition, due to the ability, pursuant to Department Regulations, of Borrowers in Coverage Providing Financing Programs to adjust the amount of their Fund Loan downward in order to reflect lower than anticipated Project costs, the Fund Loan repayments of such Borrowers may be reduced in inverse order of maturity in the event that such downsizing of the Fund Loan amount occurs. To the extent such downsizing does occur, the amounts set forth in this aggregate

coverage table will be reduced correspondingly. As of the date of this Official Statement, every Borrower in every Financing Program has timely made its Trust Loan and Fund Loan repayments on time and in full so as to allow each respective Trustee to pay debt service on its respective series of Bonds on time and in full.

See Appendix D – “AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS.”

### **Source of Repayment of Loans**

All municipal and county Borrowers issue their Borrower Bonds pursuant to the State’s Local Bond Law, constituting Chapter 169 of the Pamphlet Laws of 1960 of the State (N.J.S.A. 40A:2-1 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the “Local Bond Law”). The Local Bond Law requires each such Borrower, if necessary, to levy *ad valorem* taxes upon all of the taxable property within the jurisdiction of the Borrower, without limitation as to rate or amount (“Taxes”), in order to pay debt service on the respective Borrower Bonds. Over ninety percent (90%) of the aggregate principal amount of Borrower Bonds in Coverage Providing Financing Programs are secured by either a direct or an indirect general obligation, full faith and credit pledge of a municipal or county government in the State.

In the event that any municipal or county Borrower does not make timely payment in full of its Loan repayment obligation on any payment date, the Trust and the Trustee for the series of Bonds that is secured by the Borrower Bonds of any such Borrower would immediately be vested with the right to seek specific performance on the general obligation pledge under the Borrower Bonds and to seek an appropriate court order to require the municipal or county Borrower to raise Taxes.

Most municipal, county or regional authority or commission Borrowers (the “Authority Borrowers”) issue their Borrower Bonds pursuant to either the sewerage authorities law, constituting Chapter 138 of the Pamphlet Laws of 1946 of the State (N.J.S.A. 40:14A-1 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the “Sewerage Authorities Law”), the municipal and county utilities authorities law, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State (N.J.S.A. 40:14B-1 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the “Municipal and County Utilities Authorities Law”), the county improvement authorities law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State (N.J.S.A. 40:37A-44 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the “County Improvement Authorities Law”), or the redevelopment area bond financing law, constituting Chapter 310 of the Pamphlet Laws of 2001 of the State (N.J.S.A. 40A:12A-64 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the “Redevelopment Area Bond Law”) (collectively, the “Authorities Laws”). In addition, some Authority Borrowers issue their Borrower Bonds pursuant to laws other than those discussed in the preceding sentence. The Authorities Laws allow for any such Authority Borrowers to enter into deficiency, service or other contracts (the “Borrower Service Agreements”) with underlying municipalities, counties and other local government authorities (the “Participants”). The Authorities Laws further allow Participants to enter into deficiency, service or other contracts (the “Indirect Borrower Service Agreements”) with underlying municipalities and counties (the “Indirect Participants”). The Borrower Service Agreements require that Participants pay certain amounts (the “Annual Charges”), including the Participants’ share of debt service on all Borrower Bonds issued by the respective Authority Borrower. The Indirect Borrower Service Agreements require that Indirect Participants pay certain amounts (the “Indirect Annual Charges”), including the Indirect Participants’ share of the Participants’ share of debt service on all Borrower Bonds issued by the respective Authority Borrower.

In the event that any Authority Borrower that has entered into Borrower Service Agreements providing the general obligation pledge of Annual Charges payable by its Participants does not make timely payment in full of its Loan repayment obligation on any payment date, the Authority Borrower has covenanted in its Loan Agreements to pursue immediately any remedies available to the Authority Borrower under the applicable Borrower Service Agreements, including, without limitation, the right of such Authority Borrower to seek specific performance on the general obligation pledge of Annual Charges by the Participants under the Borrower Service Agreements and to seek an appropriate court order to require the municipal or county Participants to raise Taxes. All other Authority Borrowers that have entered into Borrower Service Agreements without the general obligation pledge of Annual Charges have similarly covenanted in their Loan Agreements to pursue any rights available against Participants to recover Annual Charges. These Authority Borrower obligations would arise as soon as Loan repayments have not

been received in full and on time. Thereupon, the Trust and the Trustee for the affected series of Bonds would have the right to seek a court order to force the Authority Borrower to pursue the remedies described herein.

In addition, the County Improvement Authorities Law and the Redevelopment Area Bond Financing Law each permit certain counties and municipalities (the "Government Borrower Guarantors") to guaranty unconditionally and irrevocably (the "Government Borrower Guaranties") the payment of debt service on Authority Borrower Bonds issued by (i) in the case of the County Improvement Authorities Law, county improvement authorities and (ii) in the case of the Redevelopment Area Bond Law, "redevelopment entities" as defined therein, which guaranty payments (the "Government Guaranty Payments") shall be made from any available source including, if necessary, the levy of *ad valorem* taxes upon all of the taxable property within the jurisdiction of the Government Borrower Guarantors, without limitation as to rate or amount.

In the event that any Authority Borrower that has entered into Government Borrower Guaranties involving the general obligation pledge of Government Guaranty Payments payable by its Government Borrower Guarantors does not make timely payment in full of its Loan repayment obligation on any payment date, the Authority Borrower has covenanted in its Loan Agreements to pursue immediately any remedies available to the Authority Borrower under any applicable Government Borrower Guaranties. Such remedies would include the right of such Authority Borrower to seek specific performance on the general obligation pledge of Government Guaranty Payments by the Government Borrower Guarantors under the Government Borrower Guaranties and to seek an appropriate court order to require the municipal or county Government Borrower Guarantors to levy *ad valorem* taxes upon all of the taxable property within the jurisdiction of such municipal or county Government Borrower Guarantors, without limitation as to rate or amount.

All Private Borrowers (other than nonprofit entities) issue their Borrower Bonds pursuant to the New Jersey Business Corporation Act, constituting Chapter 263 of the Pamphlet Laws of 1968 of the State (N.J.S.A. 14A:1-1 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the "Business Corporation Law"). The Business Corporation Law permits private corporations (the "Private Borrower Guarantors"; the Government Borrower Guarantors and the Private Borrower Guarantors shall be referred to collectively herein as the "Borrower Guarantors") to guaranty unconditionally and irrevocably (the "Private Borrower Guaranties"; the Government Borrower Guaranties and the Private Borrower Guaranties shall be referred to collectively herein as the "Borrower Guaranties") the payment of debt service on the Borrower Bonds of Private Borrowers, which guaranty payments (the "Private Guaranty Payments"; the Government Guaranty Payments and the Private Guaranty Payments shall be referred to collectively herein as the "Guaranty Payments") shall be made from any available source or one or more dedicated sources, all as set forth in the Private Borrower Guaranties. Moreover, certain Private Borrowers may be required to additionally secure their Borrower Bonds with (i) letters of credit (the "Private Borrower Letters of Credit") issued by financial institutions authorized to transact business in the State, (ii) mortgages (the "Private Borrower Mortgages") or (iii) special reserve funds (the "Private Borrower Special Reserve Funds").

In the event that any Private Borrower that has entered into Private Borrower Guaranties involving the full faith and credit pledge of Private Guaranty Payments payable by its Private Borrower Guarantors does not make timely payment in full of its Loan repayment obligation on any payment date, the Private Borrower has covenanted in its Loan Agreements to pursue immediately any remedies available to the Private Borrower under the applicable Private Borrower Guaranties. This would include the right of such Private Borrower to seek specific performance on the pledge of Private Guaranty Payments by the Private Borrower Guarantors under the Private Borrower Guaranties.

Depending upon the specific security applicable to each Borrower Bond, a Loan repayment can be timely made in full by a Borrower in a Coverage Providing Financing Program from sources other than revenues or general obligation taxes if such amounts are not forthcoming. For example, Borrower Bonds of Authority Borrowers and Private Borrowers may be additionally secured by amounts on deposit in debt service reserve funds or special reserve funds created and existing under the respective Borrower Bond Resolutions. These debt service reserve funds or special reserve funds will be drawn on when System revenues (including Annual Charges, Indirect Annual Charges, Government Guaranty Payments, or Private Guaranty Payments) and, if applicable, general obligation taxes are insufficient to pay debt service on any Borrower Bonds on any applicable debt service payment date.

Under Section 12a of the Trust Act, certain Trust Loans remaining unpaid for thirty (30) days may be satisfied from State-aid otherwise due, as applicable, to (i) the municipal or county Borrower, (ii) the municipal or county Participant of an Authority Borrower that has pledged the payment of Annual Charges, or (iii) the municipal or county Government Borrower Guarantor of an Authority Borrower that has pledged the payment of Government Guaranty Payments. The State-aid intercept is not available for Trust Loan repayments from Authority Borrowers directly, from Private Borrowers, from Private Borrower Guarantors, from the Participants of Authority Borrowers whose obligations arise by statute (as opposed to Borrower Service Agreements) and from Indirect Participants. The State-aid intercept also is not available for the repayment of Borrower Fund Loan Bonds.

The Trustee in any Financing Program acting for the benefit of the holders of a series of Bonds secured by Trust Loans that are past due will automatically receive any Fund Loan repayments made by the other Borrowers in any such Financing Program up to an amount necessary to satisfy any such deficiency. Any such Trustee need not pursue nor cause the Trust to pursue any of the rights or remedies discussed above in order to receive the Fund Loan repayments because all Loan repayments for any given Financing Program are paid (either directly or indirectly through a loan servicer) to the Trustee for such Financing Program. Regardless of whether the Trustee satisfies this deficiency from Fund Loan repayments, the Trust and the Trustee retain their rights to pursue the other remedies discussed above. Although no remedy discussed above need be pursued prior to any other remedy, no remedy may be pursued prior to the time when the Trust or the Trustee, as the case may be, obtains those rights. Except for the State-aid intercept, which cannot be invoked until thirty (30) days have passed from the time of a Trust Loan delinquency, all of the rights and remedies discussed above are available to the Trust and the Trustee immediately upon the failure by a Borrower to make a complete and timely Trust Loan repayment.

**Notwithstanding the existence of the remedies noted in the foregoing paragraphs, the Trust cannot assure that a court of competent jurisdiction would enforce these rights or, if a court of competent jurisdiction does enforce these rights, that it would do so in the manner discussed above.**

For information relating to the source of repayment of the Refunding Program Loans, see Appendix B – “REFUNDING PROGRAM BORROWERS” and “SECURITY FOR THE SERIES 2012 REFUNDING BONDS – Available Security Provisions for the Series 2012 Refunding Bonds”, below.

#### **Available Security Provisions for the Series 2012 Refunding Bonds**

The following sections discuss the specific provisions for security for the payment of the principal of, redemption premium, if any, and the interest on the Series 2012 Refunding Bonds. Although no remedy discussed herein need be pursued prior to any other remedy, no remedy may be pursued prior to the time when the Trust or the Applicable Refunding Program Trustee, as the case may be, obtains those rights. Except for the State-aid intercept, which cannot be invoked until thirty (30) days have passed from the time of a Refunding Program Trust Loan delinquency, all of the rights and remedies discussed herein are available to the Trust and the Applicable Refunding Program Trustee immediately upon the failure by a Refunding Program Borrower to make a complete and timely Refunding Program Trust Loan repayment.

### **1. Refunding Program Trust Loan Agreements**

Pursuant to each of the Refunding Program Trust Loan Agreements:

- (i) Upon the issuance by the Trust of its Series 1994A Bonds, Series 1994B Bonds, Series 2004A Bonds, Series 2005A Bonds, Series 2006A Bonds, Series 1995B Bonds, Series 2001C Bonds and Series 2003A Bonds, as the case may be, each Applicable Refunding Program Borrower was required to deliver to the Trust a valid Refunding Program Trust Loan Bond evidencing and securing the repayment obligation of such Refunding Program Borrower with respect to its Refunding Program Trust Loan.
- (ii) The Refunding Program Trust Loan repayments payable by the Refunding Program Borrowers pursuant to their respective Refunding Program Trust Loan Agreements will equal the principal and interest payments that the Trust is required to make on (i) the Applicable Allocable Portion of

the Applicable Series of the Series 2012 Refunding Bonds and (ii) the Applicable Remaining Outstanding Refunding Program Bonds, and are due from the Refunding Program Borrowers on February 1 (interest only) and August 1 (principal and interest) of each year (except in the case of (a) the Series 1994A Borrowers, the Series 1994B Borrowers and certain other Refunding Program Borrowers that make their semiannual payments earlier than required in satisfaction of requirements set forth in their respective Refunding Program Borrower Trust Loan Bond Resolutions), with interest payments continuing until the end of the Refunding Program Trust Loan terms, such dates being at least thirty (30) days prior to the respective March 1 and September 1 payment dates for the Applicable Series of the Series 2012 Refunding Bonds and the Applicable Series of the Remaining Outstanding Refunding Program Bonds.

- (iii) Each Refunding Program Trust Loan Agreement establishes certain conditions precedent to, among other things, the prepayment of the Refunding Program Trust Loan and the Refunding Program Borrower Trust Loan Bond and to the assignment of such Refunding Program Trust Loan Agreement by the Applicable Refunding Program Borrower, which preconditions include, but are not limited to, the written approval thereof by the Trust.

In addition, all principal of Borrower Fund Loans is payable at least thirty (30) days prior to the payment date with respect to the respective Series of Bonds from which any companion Trust Loans were funded in order to provide additional security for such Series 2012 Refunding Bonds.

The repayment obligations under each of the Series 1994A Trust Loans, the Series 1994B Trust Loans, the Series 2004A Trust Loans, the Series 2005A Trust Loans, the Series 2006A Trust Loans, the Series 1995B Trust Loans, the Series 2001C Trust Loans and the Series 2003A Trust Loans, respectively, are sufficient, in the aggregate, to pay the principal of and interest on the Series 2012 Refunding Bonds to the extent of the Applicable Allocable Portion thereof and all of the Applicable Remaining Outstanding Refunding Program Bonds.

Upon the Series 1998F Refunding Bond Defeasance and the Series 1998G Refunding Bond Defeasance, respectively, debt service for the Series 1998F Refunding Bonds to be Refunded and the Series 1998G Refunding Bonds to be Refunded, respectively, will be satisfied from amounts on deposit in the respective Series 1998F Escrow Fund and the Series 1998G Escrow Fund. The respective Series 1994A Trust Loan and Series 1994B Trust Loan repayment amounts previously allocable to payment of debt service on the Series 1998F Refunding Bonds to be Refunded and the Series 1998G Refunding Bonds to be Refunded, respectively, are no longer needed for the amortization thereof. Therefore, all of the respective Series 1994A Trust Loan and Series 1994B Trust Loan repayments made by the Series 1994A Borrowers and the Series 1994B Borrowers, respectively, to the Series 1994A Loan Service and the Series 1994B Loan Servicer, respectively, upon their respective deposit in the respective Series 1994A Trust Bonds Security Account and Series 1994B Trust Bonds Security Account immediately will be turned over respectively to the Series 1994A Trustee and the Series 1994B Trustee for payment of the principal of and interest on the Series 2012A-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof.

Upon each of the Series 2004A Bond Defeasance, the Series 2005A Bond Defeasance and the Series 2006A Bond Defeasance, debt service for the Series 2004A Bonds to be Refunded, the Series 2005A Bonds to be Refunded and the Series 2006A Bonds to be Refunded, respectively, will be satisfied from amounts on deposit, respectively, in the Series 2004A Escrow Fund, the Series 2005A Escrow Fund and the Series 2006A Escrow Fund. The Series 2004A Trust Loan, the 2005A Trust Loan and the Series 2006A Trust Loan repayment amounts, respectively, previously allocable to payment of debt service on the Series 2004A Bonds to be Refunded, the Series 2005A bonds to be Refunded and the Series 2006A Bonds to be Refunded are no longer needed for the amortization thereof. Therefore, all of the Series 2004A Trust Loan, the Series 2005A Trust Loan and the Series 2006A Trust Loan repayments made by the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers, respectively, to the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively, will be applied to the payment of the principal of and interest on the Series 2012A-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof and the Applicable Remaining Outstanding Refunding Program Bonds.

However, the respective original Series 1994A Trust Loan, Series 1994B Trust Loan, Series 2004A Trust Loan, Series 2005A Trust Loan, and Series 2006A Trust Loan repayment obligations would otherwise exceed the amount necessary to pay debt service on the Series 2012A-R Refunding Bonds to the extent of the Applicable Allocable Portion and the Applicable Remaining Outstanding Refunding Program Bonds. Therefore, that portion of the original Series 1994A Trust Loan, Series 1994B Trust Loan, Series 2004A Trust Loan, Series 2005A Trust Loan and Series 2006A Trust Loan repayment obligations of the respective Series 1994A Borrowers, the Series 1994B Borrowers, the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers not required to pay debt service on the Series 2012A-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof and the Applicable Remaining Outstanding Refunding Program Bonds will constitute a savings and will be applied as a credit to the Series 1994A Trust Loan, Series 1994B Trust Loan, Series 2004A Trust Loan, Series 2005A Trust Loan and Series 2006A Trust Loan repayment obligations of the respective Participating Series 1994A Borrowers, the Participating Series 1994B Borrowers, the Participating Series 2004A Borrowers, the Participating Series 2005A Borrowers and the Participating Series 2006A Borrowers.

Upon each of the Series 1995B Bond Defeasance and the 2001C Bond Defeasance, debt service for the Series 1995B Bonds to be Refunded and the Series 2001C Bonds to be Refunded will be satisfied from amounts on deposit respectively in the Series 1995B Escrow Fund and the Series 2001C Escrow Fund. The respective Series 1995B Trust Loan and Series 2001C Trust Loan repayment amounts previously allocable to payment of debt service on the Series 1995B Bonds to be Refunded and the Series 2001C Bonds to be Refunded are no longer needed for the amortization thereof. Therefore, all of the respective Series 1995B Trust Loan and Series 2001C Trust Loan repayments made, respectively, by the Series 1995B Borrower and the Series 2001C Borrower to the Series 1995B Loan Servicer and the Series 2001C Loan Servicer, respectively, upon their deposit in the Series 1995B Trust Bonds Security Account and the Series 2001C Trust Bonds Security Account immediately will be turned over to the Series 1995B Trustee and the Series 2001C Trustee, respectively, for payment of the principal of and interest on the Series 2012B-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof and the Applicable Remaining Outstanding Refunding Program Bonds.

However, the respective original Series 1995B Trust Loan and Series 2001C Trust Loan repayment obligations would otherwise exceed the amount necessary to pay debt service on the Series 2012B-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof and the Applicable Remaining Outstanding Refunding Program Bonds. Therefore, that portion of the respective original Series 1995B Trust Loan and Series 2001C Trust Loan repayment obligations of the Series 1995B Borrower and the Series 2001C Borrower not required to pay debt service on the Series 2012B-R Refunding Bonds to the extent of the Applicable Allocable Portion thereof and the Applicable Remaining Outstanding Refunding Program Bonds will constitute a savings and will be applied as a credit to the Series 1995B Trust Loan and the Series 2001C Trust Loan repayment obligations of the Participating Series 1995B Borrower and the Participating Series 2001C Borrower, respectively.

Upon the Series 2003A Bond Defeasance, the redemption price of the Series 2003A Bonds to be Refunded will be satisfied from amounts on deposit in the Series 2003A Debt Service Fund. The Series 2003A Trust Loan repayment amounts previously allocable to payment of debt service on the Series 2003A Bonds to be Refunded will no longer be needed for the amortization thereof. Therefore, all of the Series 2003A Trust Loan repayments made by the Series 2003A Borrowers to the Series 2003A Loan Servicer upon their deposit in the Series 2003A Trust Bonds Security Account immediately will be turned over to the Series 2003A Trustee for payment of the principal of and interest on the Series 2012C-R Refunding Bonds and the Remaining Outstanding Series 2003A Bonds.

However, the original Series 2003A Trust Loan repayment obligations would otherwise exceed the amount necessary to pay debt service on the Series 2012C-R Refunding Bonds and the Remaining Outstanding Series 2003A Bonds. Therefore, that portion of the original Series 2003A Trust Loan repayment obligations of the Series 2003A Borrowers not required (i) to pay debt service on the Series 2012C-R Refunding Bonds and the Remaining Outstanding Series 2003A Bonds and (ii) reimburse the Trust for the costs incurred by the Trust in connection with the issuance of the Series 2012C-R Refunding Bonds will constitute a savings that will be applied as a credit to the Series 2003A Trust Loan repayment obligations of the Participating Series 2003A Borrowers.

*General Obligation Refunding Program Borrowers.* The obligations of certain Refunding Program Borrowers (the “General Obligation Refunding Program Borrowers”) to repay their Refunding Program Trust Loans are direct and general obligations and ultimately payable from their general tax revenues. Under the terms of its

respective Refunding Program Trust Loan Agreement, each General Obligation Refunding Program Borrower (i) has covenanted to provide the resources to maintain its System in good repair and operating condition and (ii) irrevocably has pledged its full faith and credit and covenanted to exercise its unlimited taxing powers for the punctual payment of the principal of and interest on its Refunding Program Trust Loan and Refunding Program Borrower Trust Loan Bond. Simultaneously with the execution of the Refunding Program Trust Loan Agreements, the Trust received an opinion from counsel to each General Obligation Refunding Program Borrower to the effect that such General Obligation Refunding Program Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to its Refunding Program Borrower Trust Loan Bond as to the pledge of and lien on the general tax revenues of such General Obligation Refunding Program Borrower.

*Special Obligation Refunding Program Borrowers.* The obligations of certain Refunding Program Borrowers (the “Special Obligation Refunding Program Borrowers”) to repay their Refunding Program Trust Loans are special obligations of each such Special Obligation Refunding Program Borrower and payable solely from the pledged revenues or other receipts of its respective System. The obligations of certain Special Obligation Refunding Program Borrowers (the “Junior Lien Borrowers”) to repay their respective Refunding Program Trust Loans will be payable from funds made available by such Junior Lien Borrowers under their respective subordinate lien Borrower Bond Resolutions. Notwithstanding the subordinate nature of the lien described in foregoing sentence, the municipal and county Participants for such Junior Lien Borrowers are each required to exercise their unlimited taxing power in order to pay their respective Annual Charges. See “Sources of Repayment of Loans” herein.

Under the terms of its Refunding Program Trust Loan Agreement, each Special Obligation Refunding Program Borrower has pledged to (i) maintain its System in good repair and operating condition and (ii) establish, levy and collect rents, rates and other charges for the products and services provided by its System, which are at least sufficient (a) to meet the operation and maintenance expenses of such System and (b) to generate funds sufficient to fulfill the terms and conditions of all contracts and agreements made by it, including, without limitation, its Refunding Program Trust Loan Agreement and its Refunding Program Borrower Trust Loan Bond. Simultaneously with the execution of the Refunding Program Trust Loan Agreements, the Trust received an opinion from counsel to each Special Obligation Refunding Program Borrower, except for the Junior Lien Borrowers, to the effect that such Special Obligation Refunding Program Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to its Refunding Program Borrower Trust Loan Bond as to the pledge of and lien on the pledged revenues of such Special Obligation Refunding Program Borrower’s System.

For additional information regarding the provisions, terms and conditions of the Refunding Program Trust Loan Agreements, see Appendix F hereto – “SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM BORROWERS), THE REFUNDING PROGRAM FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS”. For information concerning which Refunding Program Borrowers are General Obligation Refunding Program Borrowers and which Refunding Program Borrowers are Special Obligation Refunding Program Borrowers, see Appendix B hereto - “REFUNDING PROGRAM BORROWERS”.

## **2. Refunding Program Borrower Debt Service Reserve Funds**

If and when a Special Obligation Refunding Program Borrower is unable to make its Refunding Program Trust Loan repayment in full when due from pledged System revenues, the trustee for the Applicable Refunding Program Borrower Trust Loan Bonds and the Refunding Program Borrower Fund Loan Bonds (collectively, the “Refunding Program Borrower Bonds”) is required to satisfy any such deficiency on the Refunding Program Trust Loan repayment date, if applicable, from a draw on the debt service reserve fund created and existing pursuant to the Applicable Borrower Trust Loan Bond Resolution (as applicable, the “Series 1994A Borrower Debt Service Reserve Fund”, the “Series 1994B Borrower Debt Service Reserve Fund”, the “Series 2003A Borrower Debt Service Reserve Fund”, the “Series 2004A Borrower Debt Service Reserve Fund”, the “Series 2005A Borrower Debt Service Reserve Fund” and the “Series 2006A Borrower Debt Service Reserve Fund”, referred to collectively herein as the “Refunding Program Borrower Debt Service Reserve Funds”) for such Special Obligation Refunding Program Borrower. However, the Refunding Program Bond Resolutions do not require the funding of a Refunding Program



Borrower Debt Service Reserve Fund and not all Refunding Program Borrower Trust Loan Bond Resolutions require the funding of a Refunding Program Borrower Debt Service Reserve Fund.

### **3. Refunding Program Borrower Service Agreements and Government Borrower Guaranties**

As further security for the payment of the Series 2012 Refunding Bonds to the extent of the Applicable Allocable Portion and the Applicable Remaining Outstanding Refunding Program Bonds, most Special Obligation Refunding Program Borrowers have entered into a Borrower Service Agreement (the “Refunding Program Borrower Service Agreements”) with Participants (the “Refunding Program Participants”) that receive environmental infrastructure service from such Special Obligation Refunding Program Borrowers. Some Special Obligation Refunding Program Borrowers have entered into Government Borrower Guaranties. The Refunding Program Borrower Service Agreements require that Refunding Program Participants pay certain deficiencies or other amounts (the “Refunding Program Annual Charges”), including the Refunding Program Participants’ share of debt service on the respective Refunding Program Borrower Bonds of the respective Special Obligation Refunding Program Borrower. Pursuant to the Refunding Program Borrower Service Agreements, any deficiency giving rise to a Refunding Program Annual Charge is calculated at the end of each fiscal year of the Special Obligation Refunding Program Borrower and is submitted to the Refunding Program Participant for payment as provided therein. The Government Borrower Guaranties require that the Government Borrower Guarantors pay debt service on the respective Refunding Program Borrower Bonds of the respective Refunding Program Borrowers. Under the terms of the respective Refunding Program Borrower Service Agreements, the Government Borrower Guaranties, the Authorities Laws and all other applicable law, most municipal and county Refunding Program Participants or the Government Borrower Guarantors, as applicable, are required to levy *ad valorem* taxes upon all of the taxable property within the jurisdiction of the municipal and county Refunding Program Participants or Government Borrower Guarantors, without limitation as to rate or amount, in order to pay the respective Refunding Program Annual Charges or debt service on the Refunding Program Borrower Bonds of the Special Obligation Borrowers.

If and when any Special Obligation Refunding Program Borrower that has entered into a Refunding Program Borrower Service Agreement or a Government Borrower Guaranty is unable to make its Refunding Program Trust Loan repayment in full when due from pledged System revenues and is unable to satisfy any such deficiency in full from a draw on its Refunding Program Borrower Debt Service Reserve Fund, if applicable, such Special Obligation Refunding Program Borrower has covenanted in its Refunding Program Trust Loan Agreement to take all measures permitted under its Refunding Program Borrower Service Agreement or Government Borrower Guaranty, as the case may be, to collect such deficiency from its Refunding Program Participants or the Government Borrower Guarantors, as the case may be. This obligation arises immediately on the Refunding Program Trust Loan payment date.

For information regarding Special Obligation Refunding Program Borrowers, the Refunding Program Trust Loan repayments of which are secured by Refunding Program Borrower Service Agreements or Government Borrower Guaranties, see Appendix B hereto - “REFUNDING PROGRAM BORROWERS”.

### **4. Refunding Program Loan Servicing Agreements and Series 2004A Bond Resolution, Series 2005A Bond Resolution and Series 2006A Bond Resolution**

Except with respect to the Series 2004A Trust Loan repayments, the Series 2005A Trust Loan repayments and the Series 2006A Trust Loan repayments, pursuant to each Refunding Program Loan Servicing Agreement, the applicable Refunding Program Loan Servicer deposits all Applicable Refunding Program Trust Loan repayments and all Applicable Refunding Program Fund Loan repayments in the Applicable Trust Bonds Security Account (as applicable, the “1994A Trust Bonds Security Account”, “Series 1994B Trust Bonds Security Account”, “Series 1995B Trust Bonds Security Account”, “Series 2001C Trust Bonds Security Account” and “Series 2003A Trust Bonds Security Account”, referred to collectively herein as the “Refunding Program Trust Bonds Security Accounts”) established pursuant to the Applicable Refunding Program Loan Servicing Agreement to provide sufficient moneys to pay debt service on the Applicable Series of the Series 2012 Refunding Bonds and the Applicable Series of the Remaining Outstanding Refunding Program Bonds, prior to the repayment of the Applicable Refunding Program Fund Loans. With respect to the Series 2004A Trust Loans, the Series 2005A Trust Loans and the Series 2006A Trust Loans, pursuant to the Series 2004A Bond Resolution, the Series 2005A Bond

Resolution and the Series 2006A Bond Resolution, respectively, repayments are made by the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers to the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively, to provide sufficient moneys to pay debt service on the Applicable Series of the Series 2012 Refunding Bonds to the extent of the Applicable Allocable Portion and the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds and the Remaining Outstanding Series 2006A Bonds, respectively, prior to the repayment of the Series 2004A Fund Loans, the Series 2005A Fund Loans and the Series 2006A Fund Loans, respectively.

To the extent of the Applicable Allocable Portion of the Applicable Series of the Series 2012 Refunding Bonds, the principal of and interest on the Applicable Allocable Portion is payable by the Applicable Refunding Program Trustee to the Applicable Refunding Fiduciary not later than three days prior to the due date thereof (or such shorter period as may be required by the Master Program Trust Agreement).

In the limited circumstance in which Private Borrowers are grouped with Local Unit Borrowers into a single pool, the Fund Loan repayments of the Local Unit Borrowers whose Fund Loans were directly or indirectly funded by State general obligation bonds are held in a restricted subaccount and may not be used to satisfy any Trust Loan repayment deficiencies of such Private Borrowers.

For a more detailed description of the provisions of the Refunding Program Loan Servicing Agreements and the Series 2004A Bond Resolution, the Series 2005A Bond Resolution and the Series 2006A Bond Resolution, see Appendix E hereto – “SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS, THE REFUNDING PROGRAM LOAN SERVICING AGREEMENTS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT” herein. See also Appendix C hereto – “AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING OUTSTANDING REFUNDING PROGRAM BONDS”.

On or before each Refunding Program Loan repayment due date, each Refunding Program Borrower makes one payment to the Applicable Refunding Program Loan Servicer (except with respect to the Series 2004A Loan, the Series 2005A Loan and the Series 2006A Loan repayments, which payments are made to the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively), in an amount equal to the Refunding Program Trust Loan repayment, the Trust administrative fee payment, the Refunding Program Fund Loan repayment and, if applicable, the State administrative fee payment then due. Regardless of the manner in which each Refunding Program Borrower is credited for such payment, the Applicable Refunding Program Loan Servicer is required to apply the total of all such payments received from all Applicable Refunding Program Borrowers (other than the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers) as follows: FIRST, to the Applicable Refunding Program Trust Bonds Security Account to be paid over to the Applicable Refunding Program Trustee and, thereafter, (i) to the extent of the Applicable Allocable Portion of the Applicable Series of the Series 2012 Refunding Bonds, to the Applicable Refunding Program Fiduciary for the satisfaction of debt service due on the Applicable Series of the Series 2012 Refunding Bonds to the extent of the Applicable Allocable Portion, and (ii) for the satisfaction of debt service due on the Applicable Series of the Remaining Outstanding Refunding Program Bonds; SECOND, to the satisfaction of the Trust’s administrative fee payment then due, if any; THIRD, to the Master Program Trustee for deposit in the Master Program Trust Account for the eventual satisfaction of the total amount of principal due on the applicable related zero-interest Refunding Program Fund Loans; and, FOURTH, to the satisfaction of the State’s administrative fee payment then due, if any. Regardless of the manner in which each Series 2004A Borrower, each Series 2005A Borrower and each Series 2006A Borrower is credited for such payment, the Series 2004A Trustee, the Series 2005A Trustee or the Series 2006A Trustee, as the case may be, is required to apply the total of all such payments received from all Applicable Refunding Program Borrowers as follows: FIRST, to the satisfaction of debt service due on (i) the Series 2012A-R Refunding Bonds to the extent of the Applicable Allocable Portion and (ii) the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds and the Remaining Outstanding Series 2006A Bonds, respectively; SECOND, to the satisfaction of the Trust’s administrative fee payment then due, if any; THIRD, to the Master Program Trustee for deposit in the Master Program Trust Account for the eventual satisfaction of the total amount of principal due on the Series 2004A Fund Loans, the Series 2005A Fund Loans or the Series 2006A Fund Loans, as the case may be; and, FOURTH, to the satisfaction of the State’s administrative fee payment then due, if any. To the extent of the Applicable Allocable Portion of the Applicable Series of the

Series 2012 Refunding Bonds, the principal of and interest on the Applicable Allocable Portion is payable by the Applicable Refunding Program Trustee to the Applicable Refunding Fiduciary not later than three days prior to the due date thereof (or such shorter period as may be required by the Master Program Trust Agreement).

## **5. State-Aid Intercept Powers of the Trust under the Trust Act**

If and when a Refunding Program Trust Loan repayment deficiency has not been satisfied by any of the above security provisions and once thirty (30) days have passed from the original Refunding Program Trust Loan repayment 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 General Obligation Refunding Program Borrower, certain municipal or county Refunding Program Participants or Government Borrower Guarantors.

As authorized by the Trust Act, the Trust shall require that, if a Refunding Program Borrower fails to pay to the Trust in full any of its “obligations” (as defined in the Trust Act) and such deficiency remains unpaid for a period of thirty (30) days, the State Treasurer shall pay to the Trust the following amounts: (i) if the Refunding Program Borrower is a General Obligation Refunding Program Borrower, the State Treasurer shall pay an amount sufficient to satisfy such unpaid obligations from State-aid payable to the General Obligation Refunding Program Borrower or (ii) if the Refunding Program Borrower is a Special Obligation Refunding Program Borrower, the State Treasurer shall pay an amount sufficient to satisfy such unpaid obligations from State-aid payable to any municipal or county Refunding Program Participant or Government Borrower Guarantor that has executed a Refunding Program Borrower Service Agreement or Government Borrower Guaranty with any such Special Obligation Refunding Program Borrower. As defined in the Trust Act, “obligations” of the Refunding Program Borrowers include, but are not limited to, principal of and interest on the Refunding Program Borrower Trust Loan Bonds issued by the Refunding Program Borrowers to the Trust and any Refunding Program Annual Charges payable by the Refunding Program Participants under any such Refunding Program Borrower Service Agreement and debt service on the Refunding Program Borrower Trust Loan Bonds of the Special Obligation Borrowers payable by the Government Borrower Guarantors.

The State-aid subject to interception by the Trust for General Obligation Refunding Program Borrowers, the Applicable municipal or county Refunding Program Participants and the Government Borrower Guarantors, if any as the case may be, 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 the General Obligation Refunding Program Borrowers, the Applicable municipal or county Refunding Program Participants and the Government Borrower Guarantors, if any. The State-aid subject to interception by the Trust for county Refunding Program Participants also includes State sharing of taxes based on insurance companies. ALL STATE-AID IS SUBJECT TO ANNUAL APPROPRIATIONS BY THE STATE LEGISLATURE. State-aid may include, to the extent permitted by federal law, federal moneys appropriated or apportioned by the State to the General Obligation Refunding Program Borrowers, the Applicable municipal or county Refunding Program Participants and the Government Borrower Guarantor, if any.

## **6. Master Program Trust Agreement**

Upon the issuance of the Series 1995 Bonds, the Trust, the State, the prior Loan Servicers, the prior Trustees and United States Trust Company of New York, as master program trustee thereunder, entered into the Master Program Trust Agreement, dated as of November 1, 1995. In accordance with the Succession Agreement, State Street Bank & Trust Company, N.A. (predecessor to U.S. Bank Trust National Association) became the Master Program Trustee as of November 1, 2001. The Master Program Trustee holds all moneys, and securities purchased with moneys, deposited in the Master Program Trust Account in trust for the benefit of all holders of Coverage Receiving Bonds. Once the Interest Payment Date and/or the Principal Payment Date, as the case may be, with respect to the Series 2012 Refunding Bonds has been reached and the Applicable Refunding Program Trustee is still unable to satisfy the debt service payment due on the Applicable Series of the Series 2012 Refunding Bonds on any such date, the Master Program Trustee shall satisfy any such deficiency to the extent of moneys on deposit in the Master Program Trust Account in accordance with the terms of the Master Program Trust Agreement. Notwithstanding the foregoing, the portion of the Series 2012 Refunding Bonds allocable to the Trust Loans of

Private Borrowers shall not be entitled to that portion of the Master Program Trust Account (approximately 8.08% at present, but subject to change) that was funded from Fund Loans, the original source of which was general obligation bonds of the State.

Pursuant to the Loan Servicing Agreement for any such Coverage Providing Financing Program, all Loan repayments are commingled in a Trust Bonds Security Account. The Loan Servicer immediately pays over these amounts on deposit in the Trust Bonds Security Account to the Trustee for any such series of Bonds up to an amount sufficient to pay debt service on any such series of Bonds due on the next scheduled semiannual payment date. Once the Loan Servicer has satisfied this debt service requirement, after paying the Trust its nominal administrative fee and, if applicable, after paying the State its nominal administrative fee, the Loan Servicer repays all Loan moneys so received to the Master Program Trustee for deposit in the Master Program Trust Account. The Master Program Trustee holds all moneys, and securities purchased with moneys, deposited in the Master Program Trust Account in trust for the benefit of all holders of Coverage Receiving Bonds. The Master Program Trustee will make the moneys deposited in the Master Program Trust Account (and all subaccounts therein) available on the immediately succeeding March 1 and September 1 to pay debt service on Coverage Receiving Bonds. Thereafter, and if not needed to pay debt service on any such Series of Coverage Receiving Bonds, the moneys deposited in the Master Program Trust Account will be returned to the State.

Alternatively, as the case may be, pursuant to the Bond Resolution for any such Coverage Providing Financing Program, all Loan repayments are collected and commingled and thereafter the Trustee for any such series of Bonds allocates up to an amount sufficient to pay debt service on any such series of Bonds due on the next scheduled semiannual payment date. Once the Trustee has satisfied this debt service requirement, after paying the Trust its nominal administrative fee, the Trustee repays all Loan moneys so received with respect to the repayment of Fund Loans to the Master Program Trustee for deposit in the Master Program Trust Account. Thereafter, the Trustee allocates the remaining moneys toward payment of the State administrative fee, if any. The Master Program Trustee holds all moneys, and securities purchased with moneys, deposited in the Master Program Trust Account in trust for the benefit of all holders of Coverage Receiving Bonds. The Master Program Trustee will make the moneys deposited in the Master Program Trust Account (and all subaccounts therein) available on the immediately succeeding March 1 and September 1 to pay debt service on Coverage Receiving Bonds. Thereafter, and if not needed to pay debt service on any such series of Coverage Receiving Bonds, the moneys deposited in the Master Program Trust Account will be returned to the State.

The Trustee for any series of Coverage Receiving Bonds is required to provide the Trust, the State, the Master Program Trustee and, if applicable, the Loan Servicer, for any such Financing Program with a fifteen (15) day preliminary advance warning if that Trustee does not have sufficient moneys to pay debt service on the next debt service payment date. If a deficiency remains by 9:30 a.m. on the second Business Day immediately preceding the applicable debt service payment date, the Trustee for any such adversely affected series of Coverage Receiving Bonds shall issue a formal notice of deficiency (the "Notice") to the Trust, the State, the Master Program Trustee and, if applicable, the Loan Servicer for such series of Coverage Receiving Bonds. Thereupon, the Master Program Trustee shall pay every such Trustee that has issued a Notice from funds on deposit in the Master Program Trust Account (and all subaccounts therein), an amount sufficient to satisfy all such deficiencies. If the Master Program Trustee receives Notices citing deficiencies in excess of the total amount on deposit in the Master Program Trust Account, the Master Program Trustee shall pay out all available moneys to each adversely affected Trustee in proportion to the amount of their respective deficiencies.

One Business Day after the remaining Fund Loan repayments are made available from the Master Program Trust Account to satisfy debt service deficiencies, moneys not actually needed on any such March 1 or September 1 are retained in a subaccount of the Master Program Trust Account to be made available for the same purpose on the immediately following semiannual debt service payment date. This holdback allows the Master Program Trustee to keep as the minimum balance (assuming all scheduled Loans are timely and completely paid) in the Master Program Trust Account the entire prior year's Fund Loan repayments from all Coverage Providing Financing Programs, thereby providing additional security for all Coverage Receiving Bonds on each March 1 and September 1. One Business Day thereafter, such moneys are returned to the State in satisfaction of the Fund Loans, unless all or a portion of such moneys is needed to satisfy any actual deficiency in Fund Loan repayments received by the Master Program Trustee from the amounts scheduled for receipt. In addition, the Trust has the right, but not the obligation,

to make an equity contribution into subaccounts of the Master Program Trust Account to secure the Coverage Receiving Bonds further.

Notwithstanding the foregoing, the Series 1998B Bonds, that portion of the Series 1999A Bonds issued on behalf of a Private Borrower, the Series 1995B Bonds, the Series 2001C Bonds, that portion of the Series 2001B Bonds issued on behalf of Private Borrowers, that portion of the Series 2002B Bonds issued on behalf of Private Borrowers, that portion of the Series 2004A Bonds issued on behalf of a Private Borrower, that portion of the Series 2004B Bonds issued on behalf of Private Borrowers, that portion of the Series 2005B Bonds issued on behalf of a Private Borrower, that portion of the Series 2006B Bonds issued on behalf of a Private Borrower, that portion of the Series 2007A Bonds issued on behalf of a Private Borrower, that portion of the Series 2008A Bonds issued on behalf of a Private Borrower, that portion of the Series 2009A Bonds issued on behalf of Private Borrowers, that portion of the Series 2010A Bonds issued on behalf of Private Borrowers, that portion of the Series 2010B Bonds issued on behalf of Private Borrowers, that portion of the Series 2010C Bonds issued on behalf of Private Borrowers, that portion of the Series 2012B Bonds issued on behalf of Private Borrowers and any other Future Bonds issued on behalf of Private Borrowers shall not be entitled to that portion of the Master Program Trust Account (approximately 8.08% at present, but subject to change) that was funded from Fund Loans, the original source of which was general obligation bonds of the State.

## **7. Refunding Program Debt Service Reserve Funds**

To the extent the Master Program Trustee is unable to satisfy the deficiency in whole on the Interest Payment Date and/or the Principal Payment Date, as the case may be, the Applicable Refunding Program Trustee must immediately draw on that portion of the Applicable Refunding Program Debt Service Reserve Fund allocable to the Applicable Refunding Program Borrower whose delinquent Refunding Program Trust Loan repayment caused the deficiency in funds, in order to satisfy any residual deficiency in the debt service payment due and owing on the Applicable Allocable Portion of the Applicable Series of the Series 2012 Refunding Bonds and, as the case may be, the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds, the Remaining Outstanding Series 2006A Bonds, the Remaining Outstanding Series 1995B Bonds, the Remaining Outstanding Series 2001C Bonds or the Remaining Outstanding Series 2003A Bonds, on any such date.

Each Refunding Program Bond Resolution establishes a Refunding Program Debt Service Reserve Fund for the security of the Applicable Allocable Portion of the Applicable Series of the Series 2012 Refunding Bonds and, as the case may be, the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds, the Remaining Outstanding Series 2006A Bonds, the Remaining Outstanding Series 1995B Bonds, the Remaining Outstanding Series 2001C Bonds or the Remaining Outstanding Series 2003A Bonds. Each Refunding Program Debt Service Reserve Fund shall at all times contain an amount equal to the Applicable “Debt Service Reserve Requirement”. See Appendix E hereto – “SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS, THE REFUNDING PROGRAM LOAN SERVICING AGREEMENTS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT” herein for a description of the respective Debt Service Reserve Requirements.

In the event that a Refunding Program Borrower is deficient in the payment of a Refunding Program Trust Loan repayment under its Refunding Program Trust Loan Agreement and such deficiency cannot be fully satisfied from one of the available security sources, the Applicable Refunding Program Trustee shall transfer from the Applicable Refunding Program 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 Applicable Refunding Program Debt Service Fund; provided, however, that the Applicable Refunding Program Trustee may only transfer such amount that, when added to all unreimbursed prior transfers made from the Applicable Refunding Program Debt Service Reserve Fund as a result of deficient Refunding Program Trust Loan repayments by said Refunding Program Borrower, does not exceed said Refunding Program Borrower’s pro rata share of the Applicable Refunding Program Debt Service Reserve Fund. A Refunding Program Borrower’s pro rata share of the Applicable Refunding Program Debt Service Reserve Fund shall be an amount equal to the product of (a) the Applicable Refunding Program Debt Service Reserve Requirement and (b) said Refunding Program Borrower’s Allocable Share (as defined in the Applicable Refunding Program Bond Resolution). See Appendix E – “SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS, THE REFUNDING PROGRAM

## LOAN SERVICING AGREEMENTS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT” herein.

Each Refunding Program Borrower has acknowledged in its Refunding Program Trust Loan Agreement that payment of the Applicable Allocable Portion of the Applicable Series of the Series 2012 Refunding Bonds and, as the case may be, the Remaining Outstanding Series 2004A Bonds, the Remaining Outstanding Series 2005A Bonds, the Remaining Outstanding Series 2006A Bonds, the Remaining Outstanding Series 1995B Bonds, the Remaining Outstanding Series 2001C Bonds or the Remaining Outstanding Series 2003A Bonds, by the Trust, including payment from moneys drawn by the Applicable Refunding Program Trustee from the Applicable Refunding Program Debt Service Reserve Fund, does not constitute payment of the amounts due under its Refunding Program Trust Loan Agreement and its Refunding Program Borrower Trust Loan Bond. Each Series 2001B Borrower has further agreed that if at any time the amount in the Applicable Refunding Program Debt Service Reserve Fund shall be less than the Applicable Refunding Program Debt Service Reserve Requirement as the result of any transfer of moneys from the Applicable Refunding Program Debt Service Reserve Fund to the Applicable Refunding Program Debt Service Fund due to a failure by such Refunding Program Borrower to make any required Refunding Program Trust Loan repayments, such Refunding Program Borrower 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 Applicable Refunding Program Debt Service Reserve Fund) by making payments to the Trust in equal monthly installments for the lesser of six months or the remaining term of the Refunding Program Loan in an amount sufficient to replenish its pro rata share of the Applicable Refunding Program Debt Service Reserve Fund.

### **8. Event of Default**

To the extent that the remedies discussed in the preceding sections are insufficient to satisfy any repayment deficiency and, therefore, an Event of Default pursuant to a Refunding Program Bond Resolution occurs, the Applicable Allocable Portion of the Applicable Series of the Series 2012 Refunding Bonds and the Applicable Series of the Remaining Outstanding Refunding Program Bonds are subject to acceleration prior to their stated maturities at the times and in the manner set forth in the Applicable Refunding Program Bond Resolution. (See Appendix E hereto – “SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS, THE REFUNDING PROGRAM LOAN SERVICING AGREEMENTS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT” herein.)

### **State General Taxing Power Not Pledged**

Pursuant to the Trust Act and the Applicable Refunding Program Bond Resolution, each Series of the Series 2012 Refunding Bonds shall be a special obligation of the Trust and shall not in any way be a debt or liability of the State or of any political subdivision thereof (other than the Trust, but solely to the extent of the Applicable Refunding Program 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 Applicable Refunding Program Trust Estate). The principal of, and redemption premium, if any, and the interest on the Applicable Series of the Series 2012 Refunding Bonds, to the extent of the Applicable Allocable Portion thereof, shall be payable from and secured by the pledge by the Trust of the Applicable Refunding Program Trust Estate and by the Master Program Trustee of the moneys and securities on deposit in the Master Program Trust Account to the extent set forth in the Master Program Trust Agreement.

### **The New Jersey 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, without limitation, (i) expenditures for debt service (which includes the Borrower Bonds), (ii) expenditures pursuant to any contract with respect to use,

service or provision of any project, facility or public improvement for water or sewerage or payments on account of debt service therefore (which includes amounts required to be paid by a Participant to a Special Obligation Borrower pursuant to a Borrower Service Agreement and necessary for a Special Obligation Borrower to meet in a timely fashion its debt service obligations with respect to its Borrower Bonds), (iii) expenditures mandated by federal or State law (after the effective date of the January 1, 1991 amendments) and (iv) capital expenditures, are excluded from the calculation of the permissible annual increase in municipal appropriations prescribed under the CAP Law.

Additionally, legislation constituting P.L. 2007, c. 62, effective on April 3, 2007, as amended by P.L. 2010, c. 44, effective on July 13, 2010, further amending the CAP Law, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include, without limitation, increases required to be raised for debt service as defined by law (which includes the Borrower Bonds), extraordinary costs directly related to a declared emergency, and certain increases in pension contributions and health care costs over 2%. Voters may approve increases over 2% not otherwise permitted, by a vote of a majority of the voters voting on a public question. These amendments to the CAP Law do not limit the obligation of a Local Unit Borrower to levy *ad valorem* taxes upon all taxable real property within the Local Unit Borrower to pay debt service on its bonds or notes (which includes its Borrower Bonds). In addition, pursuant to Local Finance Notice Number 2011-36, issued on December 12, 2011 by the Division of Local Government Services in the New Jersey Department of Community Affairs (the "DLGS"), the DLGS has made a determination that the amounts required to be paid by a Participant to a Special Obligation Borrower pursuant to a Borrower Service Agreement and necessary for a Special Obligation Borrower to meet its debt service obligations with respect to its Borrower Bonds may be considered the equivalent of municipal debt service and shall be treated as such for all purposes pursuant to the CAP Law.

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## SOURCES AND USES OF FUNDS FOR THE SERIES 2012 REFUNDING BONDS

<b>Series 2012A-R Refunding Bonds:</b>	
<b>Sources:</b>	
Aggregate Principal Amount of Series 2012A-R Refunding Bonds .....	\$
Original Issue Premium .....	
Series 1994A Borrower Contributions.....	
Series 1994B Borrower Contributions .....	
Series 2004A Borrower Contributions.....	
Series 2005A Borrower Contributions.....	
Series 2006A Borrower Contributions.....	
TOTAL SOURCES OF FUNDS	\$
<b>Uses:</b>	
Purchase of Series 1998F Escrow Fund .....	\$
Purchase of Series 1998G Escrow Fund .....	
Purchase of Series 2004A Escrow Fund .....	
Purchase of Series 2005A Escrow Fund .....	
Purchase of Series 2006A Escrow Fund .....	
Cost of Issuance .....	
Underwriter's Discount.....	
TOTAL USES OF FUNDS	\$
<b>Series 2012B-R Refunding Bonds:</b>	
<b>Sources:</b>	
Aggregate Principal Amount of Series 2012B-R Refunding Bonds .....	\$
Original Issue Premium .....	
Series 1995B Borrower Contributions.....	
Series 2001C Borrower Contributions.....	
TOTAL SOURCE OF FUNDS	\$
<b>Uses:</b>	
Purchase of Series 1995B Escrow Fund .....	
Purchase of Series 2001C Escrow Fund .....	
Cost of Issuance .....	
Underwriter's Discount.....	
TOTAL USES OF FUNDS	\$
<b>Series 2012C-R Refunding Bonds:</b>	
<b>Sources:</b>	
Aggregate Principal Amount of Series 2012C-R Refunding Bonds .....	\$
Original Issue Premium .....	
Series 2003A Borrower Contributions.....	
TOTAL SOURCE OF FUNDS	\$
<b>Uses:</b>	
Purchase of Series 2003A Escrow Fund .....	
Cost of Issuance .....	
Underwriter's Discount.....	
TOTAL USES OF FUNDS	\$



## SECONDARY MARKET DISCLOSURE

In connection with the provisions of Rule 15c2-12, as amended, supplemented and officially interpreted from time to time, or any successor provision thereto, 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, with regard to the Series 2012 Refunding Bonds, it is not an “obligated person”, as defined therein.

Furthermore, the Trust has determined in each Refunding Program Bond Resolution that those Refunding Program Borrowers (from any Financing Program), whose remaining Fund Loan repayments in all Coverage Providing Financing Programs, when aggregated with their Refunding Program Trust Loan repayments relating to a particular Series of Series 2012 Refunding Bonds, to the extent of the Applicable Allocable Portion thereof, and the Applicable Series of the Remaining Outstanding Refunding Program Bonds (collectively, a “Refunding Series Financing Program”), if any, exceed ten percent (10%) of the sum of (i) the aggregate of all remaining Fund Loan repayments from all Borrowers in all Coverage Providing Financing Programs and (ii) the aggregate of all remaining Refunding Program Trust Loan repayments from all Refunding Program Borrowers with respect to a given Refunding Series Financing Program, shall be considered material “obligated persons” within the meaning and for the purposes of Rule 15c2-12 for such Refunding Series Financing Program. To the extent any such Refunding Program Borrowers have entered into Borrower Service Agreements with Participants and any such Participants have entered into Indirect Borrower Service Agreements with Indirect Participants whereby Annual Charges or Indirect Annual Charges, as the case may be, materially secure such Loan repayments of any such Refunding Program Borrower, any such Participants and Indirect Participants shall also be considered material “obligated persons” within the meaning and for the purposes of Rule 15c2-12 for such Refunding Series Financing Program.

Each Refunding Program Borrower has covenanted in its Refunding Program Trust Loan Agreement to enter into a Borrower Continuing Disclosure Agreement (the “Borrower Continuing Disclosure Agreement”) should it meet, at any time during the term of its respective Refunding Program Trust Loan, the material “obligated persons” test referred to above. Such Borrower Continuing Disclosure Agreement obligates any such Refunding Program Borrower to provide (i) certain financial information and operating data relating to such Refunding Program Borrower and the Participants and Indirect Participants, if any, of such Refunding Program Borrower, including, without limitation, audited financial statements, within 225 days after the end of each fiscal year for which any such Borrower Continuing Disclosure Agreement is in effect (the “Annual Report”), and (ii) notice to the Trust of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is summarized in Appendix F hereto – “SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM BORROWERS), THE REFUNDING PROGRAM FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS”.

The Borrower Continuing Disclosure Agreement further requires that the Annual Report be delivered by or on behalf of such Refunding Program Borrower to each Nationally Recognized Municipal Securities Information Repository recognized by the SEC (each a “NRMSIR”) and to the State Information Depository recognized by the SEC (the “SID”), if any. As of the date of this Official Statement, the filing of any information with the Electronic Municipal Market Access facility of the Municipal Securities Rulemaking Board (the “MSRB”) for municipal securities disclosure shall satisfy the requirement to file such information with each NRMSIR. Notices of enumerated events relating to the Refunding Program Trust Loan Bonds of such Refunding Program Borrower will be filed by such Refunding Program Borrower with the Trust, and the notices of enumerated events relating to the Applicable Series of the Series 2012 Refunding Bonds as well as the Applicable Series of the Remaining Outstanding Refunding Program 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 Agreement shall continue through final maturity (stated or otherwise) of the Applicable Series of the Series 2012 Refunding Bonds and the Applicable Series of the Remaining Outstanding Refunding Program Bonds, but shall terminate when any such material “obligated persons” shall no longer meet the material “obligated persons” test with respect to the Applicable Refunding Series Financing Program. The Trust shall have no liability to the Series 2012 Refunding Bondholders or to any other person with respect to the secondary market disclosure of any such material “obligated persons”. See Appendix F – “SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM BORROWERS), THE

REFUNDING PROGRAM FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS” herein.

In light of the additional security provided for each Refunding Series Financing Program (along with the existing Financing Programs and all future Coverage Receiving Financing Programs) through certain Fund Loan repayments in Coverage Providing Financing Programs, the Trust has determined that only the below-defined Refunding Program Borrowers, Participants and Indirect Participants, if any, will be considered material “obligated persons” within the meaning and for the purposes of Rule 15c2-12 for the Applicable Refunding Series Financing Program. In connection with the provisions of Rule 15c2-12, the Trust has determined that no financial or operating data concerning the Refunding Program Borrowers, Participants and Indirect Participants is material to any decision to purchase, hold or sell the Series 2012 Refunding Bonds, and the Trust will not itself provide or cause any such Refunding Program Borrowers, Participants and Indirect Participants to provide any such information with respect to any such Refunding Program Borrowers, Participants and Indirect Participants.

As of the date of issuance of the Series 2012 Refunding Bonds, there are no Refunding Program Borrowers that meet this material “obligated persons” test for any of the Refunding Series Financing Programs. In addition, as of such issuance, no Participants or Indirect Participants meet this test.

Based upon official interpretations of Rule 15c2-12, the Trust has determined that, in connection with each Series of the Series 2012 Refunding Bonds, each Applicable Refunding Series Financing Program is an “obligated person”, as defined therein. In addition, on the date of delivery of each Series of the Series 2012 Refunding Bonds, the Trust will enter into a Trust Continuing Disclosure Agreement (the “Trust Continuing Disclosure Agreement”; the Borrower Continuing Disclosure Agreement and the Trust Continuing Disclosure Agreement shall be referred to collectively herein as the “Continuing Disclosure Agreements”), for the benefit of the beneficial owners of each Applicable Series of the Series 2012 Refunding Bonds, pursuant to which the Trust will agree to comply on a continual basis with the disclosure requirements of Rule 15c2-12 relating to the Applicable Refunding Series Financing Program. Specifically, the Trust will covenant to provide certain financial information relating to the Applicable Refunding Series Financing Program, which financial information will be similar to that provided herein in Appendix D hereto – “AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS”, relating to each existing and future Coverage Providing Financing Program (the “Refunding Series Financing Program Annual Report”) to each NRMSIR and the SID, if any. In addition, the Trust will covenant to provide notices of the occurrence of certain enumerated events, relating to the Applicable Series of Series 2012 Refunding Bonds, to each NRMSIR or to the MSRB and the SID, if any. As of the date of this Official Statement, the filing of any information with the Electronic Municipal Market Access facility of the MSRB for municipal securities disclosure shall satisfy the requirement to file such information with each NRMSIR. The specific nature of the information to be contained in the Refunding Series Financing Program Annual Report and the notices of enumerated events is summarized in Appendix E hereto – “SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS, THE REFUNDING PROGRAM LOAN SERVICING AGREEMENTS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT”. Such Trust Continuing Disclosure Agreement notes, with respect to the Refunding Series Financing Program Annual Report, that currently no audited financial statements are completed with respect to either each Series of the Series 2012 Refunding Bonds or the Master Program Trust Account. Nevertheless, the Trust currently anticipates that the State will implement an annual audit of the Master Program Trust Account and, therefore, it currently is projected by the Trust that such audited financial statements with respect to the Master Program Trust Account will be included as part of the Refunding Series Financing Program Annual Report commencing with the fiscal year concluding on June 30, 2013.

The sole and exclusive remedy for breach of or default under the Continuing Disclosure Agreements to provide continuing disclosure as described above is an action to compel specific performance of the Continuing Disclosure Agreements of the parties thereto, and no person, including any holder of the Applicable Series of the Series 2012 Refunding Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreements, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided. The Continuing Disclosure Agreements also may be amended or modified without the consent of the holders of the Applicable Series of the Series 2012 Refunding Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure

Agreements when executed by the parties thereto upon the delivery of the Applicable Series of the Series 2012 Refunding Bonds will be on file at the office of the Applicable Refunding Program Trustee.

The Trust previously has entered into undertakings required pursuant to Rule 15c2-12 similar to the undertaking contained in the Trust Continuing Disclosure Agreements. Such prior undertakings were entered into in connection with the 1995 Financing Program, the 1996 Financing Program, the 1997 Financing Program, the 1998 Financing Program, the 1999 Financing Program, the 2000 Financing Program, the 2001 Financing Program, the 2002 Financing Program, the 2003 Financing Program, the 2004 Financing Program, the 2005 Financing Program, the 2006 Financing Program, the 2007 Financing Program, the 2008 Financing Program, the 2009 Financing Program, the 2010A Financing Program, the 2010 B&C Financing Program, the 2012 Financing Program and refunding bond issues with respect to the forgoing completed in 1996, 1997, 1998, 2001, 2003, 2004, 2006, 2007, 2008, 2010 and 2011. The Trust has not, during the past five years, failed to comply with any of its continuing disclosure undertakings, except with respect to administrative oversights by the Trust that resulted in the late submission of annual financial information, required by undertakings of the Trust, with respect to the Fiscal Years of the Trust ended June 30, 2007, June 30, 2008 and June 30, 2009, which annual financial information was, in each case, submitted to each NRMSIR no later than 23 days subsequent to the date required therefor by such undertakings. The Trust promptly thereafter put in place appropriate procedures to prevent such a default from occurring again, and no such default has occurred since the submission of the annual financial information for the Fiscal Year of the Trust ended June 30, 2009. The Trust is not currently in default with respect to any of its continuing disclosure undertakings.

#### **ABSENCE OF MATERIAL LITIGATION**

There is no litigation or controversy now pending concerning the issuance, sale or delivery of the Series 2012 Refunding Bonds or in any way contesting or affecting the validity of the Trust Act, the Series 2012 Refunding Bonds or the proceedings of the Trust taken with respect to the issuance and sale thereof or the pledge of any Refunding Program Trust Estate.

#### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Refunding Program Trustees or the Series 2012 Refunding Bondholders (references to such terms in this section shall be deemed to apply only to the affected Series of the Series 2012 Refunding Bonds) upon the occurrence of an event of default under a Refunding Program Bond Resolution or any other related financing documents are dependent upon judicial actions that are often based on the discretion of the judge overseeing a proceeding. Administrative delays may also have an impact on the timetable for judicial approval of the exercise of certain remedies. Under existing law, the remedies provided in such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Refunding Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by federal and State laws affecting the rights of creditors generally, and creditors in this type of transaction specifically, including the availability of equitable remedies. For information on the available security for the Series 2012 Refunding Bonds, see “Security for the Series 2012 Refunding Bonds” herein.

The United States Bankruptcy Code, 11 U.S.C. §§101 *et seq.* (the “Bankruptcy Code”), permits entities that are unable to meet their debts to file a bankruptcy petition in the appropriate vicinage of the United States Bankruptcy Court. Each Local Unit Borrower would be a “municipality” (as defined in the Bankruptcy Code), and any bankruptcy of a Local Unit Borrower would be governed by Chapter 9 of the Bankruptcy Code. Each Private Borrower would not be a municipality for purposes of the Bankruptcy Code. A Private Borrower would not be permitted to file a bankruptcy under Chapter 9 of the Bankruptcy Code, and would be required to pursue a bankruptcy under Chapter 7 or Chapter 11 of the Bankruptcy Code. Pursuant to the Bankruptcy Code, the Applicable Refunding Program Trustee must be notified of any bankruptcy. The petition, which is the document a Local Unit Borrower or a Private Borrower files to initiate a bankruptcy case, automatically stays any non-bankruptcy judicial or other proceeding against such Local Unit Borrower or Private Borrower.

The debts of a Local Unit Borrower are adjusted by a plan, which must meet the requirements of Chapter 9 of the Bankruptcy Code, 11 U.S.C. §§901 *et seq.* The debts of a Private Borrower are either adjusted by a plan, which must meet the requirements of Chapter 11 of the Bankruptcy Code, 11 U.S.C. §§1101 *et seq.*, or the debts are

satisfied by a pro-rata liquidation of the Private Borrower's assets pursuant to Chapter 7 of the Bankruptcy Code, 11 U.S.C. §§701 *et seq.* Among other things, under Chapter 9 or Chapter 11, the plan must be approved by creditors of at least two-thirds of the amount of debts, and more than one-half of the creditors. To preserve the Series 2012 Refunding Bondholders' claim in any bankruptcy, the Applicable Refunding Program Trustee may be required to file a claim and to undertake other actions in the Bankruptcy Court. Failure to take such actions may impair the Series 2012 Refunding Bondholders' claim. In any bankruptcy, it is possible that the debts created by the Series 2012 Refunding Bonds will not be paid in full and will be discharged with respect to such Local Unit Borrower or Private Borrower in bankruptcy.

Under Chapter 9, the Bankruptcy Code provides that special revenues shall continue to be available to pay debt service secured by those revenues, and are not subject to claims by other creditors of the bankrupt municipality. Claimants whose only recourse for payment is certain special revenues shall not have recourse against the municipality in a bankruptcy to any greater extent than that provided by State law and the applicable documents. Payments made for the benefit of the Series 2012 Refunding Bondholders immediately prior to the bankruptcy will not be deemed "preferential" (as defined in the Bankruptcy Code). These rights likely would not apply to bankruptcies of Private Borrowers, as such entities do not receive these benefits provided only in Chapter 9 of the Bankruptcy Code.

The State has authorized municipalities to file petitions for relief under the Bankruptcy Code pursuant and subject to Article 8 of the New Jersey Municipal Finance Commission Act (the "Commission Act"), N.J.S.A. §§52:27-40 *et seq.* The Commission Act provides that such petitions may not be filed without the prior approval of the Local Finance Board in the Division of Local Government Services of the State Department of Community Affairs, as successor to the Municipal Finance Commission referred to in the Commission Act (the "Local Finance Board"), and that no plan of adjustment of the debts of a municipality may be filed or accepted by the municipality, or confirmed by the Bankruptcy Court with the support of the municipality, without express authority from the Local Finance Board to file or support a plan of adjustment. These requirements would not apply to bankruptcies of the Private Borrowers.

**THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT ANY LOCAL UNIT BORROWER OR PRIVATE BORROWER EXPECTS TO RESORT TO THE PROVISIONS OF THE BANKRUPTCY CODE OR THAT, IF ANY LOCAL UNIT BORROWER OR PRIVATE BORROWER DID, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, IF REQUIRED, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE SERIES 2012 REFUNDING BONDS.**

#### **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 Series 2012 Refunding Bonds, issued pursuant to the Trust Act, and the bonds or notes shall be authorized security for any and all public deposits.

#### **CERTAIN LEGAL MATTERS**

Legal matters related to the authorization, issuance and delivery of the Series 2012 Refunding Bonds are subject to the receipt of the approving legal opinions of McCarter & English, LLP, Newark, New Jersey, Bond Counsel to the Trust ("Bond Counsel"). The opinions of Bond Counsel will be delivered with the Series 2012 Refunding Bonds in substantially the forms included in Appendix G to this Official Statement. Certain legal matters in connection with the Series 2012 Refunding Bonds will be passed upon by the Trust's General Counsel, Jeffrey S. Chiesa, Attorney General of the State of New Jersey.

## **TAX MATTERS**

### **Exclusion of Interest on the Series 2012A-R 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 Series 2012 Refunding Bonds in order to assure that interest on the Series 2012 Refunding Bonds will be excluded from gross income for purposes of federal income taxation under Section 103 of the Code.

In the case of the Series 2012A-R Refunding Bonds, such requirements relate, among other things, to the use and investment of proceeds of the Series 2012A-R Refunding Bonds and rebate to the United States of America of certain arbitrage earnings. Failure of the Trust or the Applicable Refunding Program Borrowers to observe such requirements may cause interest on the Series 2012A-R Refunding Bonds to lose the exclusion from gross income provided under Section 103 of the Code, retroactive to the date of issuance of the Series 2012A-R Refunding Bonds. In the “Tax Certificate as to Arbitrage and Instructions as to Compliance with Provisions of Section 103(a) of the Internal Revenue Code of 1986, as Amended” that will be delivered in connection with the issuance of the Series 2012A-R Refunding Bonds (the “Series 2012A-R Tax Certificate”) (the covenants under which do not constitute covenants under the related Refunding Program 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 Series 2012A-R 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 Series 2012A-R Refunding Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. Each Refunding Program Borrower has made certain tax related covenants in its Refunding Program Trust Loan Agreement, including a covenant not to take any action or fail to take any action that would cause interest on, as applicable, the Series 1998F Refunding Bonds, the Series 1998G Refunding Bonds, the Series 2004A Bonds, the Series 2005A Bonds or the Series 2006A Bonds, and any “Refunding Bonds” thereafter issued pursuant to the terms of the Applicable Refunding Program Bond Resolution, to lose the exclusion from gross income under Section 103 of the Code or that would cause, as applicable, the Series 1998F Refunding Bonds, the Series 1998G Refunding Bonds, the Series 2004A Bonds, the Series 2005A Bonds or the Series 2006A Bonds, and any “Refunding Bonds” thereafter issued pursuant to the terms of the applicable Refunding Program Bond Resolution, to be “private activity bonds” as defined in Section 141(a) of the Code.

Assuming continuing compliance by the Trust with the provisions and procedures set forth in the Series 2012A-R Tax Certificate and assuming the Series 1994A Borrowers, the Series 1994B Borrowers, the Series 2004A Borrowers, the Series 2005A Borrowers and the Series 2006A Borrowers observe their respective covenants relating to continuing compliance with the Code, Bond Counsel is of the opinion that, for federal income tax purposes, under existing law, interest on the Series 2012A-R Refunding Bonds is excluded from gross income of the owners thereof pursuant to Section 103 of the Code. Interest on the Series 2012A-R 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 Series 2012A-R Refunding Bonds will be included in “adjusted current earnings” when calculating corporate alternative minimum taxable income under section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

### **Additional Federal Income Tax Consequences Relating to the Series 2012A-R Bonds**

In the case of certain corporate holders of the Series 2012A-R Refunding Bonds, interest on the Series 2012A-R Refunding Bonds may be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Series 2012A-R Refunding Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Series 2012A-R Refunding Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2012A-R 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.

Prospective purchasers of the Series 2012A-R Refunding Bonds may wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Series 2012A-R Refunding Bonds from gross income pursuant to Section 103 of the Code and the opinion that interest on the Series 2012A-R Refunding Bonds is not item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Prospective purchasers of the Series 2012A-R 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 Series 2012A-R Refunding Bonds.

### **Changes in Federal Tax Law**

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Series 2012A-R Refunding Bonds, gains from the sale or other disposition of the Series 2012A-R Refunding Bonds, the market value of the Series 2012A-R Refunding Bonds, or the marketability of the Series 2012A-R Refunding Bonds. For example, the President of the United States has submitted proposals to Congress for legislation that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. No prediction can be made as to the ultimate outcome of these legislative proposals. If enacted into law, such proposals (or any other proposal involving a piecemeal or comprehensive review of the provisions of the Code, including provisions affecting the federal tax treatment of interest on tax-exempt bonds, that Congress might consider) could affect the tax exemption of interest, market price or marketability of tax-exempt bonds (including the Series 2012A-R Refunding Bonds). Prospective purchasers of the Series 2012A-R Refunding Bonds should consult their own tax and financial advisers regarding such matters.

### **Federal Tax Matters Relating to the Series 2012B-R Refunding Bonds and the Series 2012C-R Refunding Bonds**

*General:* The following discussion is a summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Series 2012B-R Refunding Bonds and the Series 2012C-R Refunding Bonds (collectively, the “Taxable Bonds” ) by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as “capital assets” under the Code, and it does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a “hedge” or “straddle” for United States federal income tax purposes, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds, as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

*U.S. Holders – Interest Income:* Interest on the Taxable Bonds is not excludable from gross income under Section 103 of the Code for United States federal income tax purposes.

*U.S. Holders – Disposition of Taxable Bonds:* Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bonds, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder’s adjusted tax basis in the Taxable Bonds. A U.S. Holder’s adjusted tax basis in a Taxable Bonds generally will equal such U.S. Holder’s initial investment in the Taxable Bonds, decreased by the amount of any payments, other than qualified stated interest payments, received. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bonds was held for more than one year.

*U.S. Holders – Defeasance:* U.S. Holders of the Taxable Bonds should be aware that, for federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable

Bonds to be deemed to be no longer outstanding under the Applicable Series 2012B-R Refunding Program Bond Resolution or Series 2003A Bond Resolution (a “defeasance”) could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for federal income tax purposes, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Taxable Bonds are advised to consult with their own tax advisors regarding the consequences of a defeasance for federal income tax purposes, and for state and local tax purposes.

*U.S. Holders – Backup Withholding and Information Reporting:* U.S. Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Taxable Bonds, if they fail to provide an accurate Form W-9, “Request for Taxpayer Identification Number and Certification,” or a valid substitute form, or have been notified by the Internal Revenue Service of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the U.S. Holder’s United States federal income tax liability (or refund) provided that the required information is timely furnished to the Internal Revenue Service. Prospective U.S. Holders should consult their tax advisors concerning the application of backup withholding rules.

### **IRS Circular 230 Disclosure**

To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs the readers of this Official Statement that (i) any United States federal tax advice contained in this Official Statement (including, without limitation, the Appendices attached hereto and the cover hereof) that relates to the Taxable Bonds is not intended or written by Bond Counsel to be used, and that it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer under the Code, (ii) such advice is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the written advice, and (iii) the taxpayer should seek advice, based on the taxpayer’s particular circumstances, from an independent tax advisor.

### **Exclusion of Interest on the Series 2012 Refunding Bonds from Gross Income for State Income Tax Purposes**

Bond Counsel is of the opinion that, under existing law, interest on each Series of the Series 2012 Refunding Bonds and any net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

### **Opinions of Bond Counsel**

The respective opinions of Bond Counsel will be delivered with respect to the federal and State income tax consequences of each Series of the Series 2012 Refunding Bonds in substantially the forms attached to this Official Statement as Appendix G hereto.

### **RATINGS**

Fitch Ratings (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Services (“S&P”) have assigned long-term debt ratings of “AAA,” “Aaa” and “AAA,” respectively, to each Series of the Series 2012 Refunding Bonds. These ratings reflect only the view of Fitch, Moody’s and S&P, respectively, and an explanation thereof may be obtained from Fitch, Moody’s and S&P. 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 Fitch, Moody’s or S&P if, in their respective judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating on a particular Series of the Series 2012 Refunding Bonds may have an adverse effect on the market price of such Series of the Series 2012 Refunding Bonds.

## MISCELLANEOUS

Information contained in this Official Statement with respect to the Series 2012 Refunding Bonds, the Refunding Series Financing Programs and the Trust, and copies of the related Bond Resolutions, Trust Loan Agreements, Fund Loan Agreements, Loan Servicing Agreements, Master Program Trust Agreement, Borrower Bond Resolutions, Borrower Bonds, Borrower Service Agreements, Borrower Guaranties, Private Borrower Letters of Credit, Private Borrower Mortgages, Private Borrower Special Reserve Funds, and Continuing Disclosure Agreements may be obtained from David E. Zimmer, Executive Director, New Jersey Environmental Infrastructure Trust at the Trust Offices. This Official Statement is submitted in connection with the sale and issuance of the Series 2012 Refunding Bonds and may not be reproduced or used in 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. 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 Refunding Program Bond Resolutions in accordance with the Trust Act, and this Official Statement is not to be construed as a contract or agreement between the Trust and the purchasers or owners of any of the Series 2012 Refunding Bonds.

### NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

By: \_\_\_\_\_  
Warren H. Victor  
Chairman

DATED: August \_\_, 2012



**SCHEDULE I**  
**ALLOCABLE PORTIONS**

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**SCHEDULE I**  
**SERIES 2012A-R REFUNDING BONDS ALLOCABLE PORTIONS**

**1998F Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2013	\$1,275,138.49
<u>2014</u>	<u>1,320,400.31</u>
<b>TOTAL</b>	<b>\$2,595,538.80</b>

**1998G Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2013	\$1,994,861.51
<u>2014</u>	<u>2,080,995.59</u>
<b>TOTAL</b>	<b>\$4,075,857.10</b>

**2004A Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2014	\$ 5,533,604.10
2015	5,683,216.95
2016	5,868,757.94
2023	7,164,403.91
<u>2024</u>	<u>7,126,698.47</u>
<b>TOTAL</b>	<b>\$31,376,681.37</b>

**2005A Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2015	\$ 5,706,783.05
2016	5,838,403.03
2017	6,085,678.18
2018	6,324,406.52
2019	6,589,005.55
2020	6,824,521.70
2021	7,051,178.77
2022	6,971,442.08
2023	7,026,843.17
2024	7,288,301.53
<u>2025</u>	<u>7,222,671.88</u>
<b>TOTAL</b>	<b>\$72,929,235.46</b>

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<sup>\*</sup> Preliminary, subject to change.

**2006A Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2016	\$ 7,272,839.03
2017	7,544,321.82
2018	7,845,593.48
2019	8,155,994.45
2020	8,490,478.30
2021	8,833,821.23
2022	9,133,557.92
2023	9,503,752.92
2025	10,297,328.12
2026	10,365,000.00
<b><u>TOTAL</u></b>	<b><u>\$87,442,687.27</u></b>

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<sup>\*</sup> Preliminary, subject to change.

**SERIES 2012B-R REFUNDING BONDS ALLOCABLE PORTIONS**

**1995B Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2013	\$175,000.00
2014	185,000.00
2015	200,000.00
<b><u>TOTAL</u></b>	<b><u>\$560,000.00</u></b>

**2001C Allocable Portion**

<b><u>Year</u></b>	<b><u>Principal Amount</u><sup>*</sup></b>
2014	\$ 75,000.00
2015	80,000.00
2016	85,000.00
2017	85,000.00
2018	95,000.00
2019	95,000.00
2020	100,000.00
2021	105,000.00
<b><u>TOTAL</u></b>	<b><u>\$720,000.00</u></b>

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<sup>\*</sup> Preliminary, subject to change.

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## **APPENDIX A**

### **NEW JERSEY STATUTES PERTAINING TO CERTAIN LOCAL GOVERNMENT UNITS**

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## **NEW JERSEY STATUTES PERTAINING TO CERTAIN LOCAL GOVERNMENT 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, without limitation, expenditures for debt service, expenditures pursuant to any contract with respect to use, service or provision of any project, facility or public improvement for water or sewerage or payments on account of debt serve therefore, expenditures mandated by federal or State law (after the effective date of the January 1, 1991 amendments) 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.

Additionally, legislation constituting P.L. 2007, c. 62, effective on April 3, 2007, as amended by P.L. 2010, c. 44, effective on July 13, 2010, further amending the CAP Law, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include, without limitation, increases required to be raised for debt service as defined by law (which includes the Borrower Bonds), extraordinary costs directly related to a declared emergency, and certain increases in pension contributions and health care costs over 2%. Voters may approve increases over 2% not otherwise permitted, by a vote of a majority of the voters voting on a public question. These amendments to the CAP Law do not limit the obligation of a Local Unit Borrower to levy *ad valorem* taxes upon all taxable real property within the Local Unit Borrower to pay debt service on its bonds or notes (which includes its Borrower Bonds). In addition, pursuant to Local Finance Notice Number 2011-36, issued on December 12, 2011 by the Division, the Division has made a determination that the amounts required to be paid by a Participant to a Special Obligation Borrower pursuant to a Borrower Service Agreement and necessary for a Special Obligation Borrower to meet its debt service obligations with respect to its Borrower Bonds may be considered the equivalent of municipal debt service and shall be treated as such for all purposes pursuant to the CAP Law.

## **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.

**APPENDIX B**  
**REFUNDING PROGRAM BORROWERS**

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## **SERIES 1994A BORROWERS**

### **General Obligation Series 1994A Borrowers**

Gloucester, City of

Hawthorne, Borough of

Manchester, Township of

Morris, Township of

New Providence, Borough of

Randolph, Township of

### **Special Obligation Series 1994A Borrowers**

Berkeley Township Sewerage Authority

Ocean County UA <sup>1</sup>

Pequannock River Basin Regional Sewerage Authority <sup>1</sup>

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<sup>1</sup> The Loan repayment obligations of these Special Obligation Series 1994A Borrowers are secured by a full faith and credit general obligation pledge provided for in such Borrower's respective Series 1994A Borrower Service Agreement.

**SERIES 1994B BORROWERS**

**General Obligation Series 1994B Borrowers**

Allamuchy, Township of

Newark, City of

North Arlington, Borough of

Trenton, City of



## **SERIES 2004A BORROWERS**

### **General Obligation Series 2004A Borrowers**

Allamuchy, Township of  
Beachwood, Borough of  
Berkeley Heights, Township of  
Bethlehem, Township of <sup>1</sup>  
Brigantine, City of  
Burlington, County of <sup>1</sup>  
Cranford, Township of  
Garfield, City of  
Hawthorne, Borough of  
Kearny, Town of <sup>1</sup>  
Lebanon, Township of <sup>1</sup>  
Linden, City of  
Maple Shade, Township of  
Middlesex, Borough of  
Montclair, Township of  
North Brunswick, Township of  
Old Bridge, Township of  
Paterson, City of <sup>1</sup>  
Readington, Township of  
Ridgewood, Village of <sup>1</sup>  
Roxbury, Township of  
Secaucus, Town of <sup>1</sup>  
Trenton, City of <sup>1</sup>  
Verona, Township of  
Voorhees, Township of <sup>1</sup>  
West Deptford, Township of  
Woodland Park, Borough of (formerly known as  
Borough of West Paterson)

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<sup>1</sup> These Series 2004A Borrowers' respective Series 2004A Projects have each been designated as Smart Growth Projects.

### **Special Obligation Series 2004A Borrowers**

Atlantic County Utilities Authority <sup>1,2</sup>  
Cedar Glen Homes, Inc.  
Cinnaminson Sewerage Authority <sup>2</sup>  
Clinton Township Sewerage Authority <sup>2</sup>  
Edgewater Park Sewerage Authority  
Ewing-Lawrence Sewerage Authority <sup>2</sup>  
Gloucester Township Municipal Utilities Authority <sup>2</sup>  
Mercer County Improvement Authority  
Montclair State University  
New Jersey Water Supply Authority <sup>1,2</sup>  
Ocean County Utilities Authority <sup>2</sup>  
Ocean Township Sewerage Authority <sup>2</sup>  
Rahway Valley Sewerage Authority <sup>2</sup>  
Somerset Raritan Valley Sewerage Authority <sup>2</sup>  
South Monmouth Regional Sewerage Authority <sup>2</sup>  
Washington Township Municipal Utilities Authority

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<sup>1</sup> These Series 2004A Borrowers' respective Series 2004A Projects have each been designated as Smart Growth Projects.

<sup>2</sup> The Loan repayment obligations of these Special Obligation Series 2004A Borrowers are secured by a full faith and credit general obligation pledge provided for in such Borrower's respective Series 2004A Borrower Service Agreement or Series 2004A Government Borrower Guaranty; provided, however, that in the case of the New Jersey Water Supply Authority, only 14.77% of such Loan repayment obligations are so secured.

## **SERIES 2005A BORROWERS**

### **General Obligation Series 2005A Borrowers**

Barnegat, Township of  
Chatham, Township of  
Cherry Hill, Township of <sup>1</sup>  
Clementon, Borough of <sup>1</sup>  
Cranford, Township of  
East Rutherford, Borough of  
East Windsor, Township of <sup>1</sup>  
Florham Park, Borough of  
Glen Ridge, Borough of  
Hamilton, Township of <sup>1</sup>  
Harvey Cedars, Borough of  
Linden, City of  
Long Beach, Township of  
Manasquan, Borough of <sup>1</sup>  
Newark, City of <sup>1</sup>  
Paterson, City of <sup>1</sup>  
Pennsville, Township of  
Stafford, Township of  
Tuckerton, Borough of  
West Orange, Township of  
Wharton, Borough of  
Wildwood, City of  
Winslow, Township of

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<sup>1</sup> These Series 2005A Borrowers' respective Series 2005A Projects have each been designated as Smart Growth Projects.

### **Special Obligation Series 2005A Borrowers**

Atlantic City Municipal Utilities Authority <sup>1, 2</sup>  
Bergen County Utilities Authority <sup>1, 2</sup>  
Berkeley Township Sewerage Authority  
Gloucester County Improvement Authority  
Kearny Municipal Utilities Authority <sup>1, 2</sup>  
Middlesex County Utilities Authority <sup>2</sup>  
Monmouth County Bayshore Outfall Authority <sup>2</sup>  
Mount Laurel Township Municipal Utilities Authority <sup>2</sup>  
New Jersey City University <sup>1</sup>  
New Jersey Water Supply Authority <sup>1, 2</sup>  
Ocean County Utilities Authority <sup>2</sup>  
Old Bridge Municipal Utilities Authority <sup>2</sup>  
Rahway Valley Sewerage Authority <sup>2</sup>  
Somerset Raritan Valley Sewerage Authority <sup>2</sup>  
West Milford Township Municipal Utilities Authority <sup>2</sup>

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<sup>1</sup> These Series 2005A Borrowers' respective Series 2005A Projects have each been designated as Smart Growth Projects.

<sup>2</sup> The Loan repayment obligations of these Special Obligation Series 2005A Borrowers are secured by a full faith and credit general obligation pledge provided for in such Borrower's respective Series 2005A Borrower Service Agreement or Series 2005A Government Borrower Guaranty; provided, however, that in the case of the New Jersey Water Supply Authority, only 14.77% of such Loan repayment obligations are so secured.

## **SERIES 2006A BORROWERS**

### **General Obligation Series 2006A Borrowers**

Asbury Park, City of <sup>1</sup>  
Berlin, Borough of  
Denville, Township of  
Edison, Township of  
Elizabeth, City of <sup>1</sup>  
Elmwood Park, Borough of  
Glen Ridge, Borough of  
Hillside, Township of <sup>1</sup>  
Irvington, Township of <sup>1</sup>  
Island Heights, Borough of  
Linden, City of  
Long Beach, Township of  
New Brunswick, City of <sup>1</sup>  
Newark, City of <sup>1</sup>  
Princeton, Borough of  
Princeton, Township of  
Saddle River, Borough of  
Sea Girt, Borough of  
Stafford, Township of  
Stockton, Borough of  
Trenton, City of <sup>1</sup>  
Union, Township of <sup>1</sup>  
West Orange, Township of <sup>1</sup>

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<sup>1</sup> These Series 2006A Borrowers' respective Series 2006A Projects have each been designated as Smart Growth Projects.

### **Special Obligation Series 2006A Borrowers**

Atlantic City Municipal Utilities Authority <sup>1, 2</sup>

Atlantic County Utilities Authority <sup>1, 2</sup>

Bayonne Redevelopment Agency, City of <sup>1, 2</sup>

Bergen County Utilities Authority <sup>1, 2</sup>

Camden County Municipal Utilities Authority <sup>1, 2</sup>

Evesham Municipal Utilities Authority

Middlesex County Utilities Authority <sup>2</sup>

New Jersey Water Supply Authority <sup>1, 2</sup>

North Hudson Sewerage Authority <sup>1, 2</sup>

North Jersey District Water Supply Commission <sup>1, 2</sup>

Ocean County Utilities Authority <sup>2</sup>

Ocean Township Sewerage Authority <sup>2</sup>

Old Bridge Municipal Utilities Authority <sup>2</sup>

Passaic Valley Sewerage Commissioners <sup>1, 3</sup>

Pequannock, Lincoln Park and Fairfield Sewerage Authority <sup>2</sup>

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<sup>1</sup> These Series 2006A Borrowers' respective Series 2006A Projects have each been designated as Smart Growth Projects.

<sup>2</sup> The Loan repayment obligations of these Special Obligation Series 2006A Borrowers are secured by a full faith and credit general obligation pledge provided for in such Borrower's respective Series 2006A Borrower Service Agreement or Series 2006A Government Borrower Guaranty; provided, however, that in the case of the New Jersey Water Supply Authority, only 14.77% of such Loan repayment obligations are so secured.

<sup>3</sup> The Loan repayment obligations of this Special Obligation Series 2006A Borrower are secured by a full faith and credit general obligation pledge provided by law.

**SERIES 1995B BORROWER**

**Special Obligation Series 1995B Borrower**

Camden County Municipal Utilities Authority <sup>1</sup>

**SERIES 2001C BORROWER**

**General Obligation Series 2001C Borrower**

Evesham, Township of

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<sup>1</sup> The Loan repayment obligations of this Special Obligation Series 1995B Borrower are secured by a full faith and credit general obligation pledge provided for in such Borrower's Series 1995B Borrower Service Agreement.

## **SERIES 2003A BORROWERS**

### **General Obligation Series 2003A Borrowers**

Barrington, Borough of  
Bridgeton, City of  
Burlington, County of  
Camden, City of <sup>1</sup>  
Chesterfield, Township of  
Glen Ridge, Borough of  
Harrison, Township of  
Hawthorne, Borough of  
Lebanon, Township of  
Long Beach, Township of  
Millville, City of  
Montville, Township of <sup>1</sup>  
New Brunswick, City of <sup>1</sup>  
Paterson, City of <sup>1</sup>  
Perth Amboy, City of <sup>1</sup>  
Readington, Township of <sup>1</sup>  
Runnemede, Borough of  
Woodland Park, Borough of (formerly known as  
Borough of West Paterson)

### **Special Obligation Series 2003A Borrowers**

Berkeley Township Sewerage Authority  
Camden County Municipal Utilities Authority <sup>1, 2</sup>  
Lambertville Sewerage Authority <sup>2</sup>  
Linden Roselle Sewerage Authority <sup>2</sup>  
Merchantville-Pennsauken Water Commission <sup>2</sup>  
Monmouth County Bayshore Outfall Authority <sup>2</sup>  
New Jersey Water Supply Authority <sup>1, 2</sup>  
North Jersey District Water Supply Commission <sup>1, 2</sup>  
Old Bridge Municipal Utilities Authority <sup>2</sup>  
Rahway Valley Sewerage Authority <sup>2</sup>  
Warren County (Pequest River) Municipal Utilities Authority <sup>2</sup>

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<sup>1</sup> These Series 2003A Borrowers' respective Series 2003A Projects have each been designated as Smart Growth Projects.

<sup>2</sup> The Loan repayment obligations of these Special Obligation Series 2003A Borrowers are secured by a full faith and credit general obligation pledge provided for in such Borrower's respective Series 2003A Borrower Service Agreement or Series 2003A Government Borrower Guaranty; provided, however, that in the case of the New Jersey Water Supply Authority, only 14.77% of such Loan repayment obligations are so secured.



**APPENDIX C**

**AGGREGATE REFUNDING PROGRAM LOAN REPAYMENTS AVAILABLE TO PROVIDE  
COVERAGE FOR THE SERIES 2012 REFUNDING BONDS AND THE REMAINING  
OUTSTANDING REFUNDING PROGRAM BONDS**

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## APPENDIX C

### AGGREGATE SERIES 1994A LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR THE 1998F ALLOCABLE PORTION OF THE SERIES 2012A-R REFUNDING BONDS

<b>Year Ending September 1</b>	<b>Aggregate Series 1994A Borrower Trust Loan Repayments</b>	<b>Aggregate Series 1994A Borrower Fund Loan Repayments</b>	<b>Total Series 1994A Borrower Loan Repayments</b>	<b>Annual Debt Service 1998F Allocable Portion<sup>1,2</sup></b>
2013	\$1,406,000	\$636,674	\$2,042,674	\$1,353,873
2014	1,412,250	639,400	\$2,051,650	\$1,359,887
<b>Total<sup>3</sup></b>	<b>\$2,818,250</b>	<b>\$1,276,073</b>	<b>\$4,094,323</b>	<b>\$2,713,760</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012A-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of projected savings credits to be derived from the issuance of the Series 2012A-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012A-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

**AGGREGATE SERIES 1994B LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE 1998G ALLOCABLE PORTION OF  
THE SERIES 2012A-R REFUNDING BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 1994B Borrower Trust <u>Loan Repayments</u></b>	<b>Aggregate Series 1994B Borrower Fund <u>Loan Repayments</u></b>	<b>Total Series 1994B Borrower <u>Loan Repayments</u></b>	<b>Annual Debt Service <u>1998G Allocable Portion</u> <sup>1,2</sup></b>
2013	\$2,200,750	\$893,128	\$3,093,878	\$2,118,992
2014	2,226,000	898,219	\$3,124,219	2,143,299
<b>Total<sup>3</sup></b>	<u><u>\$4,426,750</u></u>	<u><u>\$1,791,347</u></u>	<u><u>\$6,218,097</u></u>	<u><u>\$4,262,291</u></u>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012A-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of projected savings credits to be derived from the issuance of the Series 2012A-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012A-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

**AGGREGATE SERIES 2004A LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE 2004A ALLOCABLE PORTION OF  
THE SERIES 2012A-R REFUNDING BONDS AND  
THE REMAINING OUTSTANDING SERIES 2004A BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2004A Borrower Trust Loan Repayments</b>	<b>Aggregate Series 2004A Borrower Fund Loan Repayments</b>	<b>Total Series 2004A Borrower Loan Repayments</b>	<b>Annual Debt Service 2004A Allocable Portion and Remaining Outstanding Series 2004A Bonds<sup>1,2</sup></b>
2012	\$7,580,063	\$5,750,108	\$13,330,171	\$7,466,463
2013	9,727,375	7,394,003	\$17,121,378	\$9,261,614
2014	9,704,875	7,368,456	\$17,073,331	\$8,731,028
2015	9,684,275	7,382,144	\$17,066,419	\$8,710,981
2016	9,669,875	7,392,151	\$17,062,026	\$8,697,345
2017	9,701,075	7,371,123	\$17,072,198	\$8,713,794
2018	9,718,075	7,381,657	\$17,099,732	\$8,736,994
2019	9,607,325	7,080,763	\$16,688,088	\$8,644,994
2020	9,499,325	6,984,520	\$16,483,845	\$8,561,494
2021	9,488,325	6,899,945	\$16,388,270	\$8,545,494
2022	9,348,825	6,656,759	\$16,005,584	\$8,413,894
2023	8,651,325	5,875,545	\$14,526,870	\$7,730,535
2024	8,297,813	5,730,386	\$14,028,198	\$7,406,699
<b>Total<sup>3</sup></b>	<b>\$120,678,550</b>	<b>\$89,267,561</b>	<b>\$209,946,111</b>	<b>\$109,621,332</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012A-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of (i) savings credits derived from the issuance of the Series 2007C Refunding Bonds and the Series 2010A Refunding Bonds and (ii) projected savings credits to be derived from the issuance of the Series 2012A-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012A-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

**AGGREGATE SERIES 2005A LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE 2005A ALLOCABLE PORTION OF  
THE SERIES 2012A-R REFUNDING BONDS AND  
THE REMAINING OUTSTANDING SERIES 2005A BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2005A Borrower Trust Loan Repayments</b>	<b>Aggregate Series 2005A Borrower Fund Loan Repayments</b>	<b>Total Series 2005A Borrower Loan Repayments</b>	<b>Annual Debt Service 2005A Allocable Portion and Remaining Outstanding Series 2005A Bonds<sup>1,2</sup></b>
2012	\$7,579,281	\$6,077,527	\$13,656,808	\$7,579,281
2013	9,752,813	7,992,561	\$17,745,373	9,230,897
2014	9,743,063	7,987,295	\$17,730,358	9,156,959
2015	9,739,563	7,977,168	\$17,716,731	8,595,907
2016	9,668,963	7,924,860	\$17,593,823	8,527,471
2017	9,681,163	7,923,981	\$17,605,143	8,539,379
2018	9,677,563	7,930,018	\$17,607,580	8,535,096
2019	9,690,913	7,932,886	\$17,623,799	8,547,465
2020	9,661,088	7,941,929	\$17,603,017	8,518,877
2021	9,610,438	7,918,681	\$17,529,118	8,472,764
2022	9,216,563	7,065,018	\$16,281,581	8,110,138
2023	8,974,875	6,538,618	\$15,513,493	7,889,482
2024	8,953,813	5,999,397	\$14,953,210	7,870,265
2025	8,553,531	5,703,205	\$14,256,736	7,509,801
<b>Total<sup>3</sup></b>	<b>\$130,503,625</b>	<b>\$102,913,145</b>	<b>\$233,416,770</b>	<b>\$117,083,782</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012A-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of projected savings credits to be derived from the issuance of the Series 2012A-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012A-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

**AGGREGATE SERIES 2006A LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE 2006A ALLOCABLE PORTION OF  
THE SERIES 2012A-R REFUNDING BONDS AND  
THE REMAINING OUTSTANDING SERIES 2006A BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2006A Borrower Trust Loan Repayments</b>	<b>Aggregate Series 2006A Borrower Fund Loan Repayments</b>	<b>Total Series 2006A Borrower Loan Repayments</b>	<b>Annual Debt Service 2006A Allocable Portion and Remaining Outstanding Series 2006A Bonds<sup>1,2</sup></b>
2012	\$9,379,509	\$11,057,358	\$20,436,868	\$9,267,766
2013	12,332,769	14,625,252	\$26,958,020	\$11,728,854
2014	12,325,519	14,613,217	\$26,938,735	\$11,643,885
2015	12,336,769	14,628,750	\$26,965,518	\$11,655,135
2016	12,344,769	14,646,765	\$26,991,534	\$11,176,049
2017	12,323,769	14,615,138	\$26,938,907	\$11,156,767
2018	12,321,169	14,608,110	\$26,929,278	\$11,154,083
2019	12,320,569	14,605,346	\$26,925,915	\$11,153,796
2020	12,326,369	14,622,537	\$26,948,906	\$11,158,722
2021	12,332,769	14,618,349	\$26,951,117	\$11,164,895
2022	12,272,181	14,568,369	\$26,840,550	\$11,107,588
2023	12,282,775	14,547,876	\$26,830,651	\$11,117,321
2024	12,263,113	14,384,843	\$26,647,955	\$10,833,807
2025	12,199,863	13,290,985	\$25,490,847	\$11,220,045
2026	11,827,163	12,114,779	\$23,941,942	\$10,872,245
<b>Total<sup>3</sup></b>	<b>\$181,189,072</b>	<b>\$211,547,672</b>	<b>\$392,736,743</b>	<b>\$166,410,957</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012A-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of (i) savings credits derived from the issuance of the Series 2010A Refunding Bonds and (ii) projected savings credits to be derived from the issuance of the Series 2012A-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012A-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

**AGGREGATE SERIES 1995B LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE 1995B ALLOCABLE PORTION OF  
THE SERIES 2012B-R REFUNDING BONDS AND  
THE REMAINING OUTSTANDING SERIES 1995B BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 1995B Borrower Trust <u>Loan Repayments</u></b>	<b>Aggregate Series 1995B Borrower Fund <u>Loan Repayments</u></b>	<b>Total Series 1995B Borrower <u>Loan Repayments</u></b>	<b>Annual Debt Service 1995B Allocable Portion and Remaining Outstanding <u>Series 1995B Bonds</u><sup>1,2</sup></b>
2012	\$190,375	\$101,432	\$291,807	\$190,375
2013	214,200	114,126	\$328,326	183,789
2014	211,950	112,927	\$324,877	191,323
2015	214,000	114,019	\$328,019	203,191
<b>Total<sup>3</sup></b>	<u><u>\$830,525</u></u>	<u><u>\$442,503</u></u>	<u><u>\$1,273,028</u></u>	<u><u>\$768,678</u></u>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012B-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of projected savings credits to be derived from the issuance of the Series 2012B-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012B-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.



**AGGREGATE SERIES 2001C LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE 2001C ALLOCABLE PORTION OF  
THE SERIES 2012B-R REFUNDING BONDS AND  
THE REMAINING OUTSTANDING SERIES 2001C BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2001C Borrower Trust Loan Repayments</b>	<b>Aggregate Series 2001C Borrower Fund Loan Repayments</b>	<b>Total Series 2001C Borrower Loan Repayments</b>	<b>Annual Debt Service 2001C Allocable Portion and Remaining Outstanding Series 2001C Bonds<sup>1,2</sup></b>
2012	\$91,958	\$51,409	\$143,366	\$91,958
2013	120,210	67,203	\$187,413	92,374
2014	121,150	67,729	\$188,879	92,916
2015	121,725	68,050	\$189,775	96,754
2016	121,925	68,162	\$190,087	100,370
2017	116,740	65,263	\$182,003	98,729
2018	121,470	67,908	\$189,378	106,783
2019	120,485	67,357	\$187,842	104,322
2020	119,085	66,574	\$185,659	106,596
2021	117,260	65,554	\$182,814	108,476
<b>Total<sup>3</sup></b>	<b>\$1,172,008</b>	<b>\$655,210</b>	<b>\$1,827,218</b>	<b>\$999,275</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012B-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of projected savings credits to be derived from the issuance of the Series 2012B-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012B-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

**AGGREGATE SERIES 2003A LOAN REPAYMENTS  
AVAILABLE TO PROVIDE COVERAGE FOR  
THE SERIES 2012C-R REFUNDING BONDS AND  
THE REMAINING OUTSTANDING SERIES 2003A BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2003A Borrower Trust Loan Repayments</b>	<b>Aggregate Series 2003A Borrower Fund Loan Repayments</b>	<b>Total Series 2003A Borrower Loan Repayments</b>	<b>Annual Debt Service 2012C-R Refunding Bonds and Remaining Outstanding Series 2003A Bonds<sup>1,2</sup></b>
2012	\$4,513,636	\$3,716,617	\$8,230,253	\$4,421,284
2013	5,564,773	4,705,760	\$10,270,533	\$4,912,213
2014	5,574,273	4,302,376	\$9,876,648	\$4,940,276
2015	5,569,273	4,298,424	\$9,867,696	\$4,959,349
2016	5,569,873	4,295,897	\$9,865,770	\$4,979,797
2017	4,739,073	4,304,767	\$9,043,840	\$4,250,686
2018	4,722,913	4,288,757	\$9,011,670	\$4,252,566
2019	4,744,488	4,271,539	\$9,016,027	\$4,281,939
2020	4,740,238	4,219,903	\$8,960,141	\$4,300,720
2021	4,721,738	3,285,225	\$8,006,963	\$4,299,172
2022	4,349,988	2,964,839	\$7,314,827	\$3,878,474
2023	4,336,650	2,648,011	\$6,984,661	\$3,814,719
<b>Total<sup>3</sup></b>	<b>\$59,146,911</b>	<b>\$47,302,117</b>	<b>\$106,449,028</b>	<b>\$53,291,193</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012C-R Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of (i) savings credits derived from the issuance of the Series 2010A Refunding Bonds and (ii) projected savings credits to be derived from the issuance of the Series 2012C-R Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012C-R refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

## **APPENDIX D**

### **AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS**

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**APPENDIX D**

**AGGREGATE FINANCING PROGRAM**

**REPAYMENTS AVAILABLE TO PROVIDE COVERAGE**

**FOR COVERAGE RECEIVING BONDS**

<b><u>Year Ending September 1</u></b>	<b><u>Aggregate Coverage Receiving Trust Loan Repayments</u></b>	<b><u>Aggregate Coverage Providing Fund Loan Repayments</u></b>	<b><u>Total Funds Available For Coverage Receiving Financing Program Debt Service</u></b>	<b><u>Total Debt Service Coverage Receiving Financing Programs<sup>1, 2</sup></u></b>
2012	\$116,605,608	\$93,708,498	\$210,314,105	\$113,269,517.00
2013	152,128,322	129,604,586	281,732,907	144,514,764.03
2014	150,253,279	128,047,465	278,300,744	139,951,923.82
2015	153,234,782	126,477,390	279,712,172	142,748,955.46
2016	150,123,810	124,794,616	274,918,427	139,149,759.24
2017	144,526,239	121,677,341	266,203,580	134,597,699.98
2018	141,602,873	119,303,402	260,906,275	132,138,789.68
2019	136,950,705	116,218,247	253,168,953	127,937,128.84
2020	127,291,445	109,824,284	237,115,729	118,770,533.55
2021	118,841,633	105,183,115	224,024,748	111,667,794.53
2022	106,195,667	96,923,549	203,119,215	100,745,171.19
2023	95,534,629	90,845,526	186,380,155	91,823,436.57
2024	88,590,089	85,510,840	174,100,929	85,179,794.16
2025	77,738,780	76,726,970	154,465,750	75,696,641.91
2026	68,284,832	69,018,527	137,303,359	67,317,570.62
<b>Total<sup>3</sup></b>	<b>\$1,827,902,692</b>	<b>\$1,593,864,355</b>	<b>\$3,421,767,048</b>	<b>\$1,612,239,964</b>

<sup>1</sup> Preliminary, subject to change upon final pricing and sizing of the Series 2012 Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>2</sup> Reflects the application to Trust Bond debt service of (i) savings credits derived from the prior refunding of certain series of Trust Bonds, and (ii) projected savings credits to be derived from the issuance of the Series 2012 Refunding Bonds, which projected savings credits remain preliminary, subject to change upon final pricing and sizing of the Series 2012 Refunding Bonds in accordance with the terms of the Notice of Sale.

<sup>3</sup> Totals may not add due to rounding.

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## **APPENDIX E**

**SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS,  
THE REFUNDING PROGRAM LOAN SERVICING AGREEMENTS,  
THE MASTER PROGRAM TRUST AGREEMENT AND  
THE TRUST CONTINUING DISCLOSURE AGREEMENT**

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## SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS

The following is a general summary of certain provisions of the Refunding Program Bond Resolutions (as such term is defined in the main text of this Official Statement). The Bond Resolutions are identical in all material respects, with the exception of the changes noted herein and with the exception that the Series 1994A Bond Resolution is primarily secured from certain payments to be made by the Series 1994A Borrowers, the Series 1994B Bond Resolution is primarily secured from certain payments to be made by the Series 1994B Borrowers, the Series 2003A Bond Resolution is primarily secured from certain payments to be made by the Series 2003A Borrowers, the Series 2004A Bond Resolution is primarily secured from certain payments to be made by the Series 2004A Borrowers, the Series 2005A Bond Resolution is primarily secured from certain payments to be made by the Series 2005A Borrowers, the Series 2006A Bond Resolution is primarily secured from certain payments to be made by the Series 2006A Borrowers, the Series 1995B Bond Resolution is primarily secured from certain payments to be made by the Series 1995B Borrowers, and the Series 2001C Bond Resolution is primarily secured from certain payments to be made by the Series 2001C Borrowers, (as such terms are defined in the main text of this Official Statement). Exceptions to a specific Refunding Program Bond Resolution are as follows: <Series 2004A Bond Resolution, Series 2005A Bond Resolution and Series 2006A Bond Resolution>; [Series 1994A Bond Resolution, Series 1994B Bond Resolution, Series 1995B Bond Resolution, Series 2001C Bond Resolution and Series 2003A Bond Resolution]; and {Series 2012A-R Refunding Program Bond Resolutions}. The term “{SERIES}” shall refer to each respective Series designation with respect to the Applicable Refunding Program Bond Resolution, and the term “{YEAR}” shall refer to each respective calendar year in which the Applicable Refunding Program Bond Resolution was initially adopted. The summary is not to be considered a full statement of the terms of the Refunding Program Bond Resolutions and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Refunding Program Bond Resolutions may be obtained from the Trust upon request. The section references shown below in parenthesis are to particular sections of the Refunding Program Bond Resolutions.

### Definitions

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

“Act” means the “New Jersey Environmental Infrastructure Trust Act,” constituting Chapter 334 of the Pamphlet Laws of 1985 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 Borrower 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 Borrower with respect to the Bond Resolution funding the Loan to such Borrower means: (i) with respect to earnings on the Debt Service Reserve Fund during the capitalized interest period for SRF Borrowers 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 Borrowers on Schedule II-A attached to the Bond Resolution which percentage shall be equal to a fraction, the numerator of which shall equal the [Allowable Project Cost] <principal amount of the Loan> for such SRF Borrower, and the denominator of which shall equal the aggregate <principal> amount of all [Allowable Project Costs] <Loans> for all SRF Borrowers 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 non-SRF Borrowers, 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 Borrowers on Schedule II-B attached to the Bond Resolution which percentage shall be equal to a fraction, the numerator of which shall equal the [Allowable Project Cost] <principal amount of the Loan> for such non-SRF Borrower, and the denominator of which shall equal the aggregate <principal> amount of all [Allowable Project Costs] <Loans> for all non-SRF

## APPENDIX E

Borrowers 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 Borrower on Schedule I-A attached to the Bond Resolution for SRF and non-SRF Borrowers, respectively, which percentage shall be equal to a fraction, the numerator of which shall equal the [Allowable Project Cost] <principal amount of the Loan> for such Borrower, and the denominator of which shall equal the aggregate <principal> amount of all [Allowable Project Costs] <Loans> for all SRF or non-SRF Borrowers, as appropriate, and (iv) for all other purposes of the Bond Resolution, the percentage set forth for any such Borrower on Schedule I-B attached to the Bond Resolution, which percentage shall be equal to a fraction, the numerator of which shall equal the [Allowable Project Cost] <principal amount of the Loan> for such Borrower, and the denominator of which shall equal the aggregate <principal> amount of all [Allowable Project Costs] <Loans> for all Borrowers; provided however, that in the event the Borrowers are either all SRF Borrowers or all non-SRF Borrowers, 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 [or the Loan Servicing Agreement], 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 Borrower 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, the Executive Director 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 Borrower, any person or persons authorized pursuant to a resolution or ordinance of the governing body of the Borrower to perform any act or execute any document; 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 1995A 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 September 1 of any calendar year and ending on August 31 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 August 31.

“Borrower” means any Local Government Unit or Private Entity (as such terms are defined in the Regulations) authorized to construct, operate and maintain environmental infrastructure facilities that has entered into a Loan Agreement with

## APPENDIX E

the Trust pursuant to which such Borrower will borrow money from the Project Fund financed through the issuance of the Series {SERIES} Bonds, as the case may be.

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

“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 Borrower by an Authorized Officer of the Trust, the Trustee or such Borrower, 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 a Borrower's 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, the Master Program Trustee or any Borrower) duly admitted to practice law before the highest court of any state.

[“Coverage Amount” means the amount of money, if any, remaining in the Revenue Fund on the first day of any Bond Year and on March 1 of such Bond Year, after giving effect to the transfers to be made therefrom on such first day or March 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 with respect to the Series {SERIES} Bonds, 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 {SERIES} Bonds and Outstanding Refunding Bonds; and (b) principal or Sinking Fund Installments, as the case may be, of the Outstanding Series {SERIES} Bonds and Outstanding Refunding Bonds;

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(ii) 125% of a fraction, the numerator of which is the sum of the interest, principal and Sinking Fund Installments on the Outstanding Series {SERIES} Bonds and Outstanding Refunding Bonds payable beginning in such Bond Year and each succeeding Bond Year thereafter until the maturity of the Outstanding Series {SERIES} 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 {SERIES} Bonds and Outstanding Refunding Bonds; {or (iii) the sum of 10% of the “proceeds” of the Series {SERIES} Bonds, but only if such Series {SERIES} 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 a particular Series of Bonds.

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

“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 September 1 and March 1, commencing September 1, {YEAR}.

“Interest Portion” means that portion of Trust Bond Loan Repayments payable by a Borrower under such Borrower's Loan Agreement that is necessary to pay any such Borrower'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, which securities may be obligations of the Trustee to the extent qualified hereunder:

(a) Obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof which obligations are backed by the full faith and credit of the United States. These include, but are not limited to:

(i) United States Treasury obligations - All direct or fully guaranteed obligations;

(ii) Farmers Home Administration - Certificates of beneficial ownership;

(iii) United States Maritime Administration - Guaranteed Title XI financing;

(iv) Small Business Administration - Guaranteed participation certificates; Guaranteed pool certificates;

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- (v) Government National Mortgage Association (GNMA) - GNMA-guaranteed mortgage-backed securities; GNMA-guaranteed participation certificates;
  - (vi) United States Department of Housing & Urban Development - Local authority bonds;
  - (vii) Washington Metropolitan Area Transit Authority - Guaranteed transit bonds;
  - (viii) State and Local Government Series; and
  - (ix) Veterans Administration - Guaranteed REMIC; Pass-through Certificates.
- (b) Federal Housing Administration Debentures.
- (c) Obligations of the following government-sponsored agencies that are not backed by the full faith and credit of the United States government.
- (i) Federal Home Loan Mortgage Corp. (FHLMC) - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts); Senior debt obligations;
  - (ii) Farm Credit System (Formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperative) - Consolidated systemwide bonds and notes;
  - (iii) Federal Home Loan Banks (FHL Banks) - Consolidated debt obligations;
  - (iv) Federal National Mortgage Association (FNMA) - Senior debt obligations; Mortgage-backed securities (Excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
  - (v) Student Loan Marketing Association (SLMA) - Senior debt obligations (Excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date); LOC-backed issues;
  - (vi) Financing Corp. (FICO) - Debt obligations; and
  - (vii) Resolution Funding Corp. (REFCORP) - Debt obligations.
- (d) Federal funds, unsecured certificates of deposit, time deposits, and banker's acceptances having maturities of not more than 365 days of any bank, the short-term obligations of which are rated in the highest rating category for short term obligations by each Rating Agency.
- (e) Deposits that are fully insured by the Federal Deposit Insurance Corp. (FDIC), including Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF). To the extent that such deposits are not insured by FDIC, such deposits shall be collateralized by the obligations described in paragraph (a)(i) of this definition.
- (f) (i) Debt obligations rated in the highest rating category for debt obligations by each Rating Agency. Excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date.

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- (ii) Pre-refunded municipal securities rated in the highest rating category for municipal securities by each Rating Agency.
- (g) Commercial paper or other debt obligations rated in the highest rating category for commercial paper or debt obligations by each Rating Agency maturing in not more than 365 days.
- (h) Investment in money market funds rated in the highest rating category for money market funds by each Rating Agency (including money market funds managed by the Trustee or any of its affiliates).
- (i) Any of the following stripped securities:
  - (i) United States Treasury STRIPS;
  - (ii) REFCORP STRIPS (stripped by the Federal Reserve Bank of New York); and
  - (iii) Any stripped securities assessed or rated in the highest rating category for stripped securities by each Rating Agency.
- (j) Repurchase agreements with any transferor with debt rated in the highest rating category for debt obligations by each Rating Agency or commercial paper rated in the highest rating category for commercial paper by each Rating Agency, and where the transferor meets one of the following 2 tests (all opinions to be rendered below must be acceptable to bond counsel to the Trust):
  - (i) The transferor falls under the jurisdiction of the Securities Investor Protection Corp. (SIPC) or the United States Bankruptcy Code, 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”), provided that:
    - (A) An opinion is rendered that the repurchase agreement is a “repurchase agreement” as defined under the Bankruptcy Code. The code requires, among other things, that:
      - (I) The term of such repurchase agreement is no more than one year or due on demand; and
      - (II) The repurchase securities must be either direct obligations of, or fully guaranteed as to principal and interest by, the United States or any United States agency, certificates of deposit, or eligible banker's acceptances;
    - (B) An opinion is rendered that the transferee has a first perfected security interest in the repurchase securities, any substituted securities, and all proceeds thereof;
    - (C) Each Rating Agency receives representations they can respectively rely on that there is or will be a written agreement governing every repurchase agreement transaction;
    - (D) Each Rating Agency receives representations they can respectively rely on that the transferee or third party acting as its agent has possession of the repurchase security or that the securities have been transferred to the transferee in accordance with applicable State and federal laws (other than by means of entries on the transferor's books);

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(E) Each Rating Agency receives representations they can respectively rely on that the transferee of any repurchase securities has not knowledge of any fraud involved in the repurchase agreement transaction;

(F) Each Rating Agency receives representations they can respectively rely on that all securities taken under the repurchase agreement are free and clear of any third-party liens or claims;

(G) The market value of the collateral is maintained at levels acceptable to each Rating Agency. The Trustee may rely on guidelines for such levels set forth in publications of general circulation by each Rating Agency for securities rated in the highest rating category; and

(H) Failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral.

(ii) The transferor is subject to the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA), provided that:

(A) An opinion is rendered that the repurchase agreement satisfies the definitions set forth in FIRREA; FIRREA requires, among other things, that the agreement satisfy the definition under the Bankruptcy Code (see j(i)(A) above), except that the securities which may be subject to such agreement may also include 'mortgage-related securities,' any mortgage loan and any interest in any mortgage loan;

(B) Each Rating Agency receives assurance that all other requirements under FIRREA have been met as outlined by the FDIC and RTC in a policy statement dated Dec. 12, 1989, as the same may be amended, supplemented, modified or superseded from time to time;

(C) An opinion is rendered that the transferee has a first perfected security interest in the repurchase securities, any substituted securities, and all proceeds thereof;

(D) Each Rating Agency receives representations they can respectively rely on that there is or will be a written agreement governing every repurchase transaction;

(E) Each Rating Agency receives representations they can respectively rely on that the transferee or third party acting solely as agent for the transferee has possession of the repurchase securities or that the securities have been transferred to the transferee in accordance with applicable State and federal laws (other than by means of entries on the transferor's books)

(F) Each Rating Agency receives, representations they can respectively rely on that the transferee, in accepting securities from the transferor, is not in any way acting to defraud the transferor, nor does the transferee have any prior knowledge to the effect that either the transferor is insolvent or may become insolvent as result of completing any such repurchase agreement transaction;

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(G) Each Rating Agency receives representations they can respectively rely on that all securities taken under the repurchase agreement are free and clear of any third-party liens or claims;

(H) The market value of the collateral is maintained at levels acceptable to each Rating Agency. The Trustee may rely on guidelines for such levels set forth in publications of general circulation by each Rating Agency for securities rated in the highest rating category; and

(I) Failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral.

(k) Such other securities approved by each of the Rating Agencies that would not adversely affect the rating on the Coverage Receiving Trust Bonds then Outstanding.

“Loan” means a loan by the Trust to a Borrower, pursuant to a Loan Agreement, to finance or refinance a portion of the Cost of such Borrower'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 Borrower 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 Borrower, 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 {SERIES} [Bonds. ]

“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.



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“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 Bond Resolution.

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

“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 into a Trust Bonds Security Account] <are held by the Trustee>, (ii) payments made to the Trustee by the Master Program Trustee from amounts on deposit in the Master Program Trust Account (and all subaccounts defined therein) in accordance with the terms of the Master Program Trust Agreement and (iii) 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 nor any administrative fee included as part of any State Loan Repayment.

“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.

“Sinking Fund Installments”, with respect to any Series of Bonds, shall have the meaning, if any, specified in 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 Borrower, means a Borrower 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 Borrower of the principal on the companion zero interest loan made by the State of New Jersey, acting by and through the Department, to finance in part such Borrower's Project.

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“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”, 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 {SERIES} 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 relating to the Series 1995A Bonds, 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 and the Rebate Fund , 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; Pledge of Trust Estate**

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 from and secured by a pledge of the Trust Estate as provided under the Bond

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Resolution and (vi) the Bonds shall be additionally secured by the interest of the Trustee in and to the Master Program Trust Account as defined in, to the extent, in the amount and at the times set forth in the Master Program Trust Agreement. 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:

	<u>Funds and Accounts</u>	<u>Held by</u>
(1)	Debt Service Fund	Trustee
	Interest Account	
	Capitalized Interest Account	
	Principal Account	
	Redemption Account	
(2)	Debt Service Reserve Fund	Trustee
(3)	General Fund	Trustee
(4)	Operating Expense Fund	Trust
	Administrative Fee Account	
	Costs of Issuance Account	
(5)	Project Fund	Trustee
	Project Loan Accounts	
(6)	Rebate Fund	Trust
(7)	Revenue Fund	Trustee

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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 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 Bonds from the Dated Date thereof 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 Bonds from the date of their delivery to and including March 1 of the following calendar year, with respect to the Bonds shall be deposited into the Capitalized Interest Account of the Debt Service Fund for those Borrowers that are Capitalizing Interest; (iii) a sum equal to each Borrower's pro rata share of the Costs of Issuance shall be deposited into the Costs of Issuance Account of the Operating Expense Fund; (iv) there shall be no moneys deposited into the Rebate Fund; and (v) the remaining balance of the proceeds of the 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)

### Revenues

[All Revenues shall be promptly deposited in the Revenue Fund and all transfers from such Fund shall be made only in accordance with Article V of the Bond Resolution.]

<The Trustee shall, as agent for the Trust and the State, perform the following duties and services:

1. The Trustee shall diligently use its best efforts to collect from each Borrower all required Trust Bond Loan Repayments, State Loan Repayments, Administrative Fee payments and State Administrative Fee payments, when due, in the amounts and at the times established by the Trust in a Certificate of an Authorized Officer of the Trust. The Trustee hereby acknowledges that (a) all amounts so collected shall be collected by the Trustee on behalf of, and for the benefit of, the Trust and the State, to the extent of their respective interests therein, (b) in making such collections, the Trustee acts as an agent for the Trust and the State, to the extent of their respective interests therein, (c) all amounts so collected by the Trustee are the property of the Trust and the State, to the extent of their respective interests therein, and not of the Trustee, (d) all such amounts, when received by the Trustee, are deemed to be received by the Trust and the State, to the extent of their respective interests therein, determined in accordance with paragraph (3) below, and (e) the amounts deemed received by the Trust as Trust Bond Loan Repayments and by the State as State Loan Repayments, to the extent deposited in accordance with paragraph (3) below, are, immediately upon deposit therein, deemed to be Revenues, and are included in the Trust Estate established and pledged as security for the Series 2004A Bonds under the Bond Resolution.

2. Promptly after collection of each Trust Bond Loan Repayment, State Loan Repayment, Administrative Fee payment, State Administrative Fee payment or other required payment from a Borrower, the Trustee shall credit such Borrower with each of the respective sums collected. Moneys received from each Borrower with respect to a particular payment date shall be credited, *first*, to the payment then due (other than the Administrative Fee payment) under the Loan Agreement, *second*, to the Administrative Fee payment then due under the Loan Agreement, *third*, to the payment then due (other than the State Administrative Fee payment, if any) under the State Loan Agreement, and, *fourth*, to the State Administrative Fee payment, if any, then due under the State Loan Agreement.

3. Promptly after crediting each Borrower pursuant to the order of priority established under paragraph (2) above for the moneys received from each Borrower with respect to a particular payment date, the Trustee shall deposit the sums collected in the accounts established for such payments in the following order of priority of such deposits and the required amounts of such deposits:

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(a) First, into the Revenue Fund established under this Bond Resolution, a sum or sums from moneys credited as Trust Bond Loan Repayments and Administrative Fee payments equal to (i) the amount required for the next immediate debt service payment date for the Series 2004A Bonds;

(b) Upon depositing the required amounts pursuant to paragraph (3)(a) above, into the Administrative Fee Account in the Operating Expense Fund established under this Bond Resolution, all moneys credited as Administrative Fee payments only then due to the Trust from each Borrower pursuant to its respective Loan Agreement;

(c) Upon depositing the required amounts pursuant to paragraphs (3)(a) and (3)(b), above, immediately to the Master Program Trustee for deposit in the Master Program Trust Account from moneys credited as State Loan Repayments only corresponding to the next immediate debt service payment date for the Series 2004A Bonds, for disbursement in accordance with the terms and conditions of the Master Program Trust Agreement;

(d) Upon depositing the required amounts pursuant to paragraphs (3)(a), (3)(b) and (3)(c), above, to the State all moneys credited as State Administrative Fee payments only, if any, then due to the State from each Borrower pursuant to its respective State Loan Agreement; and

(e) Upon depositing the required amounts pursuant to paragraphs (3)(a), (3)(b), (3)(c) and (3)(d), above, into the Revenue Fund 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 this paragraph (3) in the sequence and manner established pursuant to this paragraph (3).

4. If a payment of amounts due under a Loan Agreement or a State Loan Agreement is not received on or before the required payment date, the Trustee shall notify the Borrower and, if applicable, the trustee under the Borrower Bond Resolution (as such term is defined in the 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 and the State. If a payment is not received from the Borrower within ten days of the date when such payment is due, the Trustee shall promptly notify the Trust and the State in writing.

5. The Trustee shall promptly notify the Trust, the Borrower and, if applicable, the trustee under the Borrower Bond Resolution in writing if the moneys received from the Borrower pursuant to paragraph (2) of Section 5.04 of the Bond Resolution with respect to a particular payment date are insufficient to satisfy in full the Trust Bond Loan Repayments and Administrative Fee payments then due under the Loan Agreement. The Trustee shall promptly notify the State, the Borrower and, if applicable, the trustee under the Borrower Bond Resolution in writing if the moneys received from the Borrower pursuant to paragraph (2) of Section 5.04 of the Bond Resolution with respect to a particular payment date are insufficient to satisfy in full the State Loan Repayments and State Administrative Fee payments then due under the State Loan Agreement. The Trustee, pursuant to Section 5.07(1) of the Bond Resolution, shall also notify the Trust and the State that a Trust Bond Loan Repayment deficiency cannot be satisfied from Loan Repayments deposited pursuant to Section 5.04(3)(a) of the Bond Resolution.>

### **Revenue Fund**

(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;

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(b) On or prior to September 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 September 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 Borrower prior to the date that is six months prior to the first optional redemption date for the Applicable Series of Bonds 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 the first optional redemption date for the Applicable Series of Bonds.

(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.

(Section 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 Borrower 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 Borrower 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 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 state: (a) that the proceeds of the Loan have been fully disbursed to the extent allowed by the Regulations 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 Borrower in whose favor the Project Loan Account was established.

Except as described in the Bond Resolution, 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 Borrower, 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 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 Borrower setting forth such Borrower's agreement that all costs and expenses incurred by the Trust, any such Borrower, 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 Borrower.

(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 accordance with the provisions of the Tax Certificate.

The [Loan Servicer] <Trustee> shall deposit in the Administrative Fee Account the Administrative Fees (i) received by the [Loan Servicer] <Trustee> on behalf of the Trust pursuant to the Loan Agreements, (ii) deposited by the [Loan Servicer] <Trustee> in the Trust Administration Account as defined in and pursuant to the [Loan Servicing Agreement] <Bond Resolution> and (iii) paid over to the Trust in accordance with the [Loan Servicing Agreement] <Bond Resolution>. 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 a Borrower shall notify the Trust or the Trustee in writing, or whenever the Trust or Trustee shall determine, that a Borrower 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 transferred to the Revenue Fund or the Debt Service Fund and that such deficiency cannot be satisfied from amounts payable by the Master Program Trustee from amounts on deposit in the Master Program Trust Account (and all Subaccounts as defined therein) in accordance with the terms of the Master Program Trust Agreement, the Trustee shall transfer from the SRF Account or non-SRF Account, as applicable, of 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

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Service Reserve Fund as a result of deficient Trust Bond Loan Repayments by said Borrower and (ii) all repayments made by, or on behalf of, the Borrower pursuant to the Applicable Loan Agreement, does not exceed said Borrower's pro rata share of the Debt Service Reserve Fund. A Borrower'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 Borrower's Allocable Share as set forth on Schedule I of the Bond Resolution.

Whenever the amount, if any, in the Debt Service Reserve Fund funded with Bond proceeds and allocable to any Reserve Capacity Borrower, together with the amount in the Debt Service Fund allocable to any such Reserve Capacity Borrower, is sufficient to pay in full all Outstanding Bonds allocable to any such Reserve Capacity Borrower in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the Trustee shall transfer such amount on deposit in the Debt Service Reserve Fund to the Debt Service Fund to be applied as a credit to the final Trust Bond Loan Repayments of any such Reserve Capacity Borrower.

After any transfer made pursuant to the preceding paragraph and upon the cancellation of all Bonds and any Refunding Bonds in accordance with 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 any Reserve Capacity Borrower that is no longer paying the Interest Portion payable by said Reserve Capacity Borrower from the Capitalized Interest Account of the Debt Service Fund that is allocable to said Reserve Capacity Borrower, if applicable, has paid or prepaid its loan in full (less only the portion of the Debt Service Reserve Fund which is funded with Bond proceeds allocable to such Reserve Capacity Borrower) in accordance with all of the terms of its Loan Agreement (including without limitation, obtaining the Trust's consent to any such prepayment, where applicable), the Trust shall notify the Trustee and the Loan Servicer of the Trust's consent to such prepayment, where applicable, and that the amount in the Debt Service Reserve Fund funded with moneys other than Bond proceeds allocable to any such Reserve Capacity Borrower shall be transferred to the Trust for any of its lawful corporate purposes pursuant to the instructions of a Certificate of an Authorized Officer of the Trust. The portion of the Debt Service Reserve Fund which is funded with Bond proceeds allocable to such Reserve Capacity Borrower shall be transferred (i) to the Debt Service Fund for redemption or payment of the Bonds attributable to such Borrower's Loan or (ii) in accordance with a Certificate of an Authorized Officer of the Trust to effect the defeasance of Bonds attributable to such Borrower's Loan in accordance with the Bond Resolution, in either case to be applied (along with the interest earnings thereon) as a credit to the final Trust Bond Loan Repayments of such Reserve Capacity Borrower. Prior to any such transfer described herein, investments held in the Debt Service Reserve Fund shall be liquidated to the extent necessary in order to provide for the transfer described herein.

Whenever any Borrower which is not a Reserve Capacity Borrower and which is no longer paying the Interest Portion payable by said Borrower from the Capitalized Interest Account of the Debt Service Fund that is allocable to said Borrower, if applicable, has paid or prepaid its loan in full in accordance with all of the terms of its Loan Agreement (including without limitation, obtaining the Trust's consent to any such prepayment, where applicable), the Trust shall notify the Trustee and the Loan Servicer of the Trust's consent to such prepayment, where applicable, and the amount in the Debt Service Reserve Fund allocable to any such Borrower shall be transferred to the Trust for any of its lawful corporate purposes pursuant to the instructions of a Certificate of an Authorized Officer of the Trust. Prior to any such transfer described herein, investments held in the Debt Service Reserve Fund shall be liquidated to the extent necessary in order to provide for the transfer described herein.

Whenever the Trustee determines that the amount of money in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement on September 1 on any valuation date, 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.



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Investment of the Debt Service Reserve Fund shall be valued annually, at the market value thereof, exclusive of accrued interest. Notwithstanding anything to the contrary in the Bond Resolution, if a decline in the market value of securities on deposit in the Debt Service Reserve Fund causes the marked to market amount on deposit in the Debt Service Reserve Fund to be below the Debt Service Reserve Requirement, such deficiency shall be restored by retaining all or a portion of each Borrower's Allocable Share of interest earnings thereon until the Debt Service Reserve Requirement has been met. When and to the extent market conditions change thereafter, any such retained investment earnings (and not the corpus of the Debt Service Reserve Fund) not needed to satisfy the Debt Service Reserve Requirement shall be credited to the Trust Bond Loan Repayments of the Borrowers in accordance with their Allocable Share as set forth in the Bond Resolution. Investments purchased with funds on deposit in the Debt Service Reserve Fund shall have a term to maturity of not greater than five years.  
(Section 5.07)

### **Application of Moneys in the General Fund**

On the first day of each Bond Year commencing September 1, 1996, 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 such 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) to the extent such date is a valuation date, the moneys then on deposit in the Debt Service Reserve Fund shall be at least equal to the Debt Service Reserve Requirement, (ii) all transfers from the Revenue Fund as described above shall have been made, and (iii) all funds required to be on deposit in the Revenue Fund are on deposit in the Revenue Fund. 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 shall be invested by the Trustee as directed by <an Authorized Officer of> the Trust in writing, subject to the further provisions of the Bond Resolution. The Trustee may conclusively rely upon such written direction of <an Authorized Officer 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, provided, however, that the Project Fund and the Accounts established therein may be invested 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, in addition to investment thereof in Investment Securities.

Commencing September 1, in the year immediately following the issuance of the initial Series of Bonds, and on each Interest Payment Date thereafter through and including the last date on which interest is to be paid on any Bonds from the Capitalized Interest Account, 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 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 Borrowers (being the Borrowers that are not or are no longer capitalizing interest during the capitalized interest period) in the percentages

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applicable to the Borrowers 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 Borrower 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 Borrower'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 Borrowers, 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 Borrower, and the denominator of which shall equal the Debt Service Reserve Requirement attributable to all SRF Borrowers, less the aggregate amount of all transfers from the Debt Service Reserve Fund on behalf of all such Borrowers 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 Borrower 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 Borrower'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 Borrowers, 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 Borrower, and the denominator of which shall equal the Debt Service Reserve Requirement attributable to all non-SRF Borrowers, less the aggregate amount of all transfers from the Debt Service Reserve Fund on behalf of all such Borrowers 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 September 1 in the year immediately following the initial issuance of the Bonds, from investment of moneys in any fund or account created under the Bond Resolution, 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 September 2 of such year; (ii) all net earnings received from September 2 through and including March 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 March 2 of any such Bond Year; and (iii) all net earnings received from March 2 through and including August 31 in any Bond Year thereafter and through September 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 September 2 of any such next succeeding Bond Year. Notwithstanding the foregoing, to the extent on any valuation date 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 of the Bond Resolution, the net earnings on amounts on deposit in the Debt Service Reserve Fund shall be credited to and retained in 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. The [Loan Servicer, pursuant to the Loan Servicing Agreement,] <Trustee> will credit the Interest Portion of the immediately succeeding Trust Bond Loan Repayment due from a Borrower, 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 Borrower and notify the Borrower and the Trustee of such credit.

(Section 5.10)

**{Restrictions on Loans**

No Loan may be made to reimburse a Borrower for all or a portion of the Cost of a Borrower's Project, or to refinance indebtedness or reimburse the Borrower for the repayment of indebtedness previously incurred by such Borrower to finance all or a portion of the Cost of such Borrower's Project, unless the Borrower 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. Notwithstanding the foregoing, the Trust may issue future series of bonds, notes or other evidence of indebtedness that have an interest in the Master Program Trust Account to the extent set forth in the Master Program Trust Agreement. 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)

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### **{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)}

### **Application of 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, 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 a majority 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 Borrowers and the Paying Agents.

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 a majority 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 shall, at the direction of the Holders of a majority in aggregate principal amount of the Outstanding Bonds and upon being indemnified to its reasonable satisfaction, 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 extent legally enforceable) to, by written notice to the Trust, declare the principal of the bonds then outstanding to be due and payable of any Borrower 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 and shall have the right at any time during the continuance of an Event of Default of

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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 (including reasonable attorney fees) 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, and second, to the payment of the principal then due and unpaid upon the Bond in default 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 a majority 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 satisfactory to the Trustee 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, 9.05, 9.07 and 9.08)

### **Waivers of Events of Default**

The Trustee may and, upon the written request of the Holders of not less than 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 9.09)

### **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 Holders of the Bonds then Outstanding. 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 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.

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, 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 \$20,000,000, and 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. (Sections 10.07, 10.08, 10.09 and 10.13)

### **Amendments and Supplemental Resolutions**

The Trust may adopt Supplemental Resolutions 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 the 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, or to amend, modify or rescind any such authorization, specification or determination contained in Article II at any time prior to the first authentication and delivery of such Bonds; to confirm as further assurance, any security interest, pledge or assignment under the Bond Resolution, and the subjection of the Revenues or of any other monies, securities or funds to any security interest, pledge or assignment created or to be created by the Bond Resolution; 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 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}.

## **APPENDIX E**

The Trust may adopt Supplemental Resolutions 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 of (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, and (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; 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. [In taking such action, the trustee may rely upon the opinion of Bond Counsel.] 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)(i) 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 (ii) 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 {and (b) the Trustee first obtains an opinion of Bond Counsel to the effect that such supplement will not adversely affect the exclusion from gross income of the interest on the Series 1995A Bonds for federal income tax purposes}.

(Section 11.12)



### 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 (which can be an entire series of portion thereof) 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 written 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 (i) 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, (ii) a defeasance opinion of Bond Counsel, and (iii) a verification report of an independent nationally recognized verification agent as to the matters set forth in clause (i), 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 at the direction of the Trust 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.

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{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.}  
(Section 12.01)

## SUMMARY OF THE REFUNDING PROGRAM LOAN SERVICING AGREEMENTS

The following is a general summary of certain provisions of the Refunding Program Loan Servicing Agreements (as such term is defined in the forepart of this Official Statement. 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 each Refunding Program Loan Servicing Agreement. The Bond Resolutions are identical in all material respects.

### 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 Borrower 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 Bonds under the Bond Resolution.

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

Promptly after crediting each Borrower pursuant to the order of priority established under Section 3, paragraph (b) of the Loan Servicing Agreement for the moneys received from each Borrower 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 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;

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(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 Borrower 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, immediately to the Master Program Trustee for deposit on the Master Program Trust 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 of Trust bonds defined in clause (i) of this Section, for disbursement in accordance with the terms and conditions of the Master Program Trust Agreement; and

(v) Upon depositing the required amounts in the Trust Bonds Security Account and the Trust Administration Account and the State 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 Borrower 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 Borrowers 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 Borrower and, if applicable, the trustee under the Borrower'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 Borrower 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 Borrower, and, if applicable, the trustee under the Borrower's Bond Resolution in writing if the moneys received from the Borrower 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 Borrower, and, if applicable, the trustee under the Borrower's Bond Resolution in writing if the moneys received from the Borrower 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, and, the State 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.

The Loan Servicer shall have the rights and shall perform all of the duties, services and obligations of a Prior Loan Servicer as defined in and as set forth in the Master Program Trust Agreement.  
(Section 3)

### **Calculation of Loan Repayments**

Simultaneously with the execution and delivery of the Loan Servicing Agreement by the parties thereto, 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 Borrowers 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 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 Borrowers 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 Borrower, and if applicable, the trustee under the Borrower'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 April 1, 1996, as required by Schedule II of the Bond Resolution, the Loan Servicer shall credit the amount of such balance allocable to those Borrowers set forth on Schedule II to the Interest Portion of the next succeeding Trust Bond Loan Repayment due from each such Borrower, calculated in accordance with such Schedule II.

Upon the receipt by the Loan Servicer of the notices from the Trustee of net earnings on April 2 and on October 2 of each Bond Year, as required by the Bond Resolution, the Loan Servicer shall credit the amount of net earnings allocable to each Borrower (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 Borrower under its

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respective Trust Loan Agreement. The Loan Servicer shall promptly notify the Borrowers, if applicable, the trustee under the Borrower 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 Borrower, if applicable, the trustee under the Borrower Bond Resolution, 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 Borrower with respect to a particular payment date are insufficient to permit the Loan Servicer to credit such Borrower pursuant to Section 3, paragraph (b) of the Loan Servicing Agreement for the Trust Bond Loan Repayment then due under such Borrower'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 Borrower'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 Borrower'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 Borrower in accordance with the Borrower'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 Borrower at law or in equity, as the Trust in its sole discretion deems necessary to enforce the obligations of the Borrower 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 Borrower under the Borrower'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 MASTER PROGRAM TRUST AGREEMENT

The following is a general summary of certain provisions of the Master Program Trust Agreement (the “Agreement”) made as of the 1st day of November, 1995 by and among the Trust, the State, U.S. Bank Trust National Association (as successor to State Street Bank and Trust Company, N.A.), as Master Program Trustee thereunder, The Bank of New York (NJ), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to First Union National Bank), in several capacities thereunder, as the same may be amended and supplemented from time to time in accordance with its terms. This summary is not to be considered a full statement of the terms of the Agreement and, accordingly, is qualified by reference thereto and is subject to the full text thereof. Copies of the Agreement may be obtained from the Trust upon request. The section references shown below in parenthesis are to particular sections of the Agreement.

### Definitions

The following are definitions in summary form of certain terms contained in the Agreement and used therein:

**“Authorized Officer”** shall mean (i) in the case of the Trust, the Chairman, Vice Chairman or Executive Director of the Trust, or any other person or persons designated by the board of the Trust by resolution to act on behalf of the Trust under the Agreement; 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, its Vice Chairman or its Executive Director; (ii) in the case of the State, the Governor of the State, the State Treasurer, any designee thereof duly authorized in writing by either the Governor of the State or the State Treasurer, or any successor thereto, (iii) in the case of the Master Program Trustee, any person or persons authorized in accordance with all applicable law 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 and evidenced by the corporate resolution or duly authorized executive order authorizing such person or persons or class of persons to act on behalf of the Master Program Trustee; and (iv) in the case of any Future Trustee, Future Loan Servicer, Ineligible Future Trustee or Ineligible Future Loan Servicer, any person or persons authorized in accordance with all applicable law 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 and evidenced by the corporate resolution authorizing such person or persons or class of persons to act on behalf of any such Future Trustee, Future Loan Servicer, Ineligible Future Trustee or Ineligible Future Loan Servicer.

**“Borrowers”** shall mean government units within the State that have participated in and will in the future participate in the New Jersey Wastewater Treatment Financing Program.

**“Coverage Financing Programs”** shall mean collectively, or individually, as the case may be, Coverage Providing Financing Programs or Coverage Receiving Financing Programs.

**“Coverage Providing Financing Programs”** shall mean the Prior Financing Programs, the 1995 Financing Program, all Future Financing Programs and all Ineligible Future Financing Programs (i.e., all Financing Programs other than the Excluded Financing Programs).

**“Coverage Providing Fund Loan Agreements”** shall mean the loan agreements entered into and to be entered into by the State and the Borrowers for the Coverage Providing Financing Programs in accordance with the terms of all applicable law, pursuant to which the State has agreed and will agree to make loans to such Borrowers for the purpose of financing Trust Projects.

**“Coverage Receiving Financing Programs”** shall mean the 1995 Financing Program and all Future Financing Programs (i.e. all Financing Programs other than the Excluded Financing Programs and the Ineligible Future Financing Programs).

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**“Coverage Receiving Trust Bonds”** shall mean the 1995 Trust Bonds and the Future Trust Bonds.

**“DEP”** shall mean the Department of Environmental Protection of the State (under such designation, under its former designation, the Department of Environmental Protection and Energy, or under the designation of any successor entity).

**“Excluded Financing Programs”** shall mean Excluded Future Financing Programs and the Prior Excluded Financing Programs.

**“Excluded Future Financing Programs”** shall mean the Financing Programs for all years to come beginning in 1996, within the meaning of and for the purposes set forth in the Agreement.

**“Excluded Future Trust Bond Resolution”** shall mean any bond resolution of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of Excluded Future Trust Bonds.

**“Excluded Future Trust Bonds”** shall mean the Trust Bonds issued to finance Trust Loans in Excluded Future Financing Programs.

**“Excluded Fund Loan Agreements”** shall mean the loan agreements entered into and to be entered into by the State and the Borrowers for the Excluded Financing Programs in accordance with the terms of all applicable law, pursuant to which the State has agreed and will agree to make loans to such Borrowers for the purpose of financing Trust Projects.

**“Excluded Trust Bonds”** shall mean annual revenue bonds to be issued by the Trust in one or more series for Excluded Financing Programs.

**“Excluded Trust Bond Resolution”** shall mean all bond resolutions of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of Excluded Trust Bonds.

**“Financing Program”** shall mean the New Jersey Wastewater Treatment Trust Financing Program (each Financing Program may be referred to herein as the “Financing Program” preceded by the year or the years and letter designation (i.e. for Financing Programs under which more than one series of the Trust Bonds are to be issued in any single annual period) of such Financing Program).

**“Financing Program Deficiency”** shall mean, for the Coverage Receiving Financing Programs only (i.e., a Financing Program Deficiency cannot occur for any Prior Financing Program, any Ineligible Future Financing Program or any Excluded Financing Program), that deficiency in the applicable Trustee’s receipt of moneys from the affected Loan Servicer as more particularly defined in Section 8(c) of the Agreement.

**“Fund Loan Agreements”** shall mean the Coverage Providing Fund Loan Agreements (i.e., the Prior Fund Loan Agreements, the 1995 Fund Loan Agreements, the Future Fund Loan Agreements, the Ineligible Future Fund Loan Agreements) and the Excluded Fund Loan Agreements, all in accordance with the terms of all applicable law, pursuant to which the State has agreed or will agree, as the case may be, to make a loan to such Borrowers for the purpose of financing Trust Projects.

**“Future Financing Programs”** shall mean the Financing Programs for all years to come beginning in 1996, within the meaning of and for the purposes set forth in the Agreement.



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**“Future Fund Loan Agreements”** shall mean the loan agreements to be entered into by the State and the Borrowers for the Future Financing Programs in accordance with the terms of all applicable law, pursuant to which the State will agree to make a loan to such Borrowers for the purpose of financing Trust Projects.

**“Future Loan Servicers”** shall mean the Loan Servicers under the Future Loan Servicing Agreements.

**“Future Loan Servicing Agreements”** shall mean the Loan Servicing and Trust Bonds Security Agreements to be entered into for all Future Financing Programs.

**“Future Trust Bonds”** shall mean annual revenue bonds to be issued by the Trust in one or more series for all Future Financing Programs.

**“Future Trust Bond Resolution”** shall mean all bond resolutions of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of Future Trust Bonds.

**“Future Trust Loan Agreements”** shall mean the loan agreements to be entered into by the Trust and the Borrowers for the Future Financing Programs in accordance with the terms of all applicable law, including without limitation the Act, pursuant to which the Trust will agree to make a loan to such Borrowers from a portion of the proceeds of Future Trust Bonds for the purpose of financing Trust Projects.

**“Future Trustees”** shall mean the trustees for all Future Trust Bonds.

**“Ineligible Future Financing Programs”** shall mean shall mean the Financing Programs for all years to come beginning in 1996, within the meaning of and for the purposes set forth in the Agreement.

**“Ineligible Future Fund Loan Agreements”** shall mean the loan agreements to be entered into by the State and the Borrowers for the Ineligible Future Financing Programs in accordance with the terms of all applicable law, pursuant to which the State will agree to make a loan to such Borrowers for the purpose of financing Trust Projects.

**“Ineligible Future Loan Servicers”** shall mean the Loan Servicers for each Loan Servicing and Trust Bonds Security Agreement to be entered into for Ineligible Future Financing Programs.

**“Ineligible Future Loan Servicing Agreements”** shall mean the Loan Servicing and Trust Bonds Security Agreements to be entered into for Ineligible Future Financing Programs.

**“Ineligible Future Trust Bonds”** shall mean annual revenue bonds to be issued by the Trust in one or more series for Ineligible Future Financing Programs.

**“Ineligible Future Trust Bond Resolution”** shall mean all bond resolutions of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of Ineligible Future Trust Bonds.

**“Ineligible Future Trustees”** shall mean the trustees of all Trust Bonds issued to finance Ineligible Future Financing Programs.

**“Ineligible Future Trust Loan Agreements”** shall mean the loan agreements to be entered into by the Trust and the Borrowers for the Ineligible Future Financing Programs in accordance with the terms of all applicable law, including without limitation the Act, pursuant to which the Trust will agree to make a loan to such Borrowers from a portion of the proceeds of Ineligible Future Trust Bonds for the purpose of financing Trust Projects.

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**“Loan Servicers”** shall mean the Ineligible Future Loan Servicers, the Prior Loan Servicers, the 1995 Loan Servicer and the Future Loan Servicers.

**“Loan Servicing Agreements”** shall mean Ineligible Future Loan Servicing Agreements, Prior Loan Servicing Agreements, the 1995 Loan Servicing Agreement and Future Loan Servicing Agreements.

**“March 2nd Payment Subaccount”** shall mean the March 2nd Payment Subaccount within the Master Program Trust Account created in accordance with the provisions of Section 3 of the Agreement.

**“Master Program Trust Account”** shall mean the account to be held by the Master Program Trustee, in trust as additional security for the Holders of Coverage Receiving Trust Bonds.

**“New Jersey National Bank”** shall mean New Jersey National Bank of West Trenton, New Jersey, or any successor thereto, in its capacity as New Jersey National Bank, as Prior Loan Servicer, New Jersey National Bank, as Prior Trustee, the 1995 Trustee and to the extent New Jersey National Bank is appointed by the Trust as a Future Loan Servicer, Future Trustee, Ineligible Future Loan Servicer or Ineligible Future Trustee for a specific Future Financing Program or Ineligible Future Financing Program, as the case may be, the Future Loan Servicer, Future Trustee, Ineligible Future Loan Servicer or Ineligible Future Trustee, as the case may be.

**“1995 Trust Bonds”** shall mean the annual revenue bonds to be issued by the Trust in one or more series for the 1995 Financing Program.

**“1995 Trust Bond Resolution”** shall mean all bond resolutions of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of 1995 Trust Bonds.

**“1995 Fund Loan Agreements”** shall mean the loan agreements entered into simultaneously with the Agreement by the State and the Borrowers for the 1995 Financing Program in accordance with the terms of all applicable law, pursuant to which the State has agreed to make a loan to such Borrowers for the purpose of financing Trust Projects.

**“1995 Loan Servicing Agreement”** shall mean the Loan Servicing and Trust Bonds Security Agreement entered into for the 1995 Financing Program.

**“1995 Trust Loan Agreements”** shall mean the loan agreements entered into simultaneously with the Agreement by the Trust and the Borrowers for the 1995 Financing Program in accordance with the terms of all applicable law, including without limitation the Act, pursuant to which the Trust has agreed to make a loan to such Borrowers from a portion of the proceeds of the 1995 Trust Bonds for the purpose of financing Trust Projects.

**“Notice of Financing Program Deficiency”** shall mean, for the Coverage Receiving Financing Programs only (i.e., a Preliminary Notice of Financing Program Deficiency should not be distributed for any Prior Financing Program, any Ineligible Future Financing Program or any Excluded Financing Program), that written notice of a Financing Program Deficiency as more particularly defined in the Agreement.

**“Outstanding”** shall mean all Trust Bonds that are Outstanding under the terms of the applicable Trust Bond Resolution authorizing the issuance of such Trust Bonds.

**“Preliminary Notice of Financing Program Deficiency”** shall mean, for the Coverage Receiving Financing Programs only (i.e., a Preliminary Notice of Financing Program Deficiency should not be distributed for any Prior Financing

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Program, any Ineligible Future Financing Program or any Excluded Financing Program), that written notice of a potential Financing Program Deficiency as more particularly defined in the Agreement.

**“Prior Bond Insurers”** shall mean the respective Bond Insurers, if any, as defined in the respective Prior Loan Servicing Agreements.

**“Prior Excluded Financing Programs”** shall mean annual Financing Programs for 1987 and 1988 and the Financing Program pursuant to which bonds of the Trust issued under the 1987 Financing Program have been refunded.

**“Prior Excluded Trust Bond Resolution”** shall mean all bond resolutions of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of Prior Excluded Trust Bonds.

**“Prior Excluded Trust Bonds”** shall mean the Trust Bonds issued to finance Trust Loans in Prior Excluded Financing Programs.

**“Prior Financing Programs”** shall mean the Financing Programs from 1989 through and including 1994.

**“Prior Loan Servicing Agreements”** shall mean each Loan Servicing and Trust Bonds Security Agreement executed by the Trust, the State and each Prior Loan Servicer in connection with each Prior Financing Program.

**“Prior Trust Bonds”** shall mean the annual revenue bonds issued by the Trust, a portion of the proceeds of which were used to fund Trust Loans for each Prior Financing Program.

**“Rating Agency”** shall mean individually, or collectively, as the case may be, of the nationally recognized rating agencies that have published ratings for any of the Coverage Receiving Bonds.

**“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.

**“Schedule AG-2”** shall mean the schedule attached to the Agreement as Appendix A thereto, as more fully described in Section 8(a) thereof.

**“September 2nd Payment Subaccount”** shall mean the September 2nd Payment Subaccount within the Master Program Trust Account created in accordance with the provisions of the Agreement.

**“Special Coverage Amount”** shall mean that additional amount of debt service coverage to be made available for Coverage Receiving Trust Bonds from funds of or otherwise due the Trust or the State, as the case may be, at the times and in the amounts set forth in the Agreement, which amount, if required, shall be expressed in a certificate of an Authorized Officer of the Trust or of the Trust and the State, as the case may be, detailed in the Agreement (i) as a percentage of Coverage Receiving Trust Bonds, (ii) as a whole number or (iii) through some other objective formula.

**“Special Coverage Subaccounts”** shall mean individually or collectively, as the case may be, the Special Coverage Subaccounts respectively created in the March 2nd Payment Subaccount and the September 2nd Payment Subaccount within the Master Program Trust Account, created in accordance with the provisions of the Agreement.

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**“Subaccounts”** shall mean individually or collectively, as the case may be, the March 2nd Payment Subaccount and the Special Coverage Subaccount therein and the September 2nd Payment Subaccount and the Special Coverage Subaccount therein, all within the Master Program Trust Account, created in accordance with the provisions of the Agreement.

**“Trust Bond Resolution”** shall mean all bond resolutions of the Trust adopted in accordance with all applicable law, including without limitation the Act, authorizing the issuance of any series of Trust Bonds.

**“Trust Bonds”** shall mean collectively, or individually, as the case may be, the Prior Trust Bonds, the 1995 Trust Bonds, the Future Trust Bonds, the Ineligible Future Trust Bonds and the Excluded Trust Bonds.

**“Trust Bonds Security Account”** shall mean collectively, or individually, as the case may be, the Trust Bonds Security Account established under each Loan Servicing Agreement, amounts on deposit in which are to be held by the respective Loan Servicers in trust for the Holders of the series of Trust Bonds for which each such Loan Servicing Agreement was entered into.

**“Trust Projects”** shall mean wastewater treatment projects and other projects authorized presently or to be authorized in the future under the Act for local, so long as funding is available, government units within the State that have participated in and will in the future participate in the New Jersey Wastewater Treatment Financing Program.

**“Trustees”** shall mean collectively or individually, as the case may be, the Prior Trustees, the 1995 Trustee, the Future Trustees and the Ineligible Future Trustees.

**“Wastewater Treatment Fund”** shall mean the fund established and held by the State under the State Revolving Fund Loan Program created by the United States Environmental Protection Agency pursuant to the Federal Water Quality Act of 1987, as amended from time to time, or any successor program, from which the State makes Fund Loans. (Section 1)

### **Trust Agreement, Pledge, Security Agreement and Subordinate Liens**

The Master Program Trustee shall hold all moneys and securities deposited in the Master Program Trust Account and all Subaccounts under the Agreement in trust for the benefit of the Holders of all Coverage Receiving Trust Bonds in accordance with the terms thereof. Accordingly, in exercising its duties and obligations under the Agreement, the Master Program Trustee shall act as a fiduciary for the benefit of such Bondholders.

To the extent the moneys and securities on deposit in the Master Program Trust Account are not needed to make timely payment of debt service to the Holders of the Coverage Receiving Trust Bonds in accordance with the term of the Agreement, The Master Program Trustee shall hold all moneys and securities deposited in the Master Program Trust Account and all Subaccounts thereunder in trust for the benefit of the Trust and State in accordance with the terms thereof. Accordingly, in exercising its duties and obligations under the Agreement, the Master Program Trustee shall act as a fiduciary for the benefit of the Trust and the State.

The pledge made in the Agreement and the duties, covenants, obligations and agreements set forth therein to be observed and performed by or on behalf of the Master Program Trustee shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Coverage Receiving Trust 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 with respect to their security interest in and to the Master Program Trust Account and all Subaccounts therein, except as expressly provided in or permitted by the Agreement. The Master Program Trustee, as security for the payment of the principal and redemption premium, if any, of, and the interest on, the Coverage Receiving Trust Bonds and as security for the observance

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and performance of any other duty, covenant, obligation or agreement of the Master Program Trustee under the Agreement all in accordance with the provisions thereof, does grant a security interest in and further does grant, bargain, sell, convey, pledge, assign and confirm to the respective Trustees of the Coverage Receiving Trust Bonds the moneys and securities in the Master Program Trust Account and all Subaccounts therein. The pledge made by the Agreement is valid and binding from the time when the pledge is made and the Master Program Trust Account and all Subaccounts therein 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 Master Program Trustee or the respective Trustees, and the lien of such pledge shall be valid and binding as against all parties having claims arising under the Agreement against the Master Program Trustee irrespective of whether such parties have notice thereof.

The Agreement shall constitute a security agreement under the New Jersey Uniform Commercial Code with respect to the funds and securities in the Master Program Trust Account and all Subaccounts therein and the Master Program Trustee will execute and deliver to the Trustees of all Coverage Receiving Trust Bonds on demand, and irrevocably appoints such respective Trustees, or any officer of any such Trustees, the attorney-in-fact of the Master Program Trustee to execute, deliver and file such financing statements and other instruments as such Trustees or the Trust may require in order to perfect and maintain such security interest under the New Jersey Uniform Commercial Code upon the funds and securities in the Master Program Trust Account and all Subaccounts therein.

Except for the pledge of the funds and securities in the Master Program Trust Account and all Subaccounts therein made for the benefit of the Holders of the Coverage Receiving Trust Bonds, the Master Program Trustee shall not grant and all of the parties to the Agreement shall not cause the Master Program Trustee to grant to any party any rights or interest in and to any such funds and securities in the Master Program Trust Account and all Subaccounts therein, which interest is on a parity basis with or is superior to the lien established by the Agreement for the benefit of the Holders of the Coverage Receiving Trust Bonds (now existing and to be created). Notwithstanding the foregoing, with the written consent of the Trust, the Master Program Trustee may and at the written direction of the Trust, the Master Program Trustee shall grant an interest in and to such funds and securities in the Master Program Trust Account and all Subaccounts therein, which interest is subordinate to the lien established by the Agreement for the benefit of the Holders of the Coverage Receiving Trust Bonds (now existing and to be created). This subordinate lien in and to such funds and securities in the Master Program Trust Account and all Subaccounts therein may be established without the need to obtain the consent of the Trustees for or the Holders of any series of Coverage Receiving Trust Bonds, which Trustees and Holders shall have no right to preclude the establishment of such subordinate liens. (Section 2)

### **Resignation**

The Master Program Trustee may at any time resign and be discharged of the duties and obligations created under the Agreement by giving not less than sixty (60) days' written notice to all the parties to the Agreement and mailing notice thereof to the Trustees of all Coverage Receiving Trust Bonds then Outstanding (for distribution by such Trustees to the Holders of the Coverage Receiving Trust Bonds), specifying the date when such resignation shall take effect and if known, setting forth the name and address of the successor Master Program Trustee and the name and phone number of a contact person for the Master Program Trustee. To the extent not included in the notice distributed by the predecessor Master Program Trustee, this latter information shall be mailed to the parties to the Agreement and to such Trustees (for distribution by such Trustees to the Holders of the Coverage Receiving Trust Bonds) by the successor Master Program Trustee promptly upon its having accepted the rights, duties and obligations of Master Program Trustee. Such resignation shall take effect upon the day specified in such notice unless previously a successor Master Program Trustee shall have been appointed by the Trust, in which event such resignation shall take effect on the appointment of such successor Master Program Trustee immediately after transfer of the duties and obligations of Master Program Trustee under the Agreement (including without limitation, the transfer of all moneys and securities on deposit in the Master Program Trust Account) to the successor Master Program Trustee, or unless a successor Master Program Trustee shall not have been appointed by the Trust, in which event such resignation shall not take effect until immediately after a successor Master Program Trustee is appointed and has transferred

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the duties and obligations of Master Program Trustee under the Agreement (including without limitation, the transfer of all moneys and securities on deposit in the Master Program Trust Account) to the successor Master Program Trustee. (Section 2)

### **Removal**

The Master Program Trustee may be removed at any time: (i) by an instrument or concurrent instruments in writing, filed with the Master Program Trustee, and signed by the Holders of a majority in principal amount of the Coverage Receiving Trust Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any such Trust Bonds held by or for the account of the Trust, (ii) upon a determination by the Trust, in its sole discretion, that the compensation charged by the Master Program Trustee is excessive for the duties, obligations and other services to be performed under the Agreement, by a resolution of the Trust filed with the Master Program Trustee or (iii) for just cause, by a resolution of the Trust filed with the Master Program Trustee. Promptly upon having accepted the rights, duties and obligations of Master Program Trustee, the successor Master Program Trustee shall mail a copy of any such instrument or resolution to the Holders of all Coverage Receiving Trust Bonds then Outstanding along with the name and address of the successor Master Program Trustee and the name and phone number of a contact person for the Master Program Trustee. (Section 2)

### **Appointment of Successor Master Program Trustee**

In case at any time the Master Program Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Master Program Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Master Program Trustee, or of its property or affairs, a successor may be appointed by the Trust by a duly executed written instrument signed by an Authorized Officer of the Trust, but if the Trust does not appoint a successor Master Program Trustee within forty-five (45) days, then a successor may be appointed by the Holders of a majority in the aggregate of the principal amount of the Coverage Receiving Trust Bonds then Outstanding, excluding any such Trust Bonds held by or for the account of the Trust, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Master Program Trustee, notification thereof being given to the Trust, the State, the predecessor Master Program Trustee and any existing Loan Servicers and Trustees.

If in a proper case no appointment of a successor Master Program Trustee shall be made pursuant to the foregoing provisions of Section 2 of the Agreement within forty-five (45) days after the Master Program Trustee shall have given to the Trust written notice as provided in Section 2(d) or after a vacancy in the office of the Master Program Trustee shall have occurred by reason of its inability to act, the Master Program Trustee or the Holder of any Coverage Receiving Trust Bond may apply to any court of competent jurisdiction to appoint a successor Master Program Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Master Program Trustee.

Any Master Program Trustee appointed under the provisions of this caption in succession to the Master Program Trustee shall be a bank or trust company or national banking association or corporation in good standing, doing business and having its principal office in the State or any contiguous state, duly authorized to exercise trust powers, subject to examination by federal or state authority, having capital stock and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association or corporation willing and able to accept the office of Master Program Trustee on reasonable and customary terms and authorized by corporate action and by law to perform all the duties imposed upon it by the Agreement, and authorized by corporate action and by law to make the representations and warranties of Master Program Trustee under the Agreement (except that any representations and warranties therein relating to the Master Program Trustee's organization and existence in the State of New York shall relate to the state of organization and existence of any successor Master Program Trustee). (Section 2)

### **Transfer of Rights and Property to Successor Master Program Trustee**

Any successor Master Program Trustee appointed under the Agreement shall execute, acknowledge and deliver to its predecessor Master Program Trustee, and also to the Trust, an instrument accepting such appointment, and thereupon such successor Master Program Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Master Program Trustee, with like effect as if originally named as Master Program Trustee; but the Master Program Trustee ceasing to act shall nevertheless, on the written request of the Trust or of the successor Master Program Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Master Program Trustee all the right, title and interest of the predecessor Master Program Trustee in and to any property held by it under the Agreement, and shall pay over, assign and deliver to the successor Master Program Trustee any money or other property subject to the trusts and conditions set forth in the Agreement. Should any deed, conveyance or instrument in writing from the Trust be required by such successor Master Program Trustee for more fully and certainly vesting in and confirming to such successor Master Program Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Trust. (Section 2)

#### **Creation of Master Program Trust Account; Records**

The Master Program Trustee is directed to establish as a single account with two subaccounts and two further subaccounts therein to be held in trust for the benefit of the Holders of the Coverage Receiving Trust Bonds and secondarily, the Trust and the State, all in accordance with the terms and conditions of the Agreement, the "Coverage Receiving Financing Program Master Program Trust Account," which account may be referred to in the Agreement or in any document relating to any Coverage Receiving Financing Program as the "Master Program Trust Account." All moneys received from the Loan Servicers in accordance with the terms of the Loan Servicing Agreements for deposit in the Master Program Trust Account shall be immediately deposited in the Master Program Trust Account and held, invested and disbursed strictly in accordance with the terms of the Agreement. Within the Master Program Trust Account, the Master Program Trustee shall create a "March 2nd Payment Subaccount" and a "September 2nd Payment Subaccount." Upon receipt of a Certificate of an Authorized Officer of the Trust and the State in accordance with the Agreement or a certificate of an Authorized Officer of the Trust in accordance with the Agreement, the Master Program Trustee shall create a "Special Coverage Subaccount" within each of the March 2nd and September 2nd Payment Subaccounts. Amounts to be deposited by the Master Program Trustee in the Master Program Trust Account under the Agreement shall be deposited in the Master Program Trust Account and shall not be deposited in any Subaccount unless and until expressly authorized and directed thereunder. Amounts to be deposited by the Master Program Trustee in any Subaccount specified in the Agreement shall be deposited in any such Subaccount and shall not be deposited in the Master Program Trust Account or any other Subaccount unless and until expressly authorized and directed thereunder. (Section 3)

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### **Future Financing Programs, Ineligible Future Financing Programs and Excluded Future Financing Programs**

The Trust shall exclusively determine whether each Financing Program (including without limitation Financing Programs pursuant to which Trust Bonds issued under any prior Financing Program are to be refunded, subject to the limitation set forth below) pursuant to which a series of Trust Bonds is to be issued for the years 1996 and thereafter shall be a Future Financing Program, an Ineligible Future Financing Program or an Excluded Future Financing Program, which determination shall be made by the Trust in accordance with all applicable law, and with the interests of the Trust's statutory objectives and with the best interests of the Financing Program and its Participants in mind; provided, however, that the Trust shall not include a series of Trust Bonds in a Future Financing Program if such inclusion would cause the coverage ratios provided by all Coverage Providing Financing Programs (assuming such inclusion) for the benefit of all Coverage Receiving Financing Programs (assuming such inclusion) to drop below the coverage ratios established for pool programs rated in the highest rating category by Standard & Poor's Corporation. Such determination shall be dispositively evidenced by the Trust's delivery of a fully authorized and executed certificate delivered to the Master Program Trustee and the State in substantially the form attached to the Agreement. Notwithstanding any other provision to the contrary, for all Financing Programs that are to refund Trust Bonds issued under any prior Coverage Providing Financing Program, the Trust must determine that such new Financing Program shall be either a Future Financing Program or an Ineligible Future Financing Program. (Section 4)

### **Investment by the Master Program Trustee of Moneys on Deposit in the Master Program Trust Account**

All moneys deposited by the Master Program Trustee in the Master Program Trust Account shall be invested by the Master Program Trustee in Investment Securities as directed in writing by an Authorized Officer of the Trust; provided however, that the Trust shall not direct investments of moneys on deposit in the Master Program Trust Account in any manner that would cause any series of Coverage Receiving Trust Bonds that when issued, the interest on which is excludable from the gross income of the Holders thereof, to lose such exclusion. Should the Trust fail to deliver to the Master Program Trustee written instructions as to the investment of moneys on deposit in the Master Program Trust Account, the Master Program Trustee shall invest all of such moneys in Investment Securities described in clause (a) of the definition thereof that otherwise conform with the terms of the Agreement and that will mature or be subject to tender or other return conveyance to the Master Program Trustee at a known value that is at least equal to the principal amount invested by the Master Program Trustee at the option of the Master Program Trustee, as holder of such investment, no later than the March 1 or September 1 immediately following the date of any such investment. The Master Program Trustee may rely on the representations of an Authorized Officer of the Trust that any such investment is made in accordance with the terms and conditions of the Agreement. (Section 7)

### **Payments by Master Program Trustee from Master Program Trust Account and its Subaccounts**

(a) Appendix A; Scheduled Deposits in the Master Program Trust Account.

(i) Attached to the Agreement is a series of schedules, one for each respective Coverage Providing Financing Program, of the amounts of and the dates on which all payments of principal are scheduled to be made by Borrowers under all Coverage Providing Fund Loan Agreements entered into with respect to each such Coverage Providing Financing Program. Each such schedule contained in Appendix A-1 to the Agreement shall at all times equal the aggregate of all amounts set forth in Exhibit A-2 to all such Coverage Providing Fund Loan Agreements. To the extent applicable, such schedules shall also note that a particular Coverage Providing Financing Program is also a Coverage Receiving Financing Program.

In addition, attached to the Agreement as the last schedule of Appendix A-1 shall be a single schedule that aggregates each such prior schedule set forth in Appendix A-1. This aggregate schedule shall inform the Master Program Trustee of the exact cumulative amount of all Fund Loan repayments to be made by Borrowers in all



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Coverage Providing Financing Programs on any given date for which any such Fund Loan repayments are due. To the extent all Borrowers in all Coverage Providing Financing Programs are timely making their respective Fund Loan repayments, the amounts received by the Master Program Trustee from time to time from the Loan Servicers for such Coverage Providing Financing Programs for deposit in the Master Program Trust Account shall equal the amounts set forth in the aggregate final schedule of Appendix A-1.

Attached to the Agreement as Appendix A-2 is an aggregate compilation for all Coverage Providing Financing Programs of the aggregate payments of principal scheduled to be made by Borrowers under all Coverage Providing Fund Loan Agreements to provide additional security to the Holders of all Outstanding Coverage Receiving Trust Bonds on each March 1 and September 1 that such Coverage Receiving Trust Bonds are scheduled to be Outstanding in accordance with the terms of the Agreement. The schedule contained in Appendix A-2 to the Agreement shall at all times equal the aggregate of all amounts set forth in Exhibit A-2 to all Coverage Providing Fund Loan Agreements as of each such March 1 and September 1, and such schedule shall be used by the Master Program Trustee to make the calculations required by Sections 8(f)(ii)(A)(I) and 8(f)(iii)(A)(I) thereof.

The schedules set forth as Appendix A-1 and Appendix A-2 to the Agreement may sometimes be collectively referred to therein as Appendix A or Schedule AG-2 thereto. Promptly upon the execution and delivery of a new Coverage Providing Fund Loan Agreement or the amendment of Exhibit A-2 to an existing Coverage Providing Fund Loan Agreement, the Trust shall deliver to the Master Program Trustee a revised Schedule AG-2 to the Agreement reflecting any such new or amended Coverage Providing Fund Loan Agreements, certified as to its authenticity and accuracy by an Authorized Officer of the Trust in substantially the form of Appendix B thereto. Upon receipt thereof, the Master Program Trustee shall replace the existing Schedule AG-2 to the Agreement with the revised Schedule AG-2 thereto and shall refer to and be entitled to rely upon the revised Schedule AG-2 thereto for all purposes thereunder.

(ii) Pursuant to the terms of Section 3(c)(iv) of each Loan Servicing Agreement for every Coverage Providing Financing Program, the Loan Servicers for each such Coverage Providing Financing Program shall transfer to the Master Program Trustee for immediate deposit in the Master Program Trust Account (and not the Subaccounts therein until subsequently transferred to the Subaccounts pursuant to the terms of the Agreement) the Borrower Fund Loan repayments for such Coverage Providing Financing Programs in the amounts and at the times set forth in Appendix A-1 to the Agreement. Any such amounts so deposited in the Master Program Trust Account shall provide additional security to the Holders of the Outstanding Coverage Receiving Trust Bonds through the transfer of certain amounts on deposit in the Master Program Trust Account to certain Trustees for such Coverage Receiving Trust Bonds in the amounts and at the times set forth in the Agreement.

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(b) Preliminary Notice of Financing Program Deficiency for Coverage Receiving Financing Programs. On the fifteenth (15th) day of the month (or the first Business Day thereafter if such date is not a Business Day) preceding each March 1 and September 1 for all years in which any Coverage Receiving Trust Bonds are Outstanding, each Trustee for any such Trust Bonds that does not have sufficient moneys on deposit in the Revenue Fund and the Debt Service Fund (as such terms are defined in the Trust Bond Resolution authorizing the issuance of any such Trust Bonds) to pay the principal of and interest on such Trust Bonds due on any such March 1 or September 1 shall promptly notify (the "Preliminary Notice of Financing Program Deficiency") via telecopy with first class mail follow up to the Trust, the State, the Loan Servicer for the affected Coverage Receiving Financing Program and the Master Program Trustee of any such deficiency. If as of any such fifteenth (15th) day the Master Program Trustee has not received the full amount of Fund Loan repayments for any given Coverage Receiving Financing Program set forth on Appendix A-1 to the Agreement and the Master Program Trustee has not received a Preliminary Notice of Financing Program Deficiency, the Master Program Trustee shall immediately notify the Trust, the State, and each of the Loan Servicer and the Trustee for such affected Coverage Receiving Financing Program, and any such Loan Servicer and Trustee shall verify that the issuance of a Preliminary Notice of Financing Program Deficiency was not warranted notwithstanding the reduced amount of Fund Loan repayments actually received by the Master Program Trustee under any such Coverage Receiving Financing Program.

Conversely, to the extent the Loan Servicer for the affected coverage Receiving Financing Program has mistakenly or otherwise withheld any such moneys from any such Trustee or has received moneys in the interim that are required to be deposited in such Loan Servicer's Trust Bonds Security Account under the applicable Loan Servicing Agreement, any such Loan Servicer shall immediately contact such Trustee and immediately thereupon forward such moneys to such Trustee for deposit in such Revenue Fund. Promptly thereafter, such Loan Servicer shall notify the Trust, the State, the affected Trustee and the Master Program Trustee of such action.

All moneys received by the Loan Servicer for the affected Coverage Receiving Financing Program (after a Preliminary Notice of Financing Program Deficiency has been issued) through and including the close of business on the third Business Day immediately preceding each such March 1 and September 1 (or the next Business Day if such days are not Business Days) shall be immediately paid to the Trustee for any such Coverage Receiving Financing Program for deposit in such Trustee's Revenue Fund; provided however, that to the extent such Loan Servicer has, prior to the close of business on such third immediately preceding Business Day, received and paid over (i) to the Trustee in the aggregate an amount sufficient to satisfy the requirement of the Trust Bonds Security Account set forth in the applicable section of such Loan Servicing Agreement (i.e. a requirement in the 1995 Loan Servicing Agreement or the applicable Future Loan Servicing Agreement, as the case may be, similar to the requirements of Section 3(c)(i) and 3(c)(iii) of the Prior Loan Servicing Agreements), (ii) to the Trust in the aggregate an amount sufficient to satisfy the administrative fees due and owing to the Trust under the 1995 Trust Loan Agreement or the applicable Future Trust Loan Agreement, as the case may be (i.e. a requirement in the 1995 Loan Servicing Agreement or the applicable Future Loan Servicing Agreement, as the case may be, similar to the requirement of Section 3(c)(ii) of the Prior Loan Servicing Agreements), and (iii) to the State in the aggregate an amount sufficient to satisfy any administrative fees due and owing the State under the 1995 Fund Loan Agreement or the applicable Future Fund Loan Agreement, as the case may be (i.e. a requirement in the 1995 Loan Servicing Agreement, as the case may be, similar to the requirements of Section 3(c)(v) of certain Prior Loan Servicing Agreements), any such excess amounts received by such Loan Servicer shall be immediately transferred to the Master Program Trustee for immediate deposit in the Master Program Trust Account. The Loan Servicer shall notify the Trust, the State, the Master Program Trustee and the affected Trustee of all such amounts received and paid by the Loan Servicer after the distribution of the Preliminary Notice of Financing Program Deficiency.

(c) Allocation of and reimbursement for Financing Program Deficiencies for Coverage Receiving Financing Programs. No later than 9:30 a.m. on the second Business Day immediately preceding each March 1 and September 1 (or the next Business Day if such days are not Business Days) for all years in which the Coverage Receiving Trust Bonds are Outstanding, the Trustee for any such Trust Bonds that does not have sufficient moneys on deposit as of the close of business

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on the immediately preceding Business Day in the Revenue Fund and the Debt Service Fund (as such terms are defined in the Trust Bond Resolution authorizing the issuance of any such Trust Bonds) to pay the principal of and interest on such Trust Bonds due on any such March 1 or September 1 shall promptly notify (the "Notice of Financing Program Deficiency") via telecopy with first class mail follow up to the Trust, the State, the Loan Servicer for the affected Financing Program and the Master Program Trustee of the existence and the amount of any such deficiency (a "Financing Program Deficiency"). The Master Program Trustee shall review each Notice of Financing Program Deficiency, immediately confirm the terms thereof with the affected Trustee and based upon the terms set forth in the Notice of Financing Program Deficiency as confirmed (or such revised terms upon such review, as the case may be), take the following action.

(i) To the extent the Master Program Trustee has timely received only one (1) Notice of Financing Program Deficiency, the Master Program Trustee shall, no later than 1:00 p.m. on the Business Day immediately preceding any such March 1 or September 1 (or the next Business Day if such days are not Business Days), pay the affected Trustee from funds on deposit in the Master Program Trust Account (including all Subaccounts therein) the amount of the Financing Program Deficiency. If the amount on deposit in the Master Program Trust Account is less than the Financing Program Deficiency, the Master Program Trustee shall pay all such moneys on deposit in the Master Program Trust Account to the affected Trustee.

(ii) To the extent the Master Program Trustee has timely received more than one (1) Notice of Financing Program Deficiency and the aggregate Financing Program Deficiencies are less than or equal to the amount on deposit in the Master Program Trust Account, the Master Program Trustee shall, no later than 1:00 p.m. on the Business Day immediately preceding any such March 1 or September 1 (or the next Business Day if such days are not Business Days), pay the affected Trustees from funds on deposit in the Master Program Trust Account (including all Subaccounts therein) the respective amounts of each such Financing Program Deficiency.

(iii) To the extent the Master Program Trustee has timely received more than one (1) Notice of Financing Program Deficiency and the aggregate Financing Program Deficiencies are greater than the amount on deposit in the Master Program Trust Account (including all Subaccounts therein), the Master Program Trustee shall,

(A) no later than 5:00 p.m. on the second Business Day immediately preceding any such March 1 or September 1 (or the next Business Day if such days are not Business Days), make an allocation of the amounts on deposit in the Master Program Trust Account (including all Subaccounts therein) as follows:

each affected Trustee shall be entitled to an amount equal to their allocable share of the moneys available in the Master Program Trust Account (including all Subaccounts therein) determined by multiplying the sum of such moneys available by a fraction, the numerator of which is their Financing Program Deficiency, and the denominator of which is the sum of all Financing Program Deficiencies set forth in all Notices of Financing Program Deficiencies timely received by the Master Program Trustee as of 5:00 p.m. on any such second Business Day immediately preceding any such March 1 or September 1 (or the next Business Day if such days are not Business Days); and

(B) no later than 1:00 p.m. on the Business Day immediately preceding any such March 1 or September 1 (or the next Business Day if such days are not Business Days), pay the affected Trustees from funds on deposit in the Master Program Trust Account (including all Subaccounts therein) the respective allocable amounts of each such Financing Program Deficiency as determined in subclause (A) above.

(iv) To the extent the Master Program Trustee is required to make payments from the Master Program Trust Account (including all Subaccounts therein) to certain Trustees for Coverage Receiving Financing Programs in accordance with the terms above, the Master Program Trustee shall make such payments *FIRST*, from the Master Program Trust Account (and not the Subaccounts therein), *SECOND*, to the extent necessary, from the March 2nd

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Payment Subaccount or the September 2nd Payment Subaccount (and not the Subaccounts therein), as the case may be, and *THIRD*, to the extent necessary, from the applicable Special Coverage Subaccounts.

(d) Amounts received by the Loan Servicer in Coverage Receiving Financing Programs after the issuance of the Notice of Financing Program Deficiency. Any past due Fund Loan repayments or past due Trust Loan repayments (including the payment of late charges thereon), the overdue nature of which caused the issuance of a Notice of Program Deficiency, received by any such Loan Servicer after the issuance of the Notice of Program Deficiency shall upon receipt of such amounts by any such Loan Servicer be promptly paid to the Master Program Trustee for deposit in the Master Program Trust Account. The Master Program Trustee shall immediately notify in writing the Trust and the State of such receipt. All such amounts, together with the interest thereon, shall be distributed by the Master Program Trustee from the Master Program Trust Account and its Subaccounts in accordance with the terms of the Agreement.

(e) Periodic Transfer of all amounts on deposit in the Master Program Trust Account from Coverage Providing Financing Programs.

(i) All amounts on deposit in the Master Program Trust Account (from deposits made therein under Coverage Providing Financing Programs) on each March 1 and each September 1 (or the next Business Day if such days are not Business Days) for all years in which any Coverage Receiving Trust Bonds are Outstanding shall provide additional security for the Holders of any such Coverage Receiving Trust Bonds through the transfer by the Master Program Trustee of all or a portion of such funds to certain Trustees for any such Coverage Receiving Trust Bonds at the times and in the amounts set forth in the Agreement.

(ii) All amounts on deposit in the Master Program Trust Account (from deposits made therein under Coverage Providing Financing Programs but excluding all amounts in the Subaccounts) on the Business Day immediately succeeding each March 1 (or the next Business Day if such day is not a Business Day) for all years in which any Coverage Receiving Trust Bonds are Outstanding shall be promptly transferred by the Master Program Trustee from the Master Program Trust Account to the September 2nd Payment Subaccount for disbursement *FIRST*, to the extent needed to satisfy Financing Program Deficiencies to the affected Trustee on the immediately following September 1st (or the next Business Day if such day is not a Business Day) in accordance with the terms of the Agreement and *SECOND*, to the extent not so required, to the parties and for disbursement on the immediately following September 2 (or the next Business Day if such day is not a Business Day) in accordance with the Agreement.

(iii) All amounts on deposit in the Master Program Trust Account (from deposits made therein under Coverage Providing Financing Programs but excluding all amounts in the Subaccounts) on the Business Day immediately succeeding each September 1 (or the next Business Day if such day is not a Business Day) for all years in which any Coverage Receiving Trust Bonds are Outstanding shall be promptly transferred by the Master Program Trustee from the Master Program Trust Account to the March 2nd Payment Subaccount for disbursement *FIRST*, to the extent needed to satisfy Financing Program Deficiencies to the affected Trustees on the immediately following March 1st (or the next Business Day if such day is not a Business Day) in accordance with the terms of the Agreement and *SECOND*, to the extent not so required, to the parties and for disbursement on the immediately following March 2 (or the next Business Day if such day is not a Business Day) in accordance with the Agreement.

(f) Distributions from the March 2nd and September 2nd Payment Subaccounts.

(i) All amounts on deposit in the March 2nd Payment Subaccount and the September 2nd Payment Subaccount of the Master Program Trust Account on each March 1 and each September 1 (or the next Business Day if such days are not Business Days) for all years in which any Coverage Receiving Trust Bonds are Outstanding shall

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provide additional security for the Holders of any such Coverage Receiving Trust Bonds through the transfer by the Master Program Trustee of all or a portion of such funds to certain Trustees for any such Coverage Receiving Trust Bonds at the times and in the amounts set forth in the Agreement.

(ii) All amounts on deposit in the September 2nd Payment Subaccount of the Master Program Trust Account (other than the amounts on deposit in the Special Coverage Subaccount within the September 2nd Payment Subaccount) on the September 2 referred to in Section 8(e)(ii) of the Agreement or on the September 2 immediately following the September 1 referred to in Section 8(f)(iii)(A) of the Agreement, as the case may be (or the next Business Day if such day is not a Business Day), shall be transferred on such September 2 (or the next Business Day if such day is not a Business Day) to the following parties in the following amounts and in the following order:

(A) Unless the Master Program Trustee has received a certificate of an Authorized Officer of each of the Trust and the State precluding the retention of amounts otherwise due the State in the Master Program Trust Account (and its Subaccounts) in accordance with this subclause (A), retained by the Master Program Trustee for transfer to the March 2nd Payment Subaccount of the Master Program Trust Account to provide additional security for the Holders of all Outstanding Coverage Receiving Trust Bonds on the immediately following March 1 through the subsequent transfer by the Master Program Trustee of all or a portion of such funds to certain Trustees for any such Coverage Receiving Trust Bonds at the times and in the amounts set forth in Sections 8(c) and 8(f)(i) of the Agreement, that amount, if any, equal to the difference between

(I) the amount that is scheduled for deposit in the Master Program Trust Account from Coverage Providing Financing Programs according to Appendix A-2 to the Agreement (excluding any amounts scheduled for deposit in the Subaccounts) on the September 1 (or the next Business Day if such day is not a Business Day) immediately preceding the September 2 referred to above (or the next Business Day if such day is not a Business Day); and

(II) the amount that is actually on deposit in the Master Program Trust Account (excluding any amounts scheduled for deposit in the Subaccounts and after any payment from the Master Program Trust Account to certain Trustees for Coverage Receiving Financing Programs in accordance with the terms of Sections 8(c) and 8(e)(i) of the Agreement) on any such September 1 (or the next Business Day if such day is not a Business Day);

(B) To the Trust in the amount of any past due administrative fees and/or late charges owed to the Trust under the 1995 Trust Loan Agreement or any Future Trust Loan Agreement, provided that the Trust notify the Master Program Trustee in writing (via telecopy or otherwise) of any such deficiency no later than 9:30 a.m. on such September 2 (or the next Business Day if such day is not a Business Day);

(C) To the extent the Master Program Trustee has received a certificate of an Authorized Officer of each of the Trust and the State setting forth that portion of the Special Coverage Amount, if any, in effect for the immediately following March 1 (or the next Business Day if such day is not a Business Day) that is not to be funded with an equity contribution of the Trust, retained by the Master Program Trustee for transfer to the Special Coverage Subaccount within the March 2nd Payment Subaccount of the Master Program Trust Account to provide additional security for the Holders of the Coverage Receiving Trust Bonds for the immediately following March 1 (or the next Business Day if such day is not a Business Day) in an amount equal to the Special Coverage Amount; and

(D) To the State the balance of all such amounts on deposit in the September 2nd Payment Subaccount (other than the amounts on deposit in the Special Coverage Subaccount within the September 2nd Payment Subaccount) *FIRST* for repayment of its Fund Loans for deposit in the Wastewater Treatment Fund,

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*SECOND* for repayment of any administrative fees owed to the State under any Coverage Providing Fund Loan Agreements for any authorized purpose under applicable law, *THIRD* for payment of any late charges owed to the State under any Coverage Providing Fund Loan Agreement for any authorized purpose under applicable law and *FOURTH* as payment for any interest income on amounts on deposit in the Master Program Trust Account and the September 2nd Payment Subaccount (i.e. excluding the Special Coverage Subaccount therein) that have not been previously distributed in accordance with the terms of the Agreement for any authorized purpose under applicable law.

(iii) All amounts on deposit in the March 2nd Payment Subaccount of the Master Program Trust Account (other than the amounts on deposit in the Special Coverage Subaccount within the March 2nd Payment Subaccount) on the March 2 referred to in Section 8(e)(iii) of the Agreement or on the March 2 immediately following the March 1 referred to in Section 8(f)(ii)(A) of the Agreement, as the case may be (or the next Business Day if such day is not a Business Day) shall be transferred on such March 2 (or the next Business Day if such day is not a Business Day) to the following parties in the following amounts and in the following order:

(A) Unless the Master Program Trustee has received a certificate of an Authorized Officer of each of the Trust and the State precluding the retention of amounts otherwise due the State in the Master Program Trust Account (and its Subaccounts) in accordance with this subclause (A), retained by the Master Program Trustee for transfer to the September 2nd Payment Subaccount of the Master Program Trust Account to provide additional security for the Holders of all Outstanding Coverage Receiving Trust Bonds on the immediately following September 1 through the subsequent transfer by the Master Program Trustee of all or a portion of such funds to certain Trustees for any such Coverage Receiving Trust Bonds at the times and in the amounts set forth in Sections 8(c) and 8(f)(i) of the Agreement, that amount, if any, equal to the difference between

(I) the amount that is scheduled for deposit in the Master Program Trust Account from Coverage Providing Financing Programs according to Appendix A-2 to the Agreement (excluding any amounts scheduled for deposit in the Subaccounts) on the March 1 (or the next Business Day if such day is not a Business Day) immediately preceding the March 2 referred to in Section 8(f)(iii) above (or the next Business Day if such day is not a Business Day); and

(II) the amount that is actually on deposit in the Master Program Trust Account (excluding any amounts scheduled for deposit in the Subaccounts and after any payment from the Master Program Trust Account to certain Trustees for Coverage Receiving Financing Programs in accordance with the terms of Sections 8(c) and 8(e)(i) of the Agreement) on any such March 1 (or the next Business Day if such day is not a Business Day);

(B) To the Trust in the amount of any past due administrative fees owed to the Trust under the 1995 Trust Loan Agreement or any Future Trust Loan Agreement, provided that the Trust notify the Master Program Trustee in writing (via telecopy or otherwise) of any such deficiency no later than 9:30 a.m. on such March 2 (or the next Business Day if such day is not a Business Day);

(C) To the extent the Master Program Trustee has received a certificate of an Authorized Officer of each of the Trust and the State setting forth that portion of the Special Coverage Amount, if any, in effect for the immediately following September 1 (or the next Business Day if such day is not a Business Day) that is not to be funded with an equity contribution of the Trust, retained by the Master Program Trustee for transfer to the Special Coverage Subaccount within the September 2nd Payment Subaccount of the Master Program Trust Account to provide additional security for the Holders of the Coverage Receiving Trust

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Bonds for the immediately following September 1 (or the next Business Day if such day is not a Business Day) in an amount equal to the Special Coverage Amount; and

(D) To the State the balance of all such amounts on deposit in the March 2nd Payment Subaccount (other than the amounts on deposit in the Special Coverage Subaccount within the March 2nd Payment Subaccount) *FIRST* for repayment of its Fund Loans for deposit in the Wastewater Treatment Fund, *SECOND* for repayment of any administrative fees owed to the State under any Coverage Providing Fund Loan Agreements for any authorized purpose under applicable law, *THIRD* for payment of any late charges owed to the State under any Coverage Providing Fund Loan Agreement for any authorized purpose under applicable law and *FOURTH* as payment for any interest income on amounts on deposit in the Master Program Trust Account and the March 2nd Payment Subaccount (i.e. excluding the Special Coverage Subaccount therein) that have not been previously distributed in accordance with the terms of the Agreement for any authorized purpose under applicable law.

(g) Optional contributions from the Trust to the Special Coverage Subaccounts within the March 2nd and September 2nd Payment Subaccounts.

(i) From March 2 through and including the immediately following September 1 of any year in which Coverage Receiving Trust Bonds are Outstanding, the Master Program Trustee shall deposit in the Special Coverage Subaccount within the September 2nd Payment Subaccount of the Master Program Trust Account that portion of the Special Coverage Amount, if any, in effect for any such September 1 funded with an equity contribution of the Trust as so designated and as set forth in an accompanying certificate of an Authorized Officer of the Trust to provide additional security for the Holders of the Coverage Receiving Trust Bonds for any such September 1 in an amount equal to all or a portion of the Special Coverage Amount;

(ii) From September 2 through and including the immediately following March 1 of any years in which Coverage Receiving Trust Bonds are Outstanding, the Master Program Trustee shall deposit in the Special Coverage Subaccount within the March 2nd Payment Subaccount of the Master Program Trust Account that portion of the Special Coverage Amount, if any, in effect for any such March 1 funded with an equity contribution of the Trust as so designated and as set forth in an accompanying certificate of an Authorized Officer of the Trust to provide additional security for the Holders of the Coverage Receiving Trust Bonds for any such March 1 in an amount equal to all or a portion of the Special Coverage Amount; and

(iii) Any other entity (whether a party to the Agreement or otherwise) desiring to make a deposit in any Special Coverage Subaccount for all or a portion of the Special Coverage Amount shall make any such deposit through the Trust in accordance with the terms of the Agreement to the same extent as if the source of any such equity contribution were to be the general revenues of the Trust, and any such entity shall have no rights, duties or obligations under the Agreement, except as such entity shall cause the Trust to act on its behalf.

(h) Distributions from the Special Coverage Subaccounts within the March 2nd and September 2nd Payment Subaccounts.

(i) All amounts on deposit in the Special Coverage Subaccounts within the March 2nd Payment Subaccount and the September 2nd Payment Subaccount of the Master Program Trust Account on each March 1 and each September 1 (or the next Business Day if such days are not Business Days) for all years in which any Coverage Receiving Trust Bonds are Outstanding shall provide additional security for the Holders of any such Coverage Receiving Trust Bonds through the transfer by the Master Program Trustee of all or a portion of such funds to certain Trustees for any such Coverage Receiving Trust Bonds at the times and in the amounts set forth in Section 8(c) of the Agreement.

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(ii) All amounts on deposit in the Special Coverage Subaccount within the September 2nd Payment Subaccount of the Master Program Trust Account on the September 2 (or the next Business Day if such day is not a Business Day) immediately following the September 1 referred to in Section 8(f)(iii)(C) of the Agreement, on the September 2 (or the next Business Day if such day is not a Business Day) immediately following the September 1 referred to in Section 8(g)(i) of the Agreement or on the September 2 (or the next Business Day if such day is not a Business Day) immediately following the September 1 referred to in Section 8(h)(iii)(A) of the Agreement, as the case may be, shall be transferred on such September 2 (or the next Business Day if such day is not a Business Day) to the following parties in the following amounts and in the following order:

(A) An amount equal to the Special Coverage Amount in effect, if any, for the immediately following March 1 (or the next Business Day if such day is not a Business Day) as so designated and as set forth in a certificate of an Authorized Officer of the Trust shall be retained by the Master Program Trustee for transfer to the Special Coverage Subaccount within the March 2nd Payment Subaccount to provide additional security for the Holders of the Coverage Receiving Trust Bonds on the immediately following March 1 (or the next Business Day if such day is not a Business Day); and

(B) Any balance in the Special Coverage Subaccount within the September 2nd Payment Subaccount (including all investment earnings credited to such Subaccount) after the transfer, if any, referred to in clause (A) above, shall be transferred *FIRST* to the Trust in the amount of its proportionate contribution to such Special Coverage Subaccount and *SECOND* to the State, in either case, for their respective use for any authorized purpose under applicable law.

(iii) All amounts on deposit in the Special Coverage Subaccount within the March 2nd Payment Subaccount of the Master Program Trust Account on the March 2 (or the next Business Day if such day is not a Business Day) immediately following the March 1 referred to in Section 8(f)(ii)(C) of the Agreement, on the March 2 (or the next Business Day if such day is not a Business Day) immediately following the March 1 referred to in Section 8(g)(ii) of the Agreement or on the March 2 (or the next Business Day if such day is not a Business Day) immediately following the September 1 referred to in Section 8(h)(ii)(A) of the Agreement, as the case may be, shall be transferred on such March 2 (or the next Business Day if such day is not a Business Day) to the following parties in the following amounts and in the following order:

(A) An amount equal to the Special Coverage Amount in effect, if any, for the immediately following September 1 (or the next Business Day if such day is not a Business Day) as so designated and as set forth in a certificate of an Authorized Officer of the Trust shall be retained by the Master Program Trustee for transfer to the Special Coverage Subaccount within the September 2nd Payment Subaccount to provide additional security for the Holders of the Coverage Receiving Trust Bonds on the immediately following September 1 (or the next Business Day if such day is not a Business Day); and

(B) Any balance in the Special Coverage Subaccount within the March 2nd Payment Subaccount (including all investment earnings credited to such Subaccount) after the transfer, if any, referred to in clause (A) above, shall be transferred *FIRST* to the Trust in the amount of its proportionate contribution to such Special Coverage Subaccount and *SECOND* to the State, in either case, for their respective use for any authorized purpose under applicable law.

(i) No Recourse. To the extent the State does not receive all amounts owed to the State under all Coverage Providing Fund Loan Agreements in accordance with the terms of the Agreement from payments by the Master Program Trustee from the Master Program Trust Account and its subaccounts, the State shall have no recourse against the Trust or the



Master Program Trustee (except to the extent the Master Program Trustee has improperly held such payments from the State by not following the explicit directions for such payment set forth in the Agreement) for such deficiency, and the State shall only be entitled to whatever remedies it may pursue under the applicable Coverage Providing Fund Loan Agreements, the deficient Fund Loan repayments pursuant to which shall have caused any such deficiency to the State. (Section 8)

## Events of Default

(a) Generally. If any of the following events occur, it is defined as and declared to be and to constitute an “Event of Default” under the Agreement:

(i) failure by the Master Program Trustee, any Loan Servicer or Trustee to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the Agreement, 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 Master Program Trustee, such Loan Servicer or such Trustee by the Trust, unless the Trust shall agree in writing to an extension of such time prior to its expiration;

(b) Remedies.

(i) Whenever an Event of Default referred to in Section 10(a) of the Agreement shall have occurred and be continuing, the Master Program Trustee, any such Loan Servicer or any such Trustee, as the case may be, acknowledges any rights of the Bondholders to direct any and all remedies in accordance with the terms of the affected Trust Bond Resolution, and the Master Program Trustee, any such Loan Servicer or any such Trustee, as the case may be, also acknowledges that the Trust shall have the right to take any action permitted or required pursuant to the affected Trust Bond Resolution and to take whatever other action at law or in equity may appear necessary or desirable to enforce the performance and observance of any duty, covenant, obligation or agreement of the Master Program Trustee, any such Loan Servicer or any such Trustee, as the case may be, under the Agreement.

(ii) Whenever an Event of Default referred to in Section 10(a) of the Agreement shall have occurred other than as a result of action or inaction of any such Trustee and be continuing, the Master Program Trustee or the Loan Servicer, as the case may be, acknowledges the rights of any such Trustee and any rights of any such Bondholders to direct any and all remedies in accordance with the terms of the affected Trust Bond Resolution, and any such Master Program Trustee or any such Loan Servicer, as the case may be, also acknowledges that the Trust shall have the right to take, or to direct any such Trustee to take, any action permitted or required pursuant to the affected Trust Bond Resolution and to take whatever other action at law or in equity may appear necessary or desirable to enforce the performance and observance of any duty, covenant, obligation or agreement of the Master Program Trustee, any such Loan Servicer or any such Trustee, as the case may be, under the Agreement.

(d) Amendments, Supplements, Modifications and Assignment. Except for all amendments or supplements to the Agreement contemplated by Sections 4, 8(a) and 9 of the Agreement and by Appendices A, B and C thereof, except for the assignment by the State contemplated below and except for the occurrence of future events contemplated therein (none of which shall require the consent of any party to the Agreement or any approvals required under any applicable Trust Bond Resolution), the Agreement may not be amended, supplemented, modified or assigned without the prior written consent of the Trust, the State, the Master Program Trustee, all of the then existing Trustees and all of then existing Loan Servicers and without the satisfaction of all terms and conditions set forth in the applicable Trust Bond Resolutions that must be satisfied in order to amend the Agreement; provided however, that the then existing Trustees shall not consent to any such amendment or supplement to the Agreement unless any such amendment or supplement to the Agreement would satisfy the purposes and conditions for an amendment or supplement to the respective Trust Bond Resolutions under which the respective Trustees are vested with power to act as Trustee for their respective series of Trust Bonds; and provided further however, that notwithstanding any provision to the contrary in the Agreement or in any other document, instrument or certificate executed

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or official action adopted in connection with any Financing Program by any entity, the State may assign all or a portion of its rights, duties and obligations under the Agreement to the Trust without any such prior consent of any such parties and without the satisfaction of any conditions in any Trust Bond Resolution. (Section 10)

## SUMMARY OF THE TRUST CONTINUING DISCLOSURE AGREEMENT

The following are certain excerpts of certain provisions of the Trust Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) by and among the Trust, the Applicable Refunding Fiduciary and the Master Program Trustee. These excerpts are not to be considered a full statement of the terms of the Continuing Disclosure Agreement and, accordingly, are qualified by reference thereto and are subject to the full text thereof. In addition to the terms defined in Section 1.2 below, capitalized terms used in the Continuing Disclosure Agreement shall, unless the context clearly requires otherwise, have the same meanings as such terms are given in the “SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS”. Copies of the executed Continuing Disclosure Agreement may be obtained from the Trust or the Applicable Refunding Fiduciary upon request. The section references shown at the beginning of each excerpt are to particular sections of the Continuing Disclosure Agreement.

**Section 1.2. Additional Definitions.** The following additional terms shall have the meanings specified below:

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

**“Auditor”** means an independent certified public accountant, a registered municipal accountant or such other accountant as shall be permitted or required under State law in accordance with GAAS.

**“Bondholder”** or **“Holder”** or any similar term, when used with reference to the Bonds, means any person who shall be the registered owner of any outstanding Bonds, including holders of beneficial interests in the Bonds.

**“Bond Disclosure Event”** means any event described in Section 2.1(c) of this Agreement.

**“Bond Disclosure Event Notice”** means the notice to each National Repository or the MSRB and the State Depository, if any, as provided in Section 2.4(c) of this Agreement.

**“Dissemination Agent”** means an entity acting in its capacity as Dissemination Agent under this Agreement or any successor Dissemination Agent designated in writing by the Trust that has filed a written acceptance of such designation.

**“EMMA”** means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

**“Financial Statements”** means the audited financial statements for each Fiscal Year, if and when available, relating to the Bonds and the Master Program Trust Account. Currently, no audited financial statements are completed with respect to the Bonds or the Master Program Trust Account.

**“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 this Agreement, the Fiscal Year of the Trust begins on July 1 of each calendar year and closes on June 30 of the immediately succeeding calendar year.

**“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.

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**“MSRB”** means the Municipal Securities Rulemaking Board.

**“National Repository”** means a “nationally recognized municipal securities information repository” within the meaning of Rule 15c2-12. As of the date of this Agreement, the National Repository designated by the SEC in accordance with Rule 15c2-12 is EMMA.

**“Operating Data”** means, generally, certain financial and statistical information relating to the Bonds and the Master Program Trust Account, substantially in the form included as Appendix D to the Final Official Statement.

**“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. As of the date of this Agreement, there is no State Depository.

**Section 2.1. Continuing Disclosure Covenants of 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:

(a) 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, 2012 (which ended on June 30, 2012), an Annual Report to each Repository.

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

(c) In a timely manner, not in excess of ten business days after the occurrence of the applicable event, to each National Repository or to the MSRB and the State Depository, if any, notice, in Prescribed Form, of any of the following events with respect to the Bonds (each a "Bond Disclosure Event"), with a copy of such notice to the Refunding Fiduciary (for informational purposes only):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to the rights of Bondholders, if material;

## APPENDIX E

- (viii) Bond calls (other than regularly scheduled mandatory sinking fund redemptions for which notice of redemption has been given to the Bondholders as required pursuant to the provisions of the Resolution), if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xiii) Bankruptcy, insolvency, receivership or similar event of any Obligated Person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor to the Refunding Fiduciary or the Master Program Trustee, appointment of an additional Refunding Fiduciary or Master Program Trustee, or the change of name of the Refunding Fiduciary or the Master Program Trustee, if material.

### **Section 2.2. Reserved.**

**Section 2.4. Responsibilities and Duties of Trust, Dissemination Agent and Trustee.** (a) If fifteen (15) days prior to the date specified in Section 2.1(a) hereof the Refunding Fiduciary has not received a copy of the Annual Report, complete to the extent required in Section 2.1(a) hereof, the Refunding Fiduciary 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) hereof.

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

(c) If the Trust has determined that a Bond Disclosure Event has occurred, the Trust shall file promptly a notice of such occurrence with each National Repository or with the MSRB and the State Depository, if any (the "Bond Disclosure Event Notice"), in a form determined by the Trust together with any standard forms or cover sheets that 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 Section 2.1(c)(viii) (Bond calls) or 2.1(c)(ix) (defeasances) need not be given under this Section 2.4(c) 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 this Agreement are in addition to, and not in substitution of, any of the obligations (if any) of the Refunding Fiduciary to provide notices of events of default to Bondholders under Article IX of the Resolution. The Trust shall file a copy of each Bond Disclosure Event Notice with the Refunding Fiduciary (for informational purposes only).

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

## APPENDIX E

(i) determine each year, prior to the date for providing the Annual Report, the name and address of each National Repository and each State Depository, if any; and

(ii) by the date specified in Section 2.1(a) hereof, 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) hereof, has been provided pursuant to this Agreement, stating the date it was provided and listing all of the Repositories to which it was provided.

**Section 3.1. Remedies.** (a) The Refunding Fiduciary 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 the Bonds outstanding, after the provision of indemnity in accordance with Section 10.05 of the Resolution, shall), or any Bondholder may, for the equal benefit and protection of all Bondholders similarly situated, take whatever action at law or in equity against the Trust and any of its respective officers, agents and employees necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Trust under this Agreement, and may compel the Trust or any of its respective officers, agents and 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 this Agreement; *provided*, that no person or entity shall be entitled to recover monetary damages hereunder 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 this Agreement, and may not pursue specific performance in challenging the adequacy of Annual Reports that have been filed pursuant to the provisions hereof.

(b) In case the Refunding Fiduciary or any Bondholder shall have proceeded to enforce its rights under this 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 Refunding Fiduciary and any Bondholder, as the case may be, shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Trust, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

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

**Section 4.2. Trust and Bondholders.** Each Bondholder is hereby recognized as being a third-party beneficiary hereunder, 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 hereunder in favor of the Trustee, to the extent permitted in Section 3.1(a) hereof.

**Section 4.9. Amendments, Changes and Modifications.** (a) Except as otherwise provided in this 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), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto.

(b) Without the consent of any Bondholders, the Trust, the Refunding Fiduciary and the Master Program Trustee at any time and from time to time may enter into any amendments or modifications to this Agreement for any of the following purposes:

(i) to add to the covenants and agreements of the Trust hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Trust by this Agreement;

(ii) 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 or legal requirements followed by or applicable to the Trust or the Program, to reflect changes in the identity, nature or status of the Trust or the Program or in the business, structure or operations of the Trust or the Program, or to reflect any mergers, consolidations, acquisitions or dispositions made by or affecting the Trust or the Program; *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

(iii) to cure any ambiguity herein, to correct or supplement any provision hereof that may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Agreement, any of 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, in reliance upon an opinion of Bond Counsel (as defined in the Resolution) to the Trust, determines that such amendment or modification does not adversely affect the interests of the Bondholders in any material respect.

(c) Upon entering into any amendment or modification required or permitted by this Agreement that materially affects the interests of the Bondholders, the Trust shall deliver to each of the Repositories written notice of any such amendment or modification.

(d) The Trust, the Refunding Fiduciary and the Master Program Trustee shall be entitled to rely exclusively upon an opinion of Bond Counsel to the Trust to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.9.

**Section 4.10. Amendments Required by Rule 15c2-12.** The Trust, the Refunding Fiduciary and the Master Program Trustee each recognize that the provisions of this 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 this 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 addressed to the Trust, the Refunding Fiduciary and the Master Program Trustee 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 Trust, the Refunding Fiduciary and the Master Program Trustee shall amend this Agreement to comply with and be bound by any such amendment to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and shall provide written notice of such amendment as required by Section 4.9(c) hereof.

**Section 4.12. Commencement and Termination of Continuing Disclosure Obligations.** The obligations of the Trust and the Refunding Fiduciary hereunder and the consent of the Master Program Trustee set forth in Section 2.6 hereof 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 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) 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 the State Depository, if any.

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## **APPENDIX F**

### **SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM BORROWERS), THE REFUNDING PROGRAM FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS**

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**SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS  
(INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM  
BORROWERS)**

The following is a general summary of certain provisions of the Refunding Program Trust Loan Agreements executed in connection with the Loans awarded to (i) those Borrowers which are municipalities (the "General Obligation Trust Loan Agreements"), (ii) those Borrowers which are municipal, county or regional sewerage or utilities authorities (the "Special Obligation Trust Loan Agreements"), and (iii) those Borrowers which are private water companies (the "Private Obligation Trust Loan Agreements"). Unless otherwise indicated by the bracketed language set forth herein (which highlights the variations between certain corresponding provisions of the Special Obligation Trust Loan Agreements, the General Obligation Trust Loan Agreements and the Private Obligation Trust Loan Agreements), this summary applies equally in all other respects to each form of the Trust Loan Agreement. Exceptions to a specific Trust Loan Agreement are delineated as follows: {General Obligation Trust Loan Agreement}, [Special Obligation Trust Loan Agreement] and <Private Obligation Trust Loan Agreement>. In addition, with respect to the Series 2004A Trust Loan Agreements, the Series 2005A Trust Loan Agreements and the 2006A Trust Loan Agreements only, all references in this Appendix F to the Loan Servicer shall be deemed to refer to the Series 2004A Trustee, the Series 2005A Trustee and the Series 2006A Trustee, respectively. The summary is not to be considered a full statement of the terms of either the General Obligation Trust Loan Agreements, the Special Obligation Trust Loan Agreements or the Private Obligation Trust Loan Agreements and, accordingly, is qualified by reference thereto and is subject to the full text of such agreements. A copy of the General Obligation Trust Loan Agreements, the Special Obligation Trust Loan Agreements and the Private Obligation Trust Loan Agreements may be obtained from the Trust upon request. The section references listed below in parentheses reference particular sections of the General Obligation Trust Loan Agreements, which, unless otherwise noted, also correspond to the Special Obligation Trust Loan Agreements and the Private Obligation Trust 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 given in the "SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTIONS" 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 Trust Loan Agreement.

"Fund Loan" means the loan made to the Borrower by the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection, pursuant to the loan agreement by and between the Borrower and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection, 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 Borrower and each Underlying Government Unit as amended and supplemented, a copy of each of which is attached to the respective Special Obligation Trust Loan Agreement as Exhibit F-2.]

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

"Environmental Infrastructure System" means the Environmental Infrastructure Facilities of the Borrower, including the Environmental Infrastructure Facilities project for which the Borrower is making the borrowing under the Trust Loan Agreement. (Section 1.01)

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### Particular Covenants of the Borrower

*Full Faith and Credit Pledge.* {The Borrower irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal of and the interest on the Loan and the Borrower Bond according to their respective terms.

The Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Borrower 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 Borrower.}

[Under the Special Obligation Trust Loan Agreement, the Borrower irrevocably pledges (i) the revenues of its Environmental Infrastructure System, to the extent provided in the Borrower's bond resolution and (ii) moneys payable pursuant to any Service Agreement.

In addition, under the Special Obligation Trust Loan Agreement, the Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Borrower 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 Borrower.

In addition, under the Special Obligation Trust Loan Agreement, in no event shall the Borrower be required to make payments under the Special Obligation Trust Loan Agreement from any revenues or receipts not derived from its Environmental Infrastructure System nor pledged pursuant to the Special Obligation Trust 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 Borrower from its Environmental Infrastructure System, after the payment of all costs of operating and maintaining the Environmental Infrastructure System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the obligation of the Borrower to make Loan Repayments under the Special Obligation Trust Loan Agreement and the Borrower Bond, and all corporate or other action on the part of the Borrower to that end has been and will be duly and validly taken.]

<Under the Private Obligation Trust Loan Agreement, the Borrower unconditionally promises to make the punctual payment of the principal of and the interest on the Loan and the Borrower Bond according to their respective terms.>

*Performance under Loan Agreement; Rates.* {The Borrower 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 Borrower 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 Environmental Infrastructure System, which rents, rates and other charges shall be at least sufficient to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond ordinance, resolution, trust indenture or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower.}

[<The Borrower 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 Trust Loan Agreement; (ii) to maintain its Environmental Infrastructure System in good repair and operating condition; (iii) to cooperate with the Trust in the observance and performance of the respective duties, covenants, obligations and agreements of such Borrower and the Trust under the Special Obligation Trust Loan Agreement; and (iv) to establish, levy and collect rents, rates and other charges for the products and services provided by its Environmental Infrastructure System, which rents, rates, and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of such Environmental Infrastructure System, (B) to comply with all covenants pertaining thereto

## APPENDIX F

contained in, and all other provisions of, any bond resolution, trust indenture, or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower, (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 Environmental Infrastructure 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 Borrower, including, without limitation, the Special Obligation Trust Loan Agreement and the Borrower Bond and (E) to pay all other amounts payable from or constituting a lien or charge on the revenues of its Environmental Infrastructure System.>]

*Completion of a Project and Provision of Moneys Therefor.* The Borrower covenants and agrees (i) to exercise its best efforts in accordance with prudent Environmental Infrastructure utility practice to complete the Project and to 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 Environmental Infrastructure System.* The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System except on ninety (90) days prior written notice to the Trust and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless the following conditions are met: (i) the Borrower shall assign the Loan Agreement and the Borrower Bond in accordance with Section 4.02 of the Loan Agreement and its rights and interests under the Loan Agreement and the Borrower Bond to the purchaser or lessee of the Environmental Infrastructure System and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under the Loan Agreement and the Borrower Bond; and (ii) the Trust shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not 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 Borrower 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.*

[Not applicable to the Series 1995B Borrower, the Series 2001C Borrower and the Participating Series 2003A Borrower.]

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

(iii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action, which use or action or omission would cause the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds in the

## APPENDIX F

hands of the Borrower represent all of the proceeds of the Trust Bonds) to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

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

(v) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to reimburse the Borrower for an expenditure with respect to a Cost of the Borrower's Project paid by the Borrower prior to the issuance of the Trust Bonds unless (A) the allocation by the Borrower of proceeds of the Trust Bonds to reimburse such expenditure complies with the requirements of Treasury Regulations Section 1.150-2 necessary to enable the reimbursement allocation to be treated as an expenditure of proceeds of the Trust 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 Borrower's Project, or to reimburse the Borrower for expenditures with respect to Costs of the Borrower's Project paid by the Borrower prior to the issuance of such indebtedness in accordance with a reimbursement allocation for such expenditures which complies with the requirements of Treasury Regulations Section 1.150-2.

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

(vii) The Borrower shall not use the proceeds of the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) in any manner which would cause the Trust 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.

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

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

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

(xi) [(A)] The Borrower will not have a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) allocable to the Borrower Bond evidencing the Loan.

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[(B) The Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) which is allocable to the Borrower Bond evidencing the Loan and such reserve or replacement fund is financed with indebtedness of the Borrower the interest on which is excluded from gross income for purposes of federal income taxation. Accordingly, such amounts held in the reserve or replacement fund are not allocable to the Borrower Bond evidencing the Loan as "gross proceeds" of the Trust Bonds in accordance with Treasury Regulations Section 1.148-6(b) and therefore are not subject to yield restriction to the yield on the Trust Bonds, unless and until such amounts have been reallocated to the Trust Bonds as "gross proceeds" of the Trust Bonds in accordance with Treasury Regulations Section 1.148-6(b) or successor Treasury Regulations applicable to the Trust Bonds. Upon becoming "gross proceeds" of the Trust Bonds such amounts shall be invested by the Borrower solely in United States Treasury Securities - State and Local Government Series at a yield not in excess of the yield on the Trust Bonds.]

[(C) The Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) which is allocable to the Borrower Bond evidencing the Loan and which is not financed with indebtedness of the Borrower the interest on which is excluded from gross income for purposes of federal income taxation. Accordingly, amounts held in the reserve or replacement fund allocable to the Borrower Bond evidencing the Loan shall be invested by the Borrower solely in United States Treasury Securities - State and Local Government Series at a yield not in excess of the yield on the Trust Bonds throughout the term of the Loan. Amounts in the reserve or replacement fund allocable to the Borrower Bond evidencing the Loan will be held in a segregated account and invested separately from any other monies so that such amounts will not be held in a "commingled fund" (within the meaning of Treasury Regulations Section 1.148-1(b)). The investment restrictions contained in this paragraph shall not apply in the event the Trust receives an opinion of Bond Counsel to the Trust to the effect that non-compliance with such restrictions will not affect the exclusion from gross income of interest on the Trust Bonds.]

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

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

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

{[(xv) The Borrower shall only enter into service contracts (including management contracts), with respect to any portion of the Project financed by the Trust Bonds, with a "governmental unit" (within the meaning of Section 141 of the

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Code) and only when such contract complies with Rev. Proc. 93-19, 1993-1 C.B. 526, or successor provisions applicable to the Trust Bonds.}}

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

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

*Continuing Disclosure Covenant.* To the extent that the Trust, in its sole discretion, determines, at any time prior to the termination of the Loan Term, that the Borrower is a material "obligated person", as the term "obligated person" is defined in Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto ("Rule 15c2-12"), with materiality being determined by the Trust pursuant to criteria established, from time to time, by the Trust in its sole discretion and set forth in a bond resolution or official statement of the Trust, the Borrower covenants that it will authorize and provide to the Trust, for inclusion in any preliminary official statement or official statement of the Trust, all statements and information relating to the Borrower, [and the Underlying Government Unit][and the Indirect Underlying Government Unit] deemed material by the Trust for the purpose of satisfying Rule 15c2-12 as well as Rule 10b-5 promulgated pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto ("Rule 10b-5"), including certificates and written representations of the Borrower evidencing its compliance with Rule 15c2-12 and Rule 10b-5; and the Borrower further covenants that the Borrower shall execute and deliver the Continuing Disclosure Agreement, in the form attached to the Loan Agreement as Exhibit H, with such revisions thereto prior to execution and delivery thereof as the Trust shall determine to be necessary, desirable or convenient, in its sole discretion, for the purpose of satisfying Rule 15c2-12 and the purposes and intent thereof, as Rule 15c2-12, its purposes and intent may hereafter be interpreted from time to time by the Securities and Exchange Commission or any court of competent jurisdiction, and pursuant to the terms and provisions of the Continuing Disclosure Agreement, the Borrower shall thereafter provide on-going disclosure with respect to all statements and information relating to the Borrower, [and the Underlying Government Unit][and the Indirect Underlying Government Unit], in satisfaction of the requirements set forth in Rule 15c2-12 and Rule 10b-5, including the provision of certificates and written representations of the Borrower evidencing its compliance with Rule 15c2-12 and Rule 10b-5. (Section 2.02)

### **The Loan and Loan Term Pursuant to the Loan Agreement**

The Trust agrees to loan and disburse to the Borrower, and the Borrower 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 Borrower does not deliver a Borrower 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 Borrower agrees that the amount actually deposited in the Project Loan Account plus the Borrower's allocable share of (i) capitalized interest, if any, during the Project construction period



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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 Borrower.

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

- (i) the proceeds of Bonds shall be available for disbursement, as determined solely by the Trust;
- (ii) in accordance with the "Environmental Infrastructure Bond Act of 1985," P.L. 1985, c. 329 and the regulations promulgated pursuant thereto from time to time, including the regulations entitled "Environmental Infrastructure Procedures and Requirements" (N.J.A.C. 7:22-3.1 *et seq.*), the Borrower 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);
- (iii) the Borrower shall have funds available [~~on hand~~] 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) that portion of the total costs of the Project which exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Fund Loan and the Loan; and
- (iv) no Event of Default, nor any event 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 Borrower shall repay the Loan in installments payable to the Loan Servicer. The principal of the Loan shall be amortized annually on August 1, commencing August 1, \_\_\_\_<sup>1</sup>; and the interest on the Loan shall be paid semiannually on February 1 and August 1, commencing August 1, \_\_\_\_<sup>2</sup>, in accordance with the Loan Agreement. Each Loan Repayment made to the Loan Servicer pursuant to the Borrower Bond shall be deemed to be a credit against the corresponding obligation of the Borrower to make Loan Repayments and any such payment made to the Loan Servicer shall fulfill the Borrower's obligation to pay such amount under the Loan Agreement and under the Borrower 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 Borrower 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 Borrowers allocable share (as defined in the Bond Resolution) of the interest earnings on certain Funds and Accounts established under the Bond Resolution, calculated in accordance with Section 5.10 of the Bond Resolution.

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<sup>1</sup> The respective Refunding Program Borrowers began amortizing the principal of their respective Loans in different years. As of the date of this Official Statement, all Refunding Program Borrowers have commenced the amortization of the principal of their respective Loans.

<sup>2</sup> The respective Refunding Program Borrowers began paying interest on their respective Loans in different years. As of the date of this Official Statement, all Refunding Program Borrowers have commenced the payment of interest on their respective Loans..

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In addition to the Trust Bond Loan Repayments payable under the Loan Agreement, the Borrower 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 Borrower 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 Borrower. The amount of State aid so paid to the Loan Servicer shall be deemed to be a credit against the obligations of the Borrower to make Loan Repayments and any such payment made to the Loan Servicer shall fulfill the Borrower's obligation to pay such amount under the Loan Agreement and the Borrower 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)}

[In the event that the Borrower 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 Borrower 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 Borrower under this Section 3.03 and any such payment made to the Loan Servicer shall fulfill the Borrower's obligation to pay such amount under the Loan Agreement and the Borrower Bond. Each such payment 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)]

### **Amounts on Deposit in Project Loan Account after Completion of Project Draws.<sup>3</sup>**

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

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

If the Borrower fails to provide the certificate described in either of the two immediately preceding paragraphs, when due, or if such certificate, or any other certificate provided by the Borrower to the Trust pursuant to the Trust Loan Agreement, states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account

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<sup>3</sup> This section appears only in the Series 2006A Trust Loan Agreements.

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to complete the Project, such amounts on deposit in the Project Loan Account which are not certified by an Authorized Officer of the Borrower as being required to complete the Project ("Excess Project Funds") shall be applied as follows:

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

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

(Section 3.03A)

### **Unconditional Obligations**

The obligation of the Borrower 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 Environmental Infrastructure 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 Borrower 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 Borrower shall not be obligated to make any payments required to be made by any other Borrowers under separate Loan Agreements or the Bond Resolution.

The Borrower acknowledges that payment of the 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 Borrower Bond. If at any time the amount in the Debt Service Reserve Fund shall be less than the Debt Service Reserve Requirement as the result of any transfer of moneys from the Debt Service Reserve Fund to the Debt Service Fund (as all such terms are defined in the Bond Resolution) as the result of a failure by the Borrower to make any Trust Bond Loan Repayments required under the Loan Agreement, the Borrower 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 Borrower 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 Borrower 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)

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### **Options to Prepay Trust Bond Loan Repayments**

The Borrower 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 to the Trust and the Trustee 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 Borrower 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 Borrower is not then in arrears on its Fund Loan, (ii) if the Borrower is contemporaneously making a full or partial prepayment of the Fund Loan such that after the prepayment of the Loan and the Fund Loan, the Trust, in its sole discretion, determines that the interests of the owners of the 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 Borrower 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 Borrower'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.

(Section 3.07)

### **Assignment and Transfer by Trust**

The Borrower 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 Borrower 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 Borrower Bond may be assigned by the Borrower for any reason, unless the following conditions shall be satisfied: (i) the Trust and the Trustee shall have approved said assignment in writing; (ii) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower's duties, covenants, agreements and obligations under the Loan Agreement and to the extent permitted under applicable law, the Borrower Bond; (iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Borrower under the Loan Agreement or the Borrower Bond; and (iv) the Trust shall have received an opinion of Bond Counsel to the effect that such assignment will not adversely affect the security of the holders of the 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 Borrower 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 Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Borrower (other than the Loan and the Borrower Bond), the payment of which are secured by gross revenues of the Environmental Infrastructure System;] failure by the Borrower 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 Borrower by the Trustee, unless the Trustee shall agree in writing to an extension of

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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, in which case the Trustee may not unreasonably withhold its consent to an extension of such time up to 120 days from the delivery of the written notice referred to above if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Event of Default is corrected; any representation made by or on behalf of the Borrower 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 Borrower 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 Borrower 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 Borrower Bond) together with the prepayment premium, if any, calculated pursuant to Section 3.07 of the respective Loan Agreement to be immediately due and payable, and upon notice to the Borrower the same shall become due and payable without further notice or demand.

(Section 5.03)

### **Amendments, Supplements and Modifications**

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

(Section 6.04)

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### **SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENTS FOR THE REFUNDING PROGRAM BORROWERS (EXHIBIT H TO THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS)**

The following is a general summary of certain provisions of the form of the Continuing Disclosure Agreement, which form is attached to each Refunding Program Trust Loan Agreement and made a part thereof. Unless otherwise indicated by the bracketed language set forth herein (which highlights the variations between certain provisions of the form of the Continuing Disclosure Agreement relevant for the Special Obligation Refunding Program Borrowers and the corresponding provisions thereof relevant for the General Obligation Refunding Program Borrowers and Private Obligation Refunding Program Borrowers), this summary applies equally in all other respects to each of the Special Obligation Refunding Program Borrowers, the General Obligation Refunding Program Borrowers and the Private Obligation Refunding Program Borrowers. The summary is not to be considered a full statement of the terms of the form of Continuing Disclosure Agreement and, accordingly, is qualified by reference thereto and is subject to the full text of such agreement. A copy thereof may be obtained from the Trust upon request. The section references listed below in parentheses reference particular sections of the Continuing Disclosure Agreement.

#### **Definitions**

"Annual Report" means Financial Statements and Operating Data provided at least annually with respect to the Borrower [and the Underlying Government Unit].

"Bondholder" or "holder" or "Holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond, including holders of beneficial interests in the Bonds.

"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 Borrower and which has filed a written acceptance of such designation.

"Financial Statements" means the audited financial statements of the Borrower [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 Borrower as determined by the Borrower from time to time pursuant to State law. As of the date of the Continuing Disclosure Agreement, the Fiscal Year of the Borrower 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 Borrower [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 Borrower [and the Underlying Government Unit] as may be in effect from time to time.

"Borrower Bond" means the general obligation bond authorized, executed, attested and delivered by the Borrower to the Trust to evidence the Trust Loan.

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Operating Data" means the financial and statistical information of the Borrower [and the Underlying Government Unit] of the type included in the Final Official Statement under the heading "**APPENDIX A**", a copy of which is attached to the Continuing Disclosure Agreement as Exhibit A.

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

"Resolution" means the resolution entitled "Environmental Infrastructure Bond Resolution, Series \_\_\_\_", as adopted by the Board of Directors of the Trust on September \_\_, \_\_\_\_.

"Rule 15c2-12" shall mean the rule promulgated pursuant to the Securities Exchange Act of 1934 and codified at 17 C.F.R. §240.15c2-12), as the same may be further amended and supplemented from time to time or any successor provision thereto.

"State Repository" means any public or private repository or entity designated by the State as a state information depository for purposes of Rule 15c2-12. As of the date of the Continuing Disclosure Agreement, there is no State Repository.

"Underlying Government Unit" means \_\_\_\_\_, which has entered into a service agreement with the Borrower.

### **Continuing Disclosure Covenants of the Borrower.**

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

(a) Not later than two hundred twenty-five (225) days after the end of each Fiscal Year, commencing with the first Fiscal Year of the Borrower ending after January 1, \_\_\_\_ (which is currently scheduled to end on \_\_\_\_\_), an Annual Report to each Repository and to the Trust; provided that the Financial Statements of the Borrower may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the Financial Statements of the Borrower are not available by that date, but only if the unaudited financial statements of the Borrower are included in the Annual Report; provided further that the Financial Statements of the Underlying Government Unit may be submitted separately from the balance of the Annual Report and later than the date required herein 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 Borrower, provided that the most recent audited financial statements of the Underlying Government Unit are included with the Annual Report and that the audited financial statement of the Underlying Government Unit are submitted no later than two hundred twenty-five (225) days after the end of its fiscal year].

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 0, a copy of the Annual Report to the Trustee and the Dissemination Agent, if the Borrower has appointed or engaged a Dissemination Agent;

(c) In a timely manner, not in excess of ten business days after the occurrence of the applicable event, to the Trust, notice of any of the following events with respect to the Local Unit Bond (each a "Borrower Bond Disclosure Event"):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

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- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Borrower Bond, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to the rights of the holder of the Local Unit Bond, if material;
- (viii) Borrower Bond calls, if material, and tender offers;
- (ix) Borrower Bond Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Borrower Bond, if material;
- (xi) Rating changes;
- (xiii) Bankruptcy, insolvency, receivership or similar event of the Borrower or the Underlying Government Unit;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the Underlying Government Unit, or the sale of all or substantially all of the assets of the Borrower or the Underlying Government Unit other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor to the Borrower's Trustee, appointment of an additional Borrower Trustee, or the change of name of the Borrower's Trustee, if material.

### **Continuing Disclosure Representations.**

The Borrower represents and warrants that: (a) Financial Statements shall be prepared according to GAAP; (b) 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 GAAP. (Section 2.2)

### **Responsibilities and Duties of the Borrower, the Dissemination Agent and the Trustee**

- (a) If fifteen (15) Business Days prior to the date specified in subsection 0, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Borrower to determine if the Borrower is in compliance herewith.
- (b) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories and to the Trust by the date specified above, the Trustee shall send a notice to each Repository or the MSRB, with a copy thereof to the Trust and the Borrower.
- (c) Whenever the Borrower or the Dissemination Agent (if one has been appointed or engaged by the Borrower) obtains knowledge of the occurrence of any Borrower Bond Disclosure Event, the Borrower or the Dissemination Agent (if one has been appointed or engaged by the Borrower) shall file promptly a notice of such occurrence with the Trust (the "Borrower Bond Disclosure Event Notice") in a form determined by the Borrower; provided, that the Borrower Bond Disclosure Event



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Notice pertaining to the occurrence of a Borrower Bond Disclosure Event described in Section (c)(viii) (Borrower Bond calls) or (c)(ix) (defeasances) above need not be given any earlier than the time when the notice (if any) of such Borrower Bond Disclosure Event shall otherwise be required to be given to the holder of the Local Unit Bond as provided in any resolution, ordinance or agreement of the Borrower.

(d) If the Borrower or the Dissemination Agent (if one has been appointed or engaged by the Borrower) has determined that a Borrower Bond Disclosure Event has occurred, the Borrower or the Dissemination Agent (if one has been appointed or engaged by the Borrower) shall promptly notify the Trust in writing.

(e) The Dissemination Agent (if one has been appointed or engaged by the Borrower) shall:

(i) 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

(ii) file a written report with the Borrower certifying that the Annual Report 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.**

(a) The Trust agrees that it will provide in a timely manner to the Trustee and 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:

(i) Principal and interest payment delinquencies;

(xiv) Non-payment related defaults, if material;

(xv) Unscheduled draws on debt service reserves reflecting financial difficulties;

(xvi) Unscheduled draws on credit enhancements reflecting financial difficulties;

(xvii) Substitution of credit or liquidity providers or their failure to perform;

(xviii) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Borrower Bond, or other material events affecting the tax status of the Bonds;

(xix) Modifications to the rights of the holder of the Borrower Bond, if material;

(xx) Borrower Bond calls, if material, and tender offers;

(xxi) Borrower Bond Defeasances;

(xxii) Release, substitution or sale of property securing repayment of the Borrower Bond, if material;

(xxiii) Rating changes;

(xxiv) Bankruptcy, insolvency, receivership or similar event of the Borrower or the Underlying Government Unit;

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- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the Underlying Government Unit, or the sale of all or substantially all of the assets of the Borrower or the Underlying Government Unit other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor to the Borrower's Trustee, appointment of an additional Borrower Trustee, or the change of name of the Borrower's Trustee, if material.

(b) If the Trust has determined a Bond Disclosure Event has occurred, the Trust shall promptly notify the Trustee in writing and shall further report the occurrence of such Bond Disclosure Event pursuant to subsection 2.6(d).

(c) If the Trust has determined it necessary to report the occurrence of a Bond Disclosure Event, 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; provided, that the Bond Disclosure Event Notice pertaining to the occurrence of a Bond Disclosure Event described in clauses 2.6(a)(viii) (optional or special redemptions of the Bonds) or 2.6(a)(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 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 Bond Resolution. The Trust shall file a copy of each Bond Disclosure Event Notice with the Trustee, for informational purposes only. (Section 2.6)

### **Remedies upon Disclosure Default.**

(a) 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 Bond 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 Borrower 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 Borrower and the Trust under the Continuing Disclosure Agreement and may compel the Borrower 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 Borrower), 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 under the 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 filing of Annual Reports, Borrower Bond Disclosure Event Notices and Bond Disclosure Event Notices as 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 of the Continuing Disclosure Agreement.

(b) 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 Borrower, 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 Borrower, the Trust, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

(c) A failure by the Trust or the Borrower to perform their respective obligations under the Continuing Disclosure Agreement shall not be deemed an event of default under either the Bond 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 Borrower 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.**

(a) 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.

(b) Each Bondholder is recognized as being a third-party beneficiary under the Continuing Disclosure Agreement 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 Continuing Disclosure Agreement in favor of the Trustee. (Section 4.2)

**Amendments, Changes and Modifications.**

(a) Except as otherwise provided in the Continuing Disclosure Agreement, subsequent to the initial issuance of the Borrower Bond and prior to either (i) its payment in full (or provision for payment thereof having been made in accordance with the provisions of the Trust Loan Agreement) or (ii) a determination by the Trust that the Borrower 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 Bond Resolution, the Notice of Sale, the Preliminary Official Statement and the Final Official Statement) with respect to the Bonds, the Continuing Disclosure Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties thereto.

(b) Without the consent of any Bondholders, the Borrower, 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:

(i) to add to covenants and agreements of the Borrower or the Trust thereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Borrower or the Trust by the Continuing Disclosure Agreement;

(ii) 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 Borrower or to reflect changes in the identity, nature or status of the Borrower or in the business, structure or operations of the Borrower or any mergers, consolidations, acquisitions or dispositions made by or affecting the Borrower; 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

(iii) 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, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Borrower, 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.

(c) Upon entering into any amendment or modification required or permitted by the Continuing Disclosure Agreement, the Trust shall deliver to each of the Repositories written notice of any such amendment or modification.

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(d) The Borrower, the Trustee and the Trust shall be entitled to rely exclusively upon an opinion of Bond Counsel to the Trust (as defined in the Bond 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 Borrower, the Trustee and the Trust each recognize that the provisions of the Continuing Disclosure Agreement are intended to enable the Participating Underwriter to comply 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 by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Borrower, 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 paragraph (c) of the immediately preceding caption. (Section 4.10)

### **Termination of Borrower's Continuing Disclosure Obligations.**

The Continuing Disclosure Agreement shall be in full force and effect from the date thereof and shall continue in effect until the date either A the Borrower Bond is no longer outstanding in accordance with the terms of the documents under which it was issued or A. the Borrower 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 Bond 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 to each of the Repositories written notice to such effect. (Section 4.12)

## SUMMARY OF THE REFUNDING PROGRAM FUND LOAN AGREEMENTS AND OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS

The following is a general summary of certain provisions of the Fund Loan Agreements executed in connection with the Fund Loans awarded to (i) those Borrowers which are municipalities (the "General Obligation Fund Loan Agreements"), (ii) those Borrowers which are municipal, county or regional sewerage or utilities authorities (the "Special Obligation Fund Loan Agreements"), and (iii) those Borrowers which are private water companies (the "Private Obligation Fund Loan Agreements"). Unless otherwise indicated by the bracketed language set forth herein (which highlights the variations between certain corresponding provisions of the Special Obligation Fund Loan Agreements, the General Obligation Fund Loan Agreements and the Private Obligation Fund Loan Agreements), this summary applies equally in all other respects to both forms of the Fund Loan Agreements, relating to each of the Refunding Series Financing Programs and other Coverage Providing Financing Programs. Exceptions to a specific Fund Loan Agreement are delineated as follows: {General Obligation Trust Loan Agreement}, [Special Obligation Fund Loan Agreement] and <Private Obligation Fund Loan Agreement>. In addition, certain language herein is bracketed (" ") if such language is applicable for Fund Loans funded from proceeds of State Bonds. The summary is not to be considered a full statement of the terms of either the General Obligation Fund Loan Agreements, the Special Obligation Fund Loan Agreements or the Private Obligation Fund 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 Fund Loan Agreements, the Special Obligation Fund Loan Agreements and the Private Obligation Fund Loan Agreements relating to the Refunding Series Financing Programs and other Coverage Providing Financing Programs may be obtained from the Trust upon request. The section references listed below in parentheses reference particular sections of the General Obligation Fund Loan Agreements, which, unless otherwise noted, also correspond to the Special Obligation Fund Loan Agreements and the Private Obligation Fund Loan Agreements.

### Definitions

The capitalized terms used in the Fund Loan Agreements shall, unless the context clearly requires otherwise, have the same meanings as such terms are given in the "SUMMARY OF THE REFUNDING PROGRAM BOND RESOLUTION" and "SUMMARY OF THE REFUNDING PROGRAM TRUST LOAN AGREEMENTS". In addition, the following terms as used in the Fund Loan Agreements shall, unless the context clearly requires otherwise, have the following meanings:

["Bond Act" means, as applicable, (i) the Marine Protection, Research and Sanctuaries Act of 1972, 33 U.S.C. 1401 et seq., as the same may from time to time be amended and supplemented, (ii) the Water Supply Bond Act of 1981, P.L. 1981, c. 261, as the same may from time to time be amended and supplemented, (iii) the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 329, as the same may from time to time be amended and supplemented, (iv) the Stormwater Management and Combined Sewer Overflow Abatement Bond Act of 1989, P.L. 1989, c. 181, as the same may from time to time be amended and supplemented, and (v) the Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992, P.L. 1992, c. 88, as the same may from time to time be amended and supplemented.}]

"Borrower Fund Loan Bond" means the [general obligation bond] [revenue bond] authorized, executed, attested and delivered by the Borrower to the State and authenticated on behalf of the Borrower to evidence the Fund Loan.

["CWSRF Loan" means that portion of the Loan made by the State from the loan program established pursuant to the Water Quality Act of 1987 to assist sponsors of wastewater treatment and stormwater management facilities to finance the cost of infrastructure improvement.}]

["DWSRF Loan" means that portion of the Loan made by the State from the loan program established to assist publicly owned and privately owned community drinking water systems and nonprofit noncommunity drinking water systems to finance the costs of infrastructure needed to achieve or maintain compliance with the Safe Drinking Water Act and to promote the public health objectives of said Act. }]

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

"Fund Loan" means a loan by the State to a Borrower, pursuant to a Fund Loan Agreement, to finance or refinance a portion of the Cost of such Borrowers Project. The principal amount of each Fund Loan shall be the principal amount specified in the applicable Borrower Fund Loan Bond issued in connection with the Applicable Fund Loan Agreement.

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

"Fund Loan Agreement" means a loan agreement that is entered into by and between the State of New Jersey and a Borrower, as such Loan Fund Agreement may be amended, modified or supplemented from time to time in accordance with the provisions thereof.

"Fund Loan Repayments" means the repayments of the principal amount of the Fund Loan payable by the Borrower pursuant to the Fund Loan Agreement, including payments payable under the Borrower Fund Loan Bond, but excluding the Fund Loan Administrative Fee.

### Particular Covenants of the Borrower

*Full Faith and Credit Pledge.* {Under the General Obligation Fund Loan Agreement, the Borrower irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal of and the interest on the Fund Loan and the Borrower Fund Loan Bond according to their respective terms.}

[Under the Special Obligation Fund Loan Agreement, the Borrower irrevocably pledges (i) the revenues of its Environmental Infrastructure System, to the extent provided in the Borrower's bond resolution and (ii) moneys payable pursuant to any Service Agreement.

In addition, under the Special Obligation Fund Loan Agreement, in no event shall the Borrower be required to make payments under the Special Obligation Fund Loan Agreement from any revenues or receipts not derived from its Environmental Infrastructure System nor pledged pursuant to the Special Obligation Fund Loan Agreement as discussed above. Except as has been disclosed to the State in writing, the net or gross revenues, as the case may be, derived by the Borrower from its Environmental Infrastructure System, after the payment of all costs of operating and maintaining the Environmental Infrastructure System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the obligation of the Borrower to make Fund Loan Repayments under the Special Obligation Fund Loan Agreement and the Borrower Fund Loan Bond, and all corporate or other action on the part of the Borrower to that end has been and will be duly and validly taken.]

<Under the Private Obligation Fund Loan Agreement, the Borrower unconditionally and irrevocably pledges its full faith and credit in accordance with the terms of and to the extent provided in the Borrower Bond Resolution for the punctual payment of the principal of and the interest on the Fund Loan and the Borrower Fund Loan Bond according to their respective terms.>

*Performance under Fund Loan Agreement; Rates.* {The Borrower covenants and agrees (i) to comply with all applicable State of New Jersey and federal laws, rules and regulations in the performance of the Fund Loan Agreement; (ii) to cooperate with the State in the observance and performance of the respective duties, covenants, obligations and agreements of such Borrower and the State under the Fund Loan Agreement; and (iii) to establish, levy and collect rents, rates and other charges for the products and services provided by its Environmental Infrastructure System, which rents, rates and other charges shall be at least sufficient to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond ordinance, resolution, trust

indenture or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower.}

[<The Borrower 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 Fund Loan Agreement; (ii) to maintain its Environmental Infrastructure 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 such Borrower and the State under the Special Obligation Fund Loan Agreement; and (iv) to establish, levy and collect rents, rates and other charges for the products and services provided by its Environmental Infrastructure System, which rents, rates, and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of such Environmental Infrastructure System, (B) to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond resolution, trust indenture, or other security agreement, if any, relating to any bonds, notes or other evidences of indebtedness issued or to be issued by the Borrower, (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 Environmental Infrastructure 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 Borrower, including, without limitation, the Special Obligation Fund Loan Agreement and the Borrower Fund Loan Bond and (E) to pay all other amounts payable from or constituting a lien or charge on the revenues of its Environmental Infrastructure System.>]

*Completion of a Project and Provision of Moneys Therefor.* The Borrower covenants and agrees (i) to exercise its best efforts in accordance with prudent Environmental Infrastructure utility practice to complete the Project and to so accomplish such completion on or before the estimated Project completion date set forth in the Fund Loan Agreement; (ii) to comply with the terms and provisions set forth as General Administrative and Special Requirements in an exhibit to the Fund 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 Environmental Infrastructure System.* The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System except on ninety (90) days prior written notice to the 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 Borrower shall assign the Fund Loan Agreement and the Borrower Fund Loan Bond in accordance with Section 4.02 of the Fund Loan Agreement and its rights and interests under the Fund Loan Agreement and the Borrower Fund Loan Bond to the purchaser or lessee of the Environmental Infrastructure System and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under the Fund Loan Agreement and the Borrower Fund Loan Bond; [and (ii) if the Fund Loan is funded from the proceeds of State 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 interest on State Bonds then outstanding or which could be issued in the future].

*{Exclusion of Interest from Federal Gross Income and Compliance with Code*

(i) The Borrower covenants and agrees that it shall not take any action or omit to take any action which would result in the loss of the exclusion of the interest on any State 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 Borrower shall not take any action or omit to take any action, which action or omission would cause its Borrower Fund Loan Bond or the State Bonds (assuming solely for this purpose that the proceeds of the State Bonds loaned to the Borrower represent all of the proceeds of the State Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, unless the Borrower receives the prior written approval of the State, the Borrower shall not (A) permit any of the proceeds of the State Bonds loaned to the Borrower or the Project financed or refinanced with the proceeds of the State Bonds loaned to the Borrower to be used (directly or indirectly) in any manner that would constitute "private business use" within the meaning of Section 141(b)(6) of the Code, (B) use (directly or

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indirectly) any of the proceeds of the State Bonds loaned to the Borrower to make or finance loans to persons other than "governmental units" (as such term is used in Section 141(c) of the Code), or (C) use (directly or indirectly) any of the proceeds of the State Bonds loaned to the Borrower to acquire any "nongovernmental output property" within the meaning of Section 141(d)(2) of the Code.

(iii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the State 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 cause the State Bonds (assuming solely for this purpose that the proceeds of the State Bonds in the hands of the Borrower represent all of the proceeds of the State Bonds) to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(iv) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the State 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 Borrower shall establish to the satisfaction of the State, prior to the issuance of the State Bonds, that such refinancing of indebtedness will not adversely effect the exclusion from gross income for federal income tax purposes of interest on the State Bonds and the Borrower has provided to the State an opinion of bond counsel approved by the State, in form and substance satisfactory to the State to that effect.

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

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

(vii) The Borrower shall not use the proceeds of the State Bonds (assuming solely for this purpose that the proceeds of the State Bonds loaned to the Borrower represent all of the proceeds of the State Bonds) in any manner which would cause the State 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.

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

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

(x) The Borrower will not issue or permit to be issued obligations which will constitute an "advance refunding" of the Borrower Fund Loan Bond within the meaning of Section 149(d)(5) of the Code without the express written consent



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of the State, which consent may only be delivered by the State after the State has received notice from the Borrower of such contemplated action no later than sixty (60) days prior to any such contemplated action, and which consent is in the sole discretion of the State.

- (xi) [(A)] The Borrower will not have a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) allocable to the Borrower Fund Loan Bond evidencing the Loan.

[(B)] The Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) which is allocable to the Borrower Fund Loan Bond evidencing the Loan and such reserve or replacement fund is financed with indebtedness of the Borrower the interest on which is excluded from gross income for purposes of federal income taxation. Accordingly, such amounts held in the reserve or replacement fund are not allocable to the Borrower Fund Loan Bond evidencing the Loan as "gross proceeds" of the State Bonds in accordance with Treasury Regulations Section 1.148-6(b) and therefore are not subject to yield restriction to the yield on the State Bonds, unless and until such amounts have been reallocated to the State Bonds as "gross proceeds" of the State Bonds in accordance with Treasury Regulations Section 1.148-6(b) or successor Treasury Regulations applicable to the State Bonds. Upon becoming "gross proceeds" of the State Bonds such amounts shall be invested by the Borrower solely in United States Treasury Securities - State and Local Government Series at a yield not in excess of the yield of on the State Bonds.]

[(C)] The Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) which is allocable to the Borrower Fund Loan Bond evidencing the Loan and which is not financed with indebtedness of the Borrower the interest on which is excluded from gross income for purposes of federal income taxation. Accordingly, amounts held in the reserve or replacement fund allocable to the Borrower Fund Loan Bond evidencing the Loan shall be invested by the Borrower solely in United States Treasury Securities - State and Local Government Series at a yield not in excess of the yield on the State Bonds throughout the term of the Loan. Amounts in the reserve or replacement fund allocable to the Borrower Fund Loan Bond evidencing the Loan will be held in a segregated account and invested separately from any other monies so that such amounts will not be held in a "commingled fund" (within the meaning of Treasury Regulations Section 1.148-1(b)). The investment restrictions contained in this paragraph shall not apply in the event the Trust receives an opinion of Bond Counsel to the Trust to the effect that non-compliance with such restrictions will not affect the exclusion from gross income of interest on the State Bonds.]

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

(xiii) Based upon all of the objective facts and circumstances in existence on the date of issuance of the State Bonds used to finance the Project, (A) within six months of the date of issuance of the State Bonds used to finance the Project the Borrower will incur a substantial binding obligation to a third party to expend on the Project at least 5 percent of the "net sale proceeds" (within the meaning of Treasury Regulations Section 1.148-1) of the Loan used to finance the Project (treating an obligation as not being binding if it is subject to contingencies within the control of the Borrower, the State or a "related party" (within the meaning of Treasury Regulations Section 1.150-1)), (B) completion of the Project and the allocation to expenditures of the "net sale proceeds" of the Loan used to finance the Project will proceed with due diligence, and (C) all of the proceeds of the Loan used to finance the Project and investment earnings thereon will be spent prior to the period ending 3 years subsequent to the date of issuance of the State Bonds used to finance the Project. Accordingly, the proceeds of the Loan deposited in the Project Loan Account used to finance the Project will be eligible for the 3-year arbitrage temporary period since the expenditure test, time test and due diligence test, as set forth in Treasury Regulations Section 1.148-2(e)(2), will be satisfied.

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(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).

(xv) The Borrower shall only enter into service contracts (including management contracts), with respect to any portion of the Project financed by the State Bonds, with a "governmental unit" (within the meaning of Section 141 of the Code) and only when such contract complies with Rev. Proc. 93-19, 1993-1 C.B. 526, or successor provisions applicable to the State Bonds. }

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

*Insurance.* The Borrower shall maintain or cause to be maintained, in force, insurance policies with responsible insurers or self *insurance* programs providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System, at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining Environmental Infrastructure system facilities of the nature of the Borrower's Environmental Infrastructure System, including liability coverage, all to the extent available at reasonable cost but in no case less than will satisfy all applicable regulatory requirements. (Section 2.02)

### **The Loan and Loan Term Pursuant to the Fund Loan Agreement.**

The State agrees to loan and disburse to the Borrower and the Borrower agrees to borrow and accept from the State, the Fund Loan in the principal amount equal to the lesser of the loan commitment set forth in the Fund Loan Agreement or the amount as shall actually be disbursed to the Borrower from the Environmental Infrastructure Fund; provided, however, that the State shall be *under* no obligation to make the Fund Loan if the Borrower does not deliver to the State on the Fund Loan closing the Borrower Fund Loan Bond and such other documents and certificates as shall be required by the Fund Loan Agreement, and provided further that the obligation of the State to make such Fund Loan or to disburse any Fund Loan proceeds under the Fund Loan Agreement shall be subject to the provisions set forth in this caption. Although the State intends to make the Fund Loan to the Borrower in the full amount of such loan commitment at the times and up to the amounts set forth in the Fund Loan Agreement to pay a portion of the Cost of the Project, from time to time there may not be a sufficient {[amount]} <Federal Funds> on deposit in the State Fund to make the Fund Loan and disbursement in such amount. In such event, the Borrower agrees that the amount actually disbursed to the Borrower shall constitute the principal amount of the Fund Loan if such amount shall be different from that set forth in the Fund Loan Agreement by reason of an adjustment pursuant to 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.

The Borrower shall have no legal or equitable interest in { (if the Fund Loan is funded from proceeds of State Bonds) the *proceeds* of the State Bonds or in any amounts from time to time on deposit in the funds and accounts applicable to the State 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 State Bonds; } the federal funds received by and available to the State pursuant to the Water Quality Act of 1987; or in moneys from repayments of loans previously made from the Environmental Infrastructure Fund by the State, such repayments having been deposited into the Environmental Infrastructure Fund.

The Borrower shall use the proceeds of the Fund Loan strictly in accordance with the covenants set forth in the Fund Loan Agreement.

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

{The payment obligations created under the Fund Loan Agreement and the obligations to pay the principal of the Borrower Fund Loan Bond, *interest* on the Borrower Fund Loan Bond and other amounts due under the Borrower Fund Loan Bond are each special obligations of the Borrower payable solely from the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution, including without limitation moneys payable pursuant to the Service Agreement in respect of debt service on the Borrower Fund Loan Bond}.

The State shall effectuate the Fund Loan to the Borrower by making one or more disbursements of amounts on deposit in the Environmental Infrastructure Fund to the Borrower. Before each and every disbursement of the proceeds of the Fund Loan by the State to the Borrower, the Borrower shall in accordance with the procedures set forth in the Regulations submit to the State a requisition executed by an Authorized Officer of the Borrower.

The State shall not be under any obligation to disburse any Fund Loan proceeds to the Borrower under the Fund Loan Agreement, unless:

- (i) the Fund Loan closing shall have occurred on the date established therefor by the State;
- (ii) there shall be {[moneys]} <Federal Funds> available {[in the State Fund]} from time to time to fund the Fund Loan, as determined solely by the State;
- (iii) in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334, as amended, (N.J.S.A. 58:11B-1 *et seq.*) and the regulations promulgated pursuant thereto from time to time, including the regulations entitled "Environmental Infrastructure Trust Procedures and Requirements" (N.J.A.C. 7:22-4.1 *et seq.*), the Borrower shall have timely applied for, shall have been awarded, and, prior to or simultaneously with the Fund Loan closing, shall have closed a Loan from the Trust 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 covered by the Fund Loan from the State, plus the amount of: (A) capitalized interest during the Project construction period, if any, (B) the cost of funding reserve capacity for the Project, if any, as well as that portion of the Debt Service Reserve Fund (as defined in the Loan Agreement) attributable to the cost of funding such reserve capacity for the Project, and (C) certain issuance expenses related thereto, including, if applicable, a municipal bond insurance policy premium;
- (iv) the Borrower shall have on hand moneys to pay for the greater of (A) that portion of the total costs of the Project which is not eligible to be funded from the Loan from the Trust or the Fund Loan, or (B) that portion of the total costs of the Project which exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Fund Loan and the Loan from the Trust; 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 under the Fund Loan Agreement. (Section 3.01 and 3.02)

**Amounts Payable.**

## APPENDIX F

(a) The Borrower shall repay the Fund Loan at zero-interest in principal installments payable to the Loan Servicer semi-annually on February 1 and August 1, commencing August 1, \_\_\_\_<sup>4</sup>, in accordance with the Fund Loan Agreement, as the same may be amended or modified by the State, in particular, without limitation, to make any adjustments to the amount of the Fund Loan in accordance with the definition thereof; provided, however, that the amount of any reduction in the principal amount of the Fund Loan pursuant to N.J.A.C. 7:22-3.26 shall be credited to the principal payments set forth in the Fund Loan Agreement in inverse order of their maturity. The obligations of the Borrower under the Borrower Fund Loan Bond shall be deemed to be amounts payable under this caption. Each payment made to the Loan Servicer pursuant to the Borrower Fund Loan Bond shall be deemed to be a credit against the corresponding obligation of the Borrower under this caption and any such payment made to the Loan Servicer shall fulfill the Borrower's obligation to pay such amount under the Fund Loan Agreement and under the Borrower Fund Loan Bond. Each payment made to the Loan Servicer pursuant to this caption shall be applied to the principal of the Fund Loan.

(b) In addition to the principal payments on the Fund Loan required by paragraph (a), above, the Borrower 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 Fund Loan shall not be in excess of the maximum interest rate permitted by law.

{(c) In the event that the Borrower fails or is unable to promptly pay to the State in full any Fund Loan Repayment when due, the Borrower 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 Borrower under this caption and any such payment made to the Loan Servicer shall fulfill the Borrower's obligation to pay such amount under the Fund Loan Agreement and the Borrower Fund Loan Bond. Each such payment so made to the Loan Servicer shall be applied to the principal of the Fund Loan. }

(d) In addition to the Fund Loan Repayments payable under subsections (a) and (b) hereof, the Borrower shall pay one-half of the Fund Loan Administrative Fee, if any, to the Loan Servicer semi-annually on each February 1 and August 1, commencing on the February 1 next succeeding the date of the Fund Loan Agreement, or such later date as the State authorizes, during the term of this Fund Loan. (Section 3.03)

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<sup>4</sup> These semi-annual principal repayment dates commence in different years with respect to the various Coverage Providing Financing Programs.

### **Unconditional Obligations.**

The obligation of the Borrower to make the Fund Loan Repayments and all other payments required under the Fund Loan Agreement and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained therein 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 Fund Loan Repayments remain unpaid for any reason, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State 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 the Fund Loan Agreement or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the State, the Loan Servicer or any other party or parties; provided, however, that payments under the Fund Loan Agreement shall not constitute a waiver of any such rights. The Borrower shall not be obligated to make any payments required to be made by any other Borrowers under separate Fund Loan Agreements.

[If the Applicable Fund Loan is funded from proceeds of State Bonds, the Borrower acknowledges that (a) payment of the State Bonds by the State does not constitute payment of the amounts due under the Fund Loan Agreement and the Borrower Fund Loan Bond, and (b) its duties, covenants, obligations and agreements under the Fund Loan Agreement shall survive the payment of the principal of, redemption premium, if any, and interest on the State Bonds until the Borrower can take no action or fail to take any action, which action or failure could adversely affect the exclusion from gross income of interest on the State Bonds for purposes of federal income taxation, at which time such duties, covenants, obligations and agreements hereunder shall, except for those set forth in Section 3.06(a) of the Fund Loan Agreement, terminate.] (Sections 3.04 and 3.05)

### **Options to Prepay Fund Loan Repayments.**

The Borrower may prepay the Fund 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 Borrower is not then in arrears under its Loan from the Trust, (ii) if the Borrower is contemporaneously making a full or partial prepayment of the Loan from the Trust such that after the prepayment of the Fund Loan and the Loan from the Trust, the Trust gives its consent required under 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 Fund Loan to be prepaid in inverse order of their maturity. (Section 3.07)

### **Assignment and Transfer by the State.**

The Borrower approves and consents to any assignment or transfer of the Fund Loan Agreement and the Borrower Fund Loan Bond that the State deems to be necessary in connection with the Environmental Infrastructure loan program of the State under the Bond Act, including {if the Fund Loan is funded from proceeds of State Bonds, any refunding of the State Bonds or} the issuance of additional State Bonds.

Neither the Fund Loan Agreement nor the Borrower Fund Loan Bond may be assigned by the Borrower 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 Borrower's duties, covenants, obligations and agreements under the Fund Loan Agreement and, to the extent permitted under applicable law, the Borrower Fund Loan 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 Borrower under the Fund Loan Agreement or the Borrower Fund Loan Bond; and (iv) if the Loan was made from the proceeds of the State 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 State Bonds or the exclusion

## **APPENDIX F**

of interest on the State 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 Fund Loan Agreement shall include: (a) failure by the Borrower to pay, or cause to be paid, any Fund Loan Repayment required to be paid under the Fund Loan Agreement when due which failure shall continue for a period of fifteen (15) days; (b) failure by the Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Borrower (other than the Fund Loan and the Borrower Fund Loan Bond), after giving effect to the applicable grace period, the payment of which is secured by the Revenues of the Environmental Infrastructure System; (c) failure by the Borrower to pay, or cause to be paid, any late charges incurred under the Fund Loan Agreement 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 Fund Loan Agreement, other than as referred to in paragraph (a) hereof or other than the obligations of the Borrower contained in Section 2.02(d)(ii) and in Exhibit F to the Fund Loan Agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the 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 Borrower within the applicable period and diligently pursued until the Event of Default is corrected; (d) any representation made by or on behalf of the Borrower contained in the Fund Loan Agreement, or in any instrument furnished in compliance with or with reference to the Fund Loan Agreement or the Fund Loan, is false or misleading in any material respect; (e) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of the Fund Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Borrower 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 Borrower shall become insolvent or bankrupt or make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee but not including a takeover by the Division of Local Government Services in the New Jersey Department of Community Affairs) of the Borrower or any of its property shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days; (f) the Borrower shall generally fail to pay its debts as such debts become due; and (g) failure of the Borrower to observe or perform such additional duties, covenants, obligations, agreements or conditions as are required by the State and specified on Exhibit F attached to the Fund Loan Agreement and made a part thereof. (Section 5.01)

### **Remedies on Default.**

Whenever an Event of Default 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 under the Fund Loan Agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Borrower thereunder.

In addition, if an Event of Default shall have occurred and be continuing, the State shall have the right to declare all Fund Loan Repayments and all other amounts due under the Fund Loan Agreement (including, without limitation, payments under the Borrower Fund Loan Bond) to be immediately due and payable, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower without further notice or demand. (Section 5.03)

### **Amendments, Supplements and Modifications.**

The Fund Loan Agreement may not be amended, supplemented or modified without the prior written consent of the State and the Borrower. (Section 6.04)

**APPENDIX G-1**

**PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO  
THE TRUST, REGARDING THE SERIES 2012A-R REFUNDING BONDS**

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## APPENDIX G-1

### PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO THE TRUST, REGARDING THE SERIES 2012A-R REFUNDING BONDS

[Letterhead of McCarter & English, LLP]

[Date of Closing]

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 6 – Suite 201  
Lawrenceville, New Jersey 08648

Re: New Jersey Environmental Infrastructure Trust  
Environmental Infrastructure Refunding Bonds, Series 2012A-R

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 \$\_\_\_\_\_ aggregate principal amount of “Environmental Infrastructure Refunding Bonds, Series 2012A-R” (the “2012A-R Refunding Bonds”). The 2012A-R Refunding Bonds are being issued under and pursuant to (i) the Act, (ii) (a) with respect to 1998F Allocable Portion as set forth in the hereinafter defined Series 2012A-R Refunding Supplemental Bond Resolution (the “1998F Allocable Portion”), the “Wastewater Treatment Bond Resolution, Series 1994A”, adopted by the Trust on September 29, 1994 (the “Original 1994A Bond Resolution”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Wastewater Treatment Insured Refunding Bonds, Series 1998F (1994A Financing Program) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on March 10, 1998, and (2) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2012A-R of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 12, 2012, as amended and supplemented by a certificate of an authorized officer of the Trust dated the date of issuance of the 2012A-R Refunding Bonds (the “Series 2012A-R Refunding Supplemental Bond Resolution”) (as so amended and supplemented, the “1994A Bond Resolution”); (b) with respect to 1998G Allocable Portion as set forth in the Series 2012A-R Refunding Supplemental Bond Resolution (the “1998G Allocable Portion”), the “Wastewater Treatment Insured Bond Resolution, Series 1994B”, adopted by the Trust on September 29, 1994 (the “Original 1994B Bond Resolution”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Wastewater Treatment Insured Refunding Bonds, Series 1998G (1994B Financing Program) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on March 10, 1998, and (2) the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “1994B Bond Resolution”); (c) with respect to the 2004A Allocable Portion as set forth in the Series 2012A-R Refunding Supplemental Bond Resolution (the “2004A Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 2004A”, adopted by the Trust on September 20, 2004 (the “Original 2004A Bond Resolution”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2007C (2004A Financing Program) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on January 11, 2007, (2) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2010A of the New Jersey Environmental

Infrastructure Trust”, adopted by the Trust on July 10, 2012 (the “Series 2010A Supplemental Bond Resolution”) and (3) the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “2004A Bond Resolution”); (d) with respect to the 2005A Allocable Portion as set forth in the Series 2012A-R Refunding Supplemental Bond Resolution (the “2005A Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 2005A”, adopted by the Trust on September 20, 2005 (the “Original 2005A Bond Resolution”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as the same has been amended and supplemented by the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “2005A Bond Resolution”); and (e) with respect to the 2006A Allocable Portion as set forth in the Series 2012A-R Refunding Supplemental Bond Resolution (the “2006A Allocable Portion”, the 1998F Allocable Portion, the 1998G Allocable Portion, the 2004A Allocable Portion, the 2005A Allocable Portion and the 2006A Allocable Portion shall be referred to collectively herein as the “Refunding Program Allocable Portions”), the “Environmental Infrastructure Bond Resolution, Series 2006A”, adopted by the Trust on September 19, 2006 (the “Original 2006A Bond Resolution”; the Original 1994A Bond Resolution, the Original 1994B Bond Resolution, the Original 2004A Bond Resolution, the Original 2005A Bond Resolution and the Original 2006A Bond Resolution shall be referred to collectively herein as the “Original Refunding Program Bond Resolutions”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as the same has been amended and supplemented by (1) the Series 2010A Supplemental Bond Resolution and (2) the Series 2012A-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “2006A Bond Resolution”; the 1994A Bond Resolution, the 1994B Bond Resolution, the 2004A Bond Resolution, the 2005A Bond Resolution and the 2006A Bond Resolution shall be referred to collectively herein as the “Refunding Program Bond Resolutions”), and (iii) other applicable law. Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Refunding Program Bond Resolutions.

With respect to the 1998F Allocable Portion, the 2012A-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “2012 Refunding of the 1998F Refunding Bonds to be Refunded”) and (ii) the defeasance (the “1998F Refunding Bond Defeasance”) of a portion (the “1994A Refunding Bonds to be Refunded”) of the currently outstanding principal amount of the Trust’s “Wastewater Treatment Insured Refunding Bonds, Series 1998F (1994A Financing Program)”, dated April 1, 1998, and issued on April 30, 1998 in the original aggregate principal amount of \$10,950,000 (the “Original 1998F Refunding Bonds”). The 1998F Refunding Bond Defeasance is scheduled to occur upon issuance of the 2012A-R Refunding Bonds. Therefore, upon issuance of the 2012A-R Refunding Bonds and upon the 1998F Refunding Bond Defeasance, the 1998F Refunding Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 1994A Bond Resolution.

With respect to the 1998G Allocable Portion, the 2012A-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “2012 Refunding of the 1998G Refunding Bonds to be Refunded”) and (ii) the defeasance (the “1998G Refunding Bond Defeasance”) of a portion (the “1994B Refunding Bonds to be Refunded”) of the currently outstanding principal amount of the Trust’s “Wastewater Treatment Insured Refunding Bonds, Series 1998G (1994B Financing Program)”, dated April 1, 1998, and issued on April 30, 1998 in the original aggregate principal amount of \$17,090,000 (the “Original 1998G Refunding Bonds”). The 1998G Refunding Bond Defeasance is scheduled to occur upon issuance of the 2012A-R Refunding Bonds. Therefore, upon issuance of the 2012A-R Refunding Bonds and upon the 1998G Refunding Bond Defeasance, the 1998G Refunding Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 1994B Bond Resolution.

With respect to the 2004A Allocable Portion, the 2012A-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the advance refunding (the “2012 Refunding of the 2004A Bonds to be Refunded”) and (ii) the defeasance (the “2004A Bond Defeasance”) of a portion (the “2004A Bonds to be Refunded”) of the currently outstanding principal amount of the Trust’s “Environmental Infrastructure Bonds, Series 2004A”, dated and issued on November 4, 2004 in the original aggregate principal amount of \$115,270,000 (the “Original 2004A Bonds”). The 2004A Bond Defeasance is scheduled to occur upon issuance of the 2012A-R Refunding Bonds. Therefore, upon issuance of the 2012A-R Refunding Bonds and upon the 2004A Bond Defeasance, the 2004A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 2004A Bond Resolution. However, (a) Original 2004A Bonds currently outstanding in the principal amount of \$11,205,000 (the “Remaining Outstanding Original 2004A Bonds”), (b) the

Trust's "Environmental Infrastructure Refunding Bonds, Series 2007C (2004A Financing Program)" (the "2007C Refunding Bonds"), currently outstanding in the principal amount of \$38,830,000 (the "Remaining Outstanding 2007C Refunding Bonds"), and (c) that portion (the "2004A Allocable Portion of the Series 2010A Refunding Bonds") of the Trust's "Environmental Infrastructure Refunding Bonds, Series 2010A (the "2010A Refunding Bonds") that refunded a portion of the Original 2004A Bonds, currently outstanding in the principal amount of \$2,040,000 (the "Remaining Outstanding 2004A Allocable Portion of the Series 2010A Refunding Bonds" and, together with the Remaining Outstanding Original 2004A Bonds and the Remaining Outstanding 2007C Refunding Bonds, the "Remaining Outstanding 2004A Bonds"), which Remaining Outstanding 2004A Bonds shall not be the subject of the 2004A Bond Defeasance, shall remain outstanding pursuant to the terms of the 2004A Bond Resolution.

With respect to the 2005A Allocable Portion, the 2012A-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the advance refunding (the "2012 Refunding of the 2005A Bonds to be Refunded") and (ii) the defeasance (the "2005A Bond Defeasance") of a portion (the "2005A Bonds to be Refunded") of the currently outstanding principal amount of the Trust's "Environmental Infrastructure Bonds, Series 2005A", dated and issued on November 10, 2005 in the original aggregate principal amount of \$121,110,000 (the "Original 2005A Bonds"). The 2005A Bond Defeasance is scheduled to occur upon issuance of the 2012A-R Refunding Bonds. Therefore, upon issuance of the 2012A-R Refunding Bonds and upon the 2005A Bond Defeasance, the 2005A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 2005A Bond Resolution. However, Original 2005A Bonds currently outstanding in the principal amount of \$17,080,000 (the "Remaining Outstanding 2005A Bonds"), which Remaining Outstanding 2005A Bonds shall not be the subject of the 2005A Bond Defeasance, shall remain outstanding pursuant to the terms of the 2005A Bond Resolution.

With respect to the 2006A Allocable Portion, the 2012A-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the advance refunding (the "2012 Refunding of the 2006A Bonds to be Refunded"; the 2012 Refunding of the 1998F Refunding Bonds to be Refunded, the 2012 Refunding of the 1998G Refunding Bonds to be Refunded, the 2012 Refunding of the 2004A Bonds to be Refunded, the 2012 Refunding of the 2005A Bonds to be Refunded and the 2012 Refunding of the 2006A Bonds to be Refunded shall be referred to collectively herein as the "2012 Refunding of the Refunding Program Bonds to be Refunded") and (ii) the defeasance (the "2006A Bond Defeasance"; the 1998F Refunding Bond Defeasance, the 1998G Refunding Bond Defeasance, the 2004A Bond Defeasance, the 2005A Bond Defeasance and the 2006A Bond Defeasance shall be referred to collectively herein as the "Refunding Program Bond Defeasances") of a portion (the "2006A Bonds to be Refunded"; the 1998F Refunding Bonds to be Refunded, the 1998G Refunding Bonds to be Refunded, the 2004A Bonds to be Refunded, the 2005A Bonds to be Refunded and the 2006A Bonds to be Refunded shall be referred to herein as the "Refunding Program Bonds to be Refunded") of the currently outstanding principal amount of the Trust's "Environmental Infrastructure Bonds, Series 2006A", dated and issued on November 9, 2006 in the original aggregate principal amount of \$148,850,000 (the "Original 2006A Bonds"; the Original 1998F Refunding Bonds, the Original 1998G Refunding Bonds, the Original 2004A Bonds, the Original 2005A Bonds and the Original 2006A Bonds shall be referred to collectively herein as the "Original Refunding Program Bonds"). The 2006A Bond Defeasance is scheduled to occur upon issuance of the 2012A-R Refunding Bonds. Therefore, upon issuance of the 2012A-R Refunding Bonds and upon the 2006A Bond Defeasance, the 2006A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 2006A Bond Resolution. However, (a) Original 2006A Bonds currently outstanding in the principal amount of \$28,425,000 (the "Remaining Outstanding Original 2006A Bonds"), and (b) that portion (the "2006A Allocable Portion of the Series 2010A Refunding Bonds") of the 2010A Refunding Bonds that refunded a portion of the Original 2006A Bonds, currently outstanding in the principal amount of \$9,685,000 (the "Remaining Outstanding 2006A Allocable Portion of the Series 2010A Refunding Bonds" and, together with the Remaining Outstanding Original 2006A Bonds, the "Remaining Outstanding 2006A Bonds"; the Remaining Outstanding 2004A Bonds, the Remaining Outstanding 2005A Bonds and the Remaining Outstanding 2006A Bonds shall be referred to collectively herein as the "Remaining Outstanding Refunding Program Bonds"), which Remaining Outstanding 2006A Bonds shall not be the subject of the 2006A Bond Defeasance, shall remain outstanding pursuant to the terms of the 2006A Bond Resolution.

The respective Original Refunding Program Bonds originally were issued to finance or refinance the making of loans (respectively, the "1994A Trust Loans", the "1994B Trust Loans", the "2004A Trust Loans", the

“2005A Trust Loans” and the “2006A Trust Loans”, which shall be referred to collectively herein as the “Refunding Program Borrower Trust Loans”) for certain costs of environmental infrastructure projects undertaken by various qualifying borrowers in the State (respectively, the “1994A Borrowers”, the “1994B Borrowers”, the “2004A Borrowers”, the “2005A Borrowers” and the “2006A Borrowers”, which shall be referred to collectively herein as the “Refunding Program Borrowers”). In connection with the making of the respective Refunding Program Borrower Trust Loans, the Trust entered into a “Loan Agreement” with each 1994A Borrower, dated as of November 1, 1994 (each a “1994A Trust Loan Agreement”), each 1994B Borrower, dated as of November 1, 1994 (each a “1994B Trust Loan Agreement”), each 2004A Borrower, dated as of November 1, 2004 (each a “2004A Trust Loan Agreement”), each 2005A Borrower, dated as of November 1, 2005 (each a “2005A Trust Loan Agreement”), and each 2006A Borrower, dated as of November 1, 2006 (each a “2006A Trust Loan Agreement”; the 1994A Trust Loan Agreements, the 1994B Trust Loan Agreements, the 2004A Trust Loan Agreements, the 2005A Trust Loan Agreements and the 2006A Trust Loan Agreements shall be referred to collectively herein as the “Refunding Program Borrower Trust Loan Agreements”). The 1994A Trust Loan repayment obligations of each 1994A Borrower pursuant to its respective 1994A Trust Loan Agreement are evidenced and secured by a bond (the “1994A Borrower Trust Loan Bond”) of each such 1994A Borrower. The 1994B Trust Loan repayment obligations of each 1994B Borrower pursuant to its respective 1994B Trust Loan Agreement are evidenced and secured by a bond (the “1994B Borrower Trust Loan Bond”) of each such 1994B Borrower. The 2004A Trust Loan repayment obligations of each 2004A Borrower pursuant to its respective 2004A Trust Loan Agreement are evidenced and secured by a bond (the “2004A Borrower Trust Loan Bond”) of each such 2004A Borrower. The 2005A Trust Loan repayment obligations of each 2005A Borrower pursuant to its respective 2005A Trust Loan Agreement are evidenced and secured by a bond (the “2005A Borrower Trust Loan Bond”) of each such 2005A Borrower. The 2006A Trust Loan repayment obligations of each 2006A Borrower pursuant to its respective 2006A Trust Loan Agreement are evidenced and secured by a bond (the “2006A Borrower Trust Loan Bond”; the 1994A Borrower Trust Loan Bonds, the 1994B Borrower Trust Loan Bonds, the 2004A Borrower Trust Loan Bonds, the 2005A Borrower Trust Loan Bonds and the 2006A Borrower Trust Loan Bonds shall be referred to herein collectively as the “Refunding Program Borrower Trust Loan Bonds”) of each such 2006A Borrower.

The 2012A-R Refunding Bonds are “Refunding Bonds” pursuant to the terms of (i) to the extent of the 1998F Allocable Portion, the 1994A Bond Resolution, (ii) to the extent of the 1998G Allocable Portion, the 1994B Bond Resolution, (iii) to the extent of the 2004A Allocable Portion, the 2004A Bond Resolution, (iv) to the extent of the 2005A Allocable Portion, the 2005A Bond Resolution, and (v) to the extent of the 2006A Allocable Portion the 2006A Bond Resolution.

Upon their issuance, the 2012A-R Refunding Bonds, to the extent of the 1998F Allocable Portion, shall be entitled to the benefit and security of the 1994A Bond Resolution, including, without limitation, the pledge pursuant thereto of the “Trust Estate” (the “1994A Trust Estate”). Upon their issuance, the 2012A-R Refunding Bonds, to the extent of the 1998G Allocable Portion, shall be entitled to the benefit and security of the 1994B Bond Resolution, including, without limitation, the pledge pursuant thereto of the “Trust Estate” (the “1994B Trust Estate”). Upon their issuance, the 2012A-R Refunding Bonds, to the extent of the 2004A Allocable Portion, shall be on parity with the Remaining Outstanding 2004A Bonds and shall be entitled to the same benefit and security of the 2004A Bond Resolution, including, without limitation, the pledge pursuant thereto of the “Trust Estate” (the “2004A Trust Estate”), as the Remaining Outstanding 2004A Bonds. Upon their issuance, the 2012A-R Refunding Bonds, to the extent of the 2005A Allocable Portion, shall be on parity with the Remaining Outstanding 2005A Bonds and shall be entitled to the same benefit and security of the 2005A Bond Resolution, including, without limitation, the pledge pursuant thereto of the “Trust Estate” (the “2005A Trust Estate”), as the Remaining Outstanding 2005A Bonds. Upon their issuance, the 2012A-R Refunding Bonds, to the extent of the 2006A Allocable Portion, shall be on parity with the Remaining Outstanding 2006A Bonds and shall be entitled to the same benefit and security of the 2006A Bond Resolution, including, without limitation, the pledge pursuant thereto of the “Trust Estate” (the “2006A Trust Estate”; the 1994A Trust Estate, the 1994B Trust Estate, the 2004A Trust Estate, the 2005A Trust Estate and the 2006A Trust Estate shall be referred to collectively herein as the “Refunding Program Trust Estates”), as the Remaining Outstanding 2006A Bonds.

The respective Refunding Program Trust Estates include, *inter alia*, (i) the respective Refunding Program Borrower Trust Loan repayments and (ii) certain payments to be made pursuant to the Master Program Trust Agreement, dated as of November 1, 1995 (the “Master Program Trust Agreement”), by and among the Trust, the State, United States Trust Company of New York, as original master program trustee thereunder (the “Original

Master Program Trustee”), The Bank of New York (NJ) (predecessor to The Bank of New York Mellon), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to U.S. Bank National Association), in several capacities thereunder, and as acknowledged and consented to by AMBAC Indemnity Corporation, Financial Guaranty Insurance Company and MBIA Insurance Corporation, as the same has been and in the future may be amended from time to time in accordance with the terms thereof. In accordance with that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement, dated as of November 1, 2001, and entered into pursuant to the successor provisions set forth in the Master Program Trust Agreement, State Street Bank & Trust Company, N.A. (predecessor to U.S. Bank Trust National Association) became the master program trustee (the “Master Program Trustee”) as of November 1, 2001.

In issuing the 2012A-R Refunding Bonds and in effecting (i) the 2012 Refunding of the Refunding Program Bonds to be Refunded and (ii) the respective Refunding Program Bond Defeasances, the respective Refunding Program Borrower Trust Loan Agreements and the respective Refunding Program Borrower Trust Loan Bonds have not been amended or supplemented. Pursuant to the respective Refunding Program Borrower Trust Loan Agreements, the respective Refunding Program Borrowers have acknowledged that the Refunding Program Trust Loan repayments of each such Borrower, as part of the respective Refunding Program Trust Estates, will be applied by the Trust to the payment of the principal of and interest on the 2012A-R Refunding Bonds to the extent of the respective Refunding Program Allocable Portions and the respective Remaining Outstanding Refunding Program Bonds. In effecting the 2012A-R Refunding of the Refunding Program Bonds to be Refunded, the Trust has determined that the respective Refunding Program Borrower Trust Loan repayments will be equal to or greater than the amounts necessary to pay the principal of and interest on the 2012A-R Refunding Bonds to the extent of the applicable Allocable Portion and the respective Remaining Outstanding Refunding Program Bonds.

Simultaneously with the issuance of the 2012A-R Refunding Bonds, the Trust, the Series 2012A-R Refunding Fiduciary (as hereinafter defined) and the Master Program Trustee have entered into that certain “Trust Continuing Disclosure Agreement”, dated as of August 1, 2012 (the “Continuing Disclosure Agreement”; the Refunding Program Borrower Trust Loan Agreements, the Master Program Trust Agreement and the Continuing Disclosure Agreement shall be referred to collectively herein as the “Trust Documents”), relating to the 2012A-R Refunding Bonds.

The 2012A-R Refunding Bonds are dated and shall bear interest from the date of issuance thereof, and will mature on September 1 in the years and in the principal amounts, and bear interest at the respective rates per annum, as provided therein and in the 2012A-R Supplemental Refunding Bond Resolution.

Interest on the 2012A-R Refunding Bonds is payable on March 1 and September 1 in each year, commencing March 1, 2013, 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 2012A-R Refunding Bonds by wire sent by, U.S. Bank National Association, Morristown, New Jersey (the “2012A-R Refunding Fiduciary”). Principal of the 2012A-R Refunding Bonds is payable upon the surrender thereof at the corporate trust office of the 2012A-R Refunding Fiduciary.

The 2012A-R Refunding Bonds are issued in fully registered form, 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 clearing house for securities transactions. Purchases of the 2012A-R 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 2012A-R Refunding Bonds, payments of the principal of and interest on the 2012A-R Refunding Bonds will be made by the 2012A-R Refunding Fiduciary directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC, and disbursal of such payments to the beneficial owners of the 2012A-R Refunding Bonds is the responsibility of the DTC participants.

The 2012A-R Refunding Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their stated maturity dates.

In our capacity as Bond Counsel to the Trust, we have examined the Constitution and statutes of the State, including, without limitation, the Act, and 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 Refunding Program Bond Resolutions, the Refunding Program Borrower Trust Loan Agreements, the Refunding Program Borrower Trust Loan Bonds, the Master Program Trust Agreement, the Continuing Disclosure Agreement and the other documents, including, without limitation, certifications of the Trust listed in the closing index relating to the 2012A-R Refunding Bonds filed with the 2012A-R Refunding Fiduciary (the "Closing Index"). As to matters of fact, we have relied upon the representations and certifications of the Trust and, where we have deemed appropriate, representations or other certifications of public officials, as set forth in, *inter alia*, the Trust Documents, the Refunding Program Bond Resolutions and the certifications of the Trust identified in the Closing Index. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, representations, certifications, records and instruments referred to above.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance and delivery of the 2012A-R Refunding Bonds in order to assure that interest on the 2012A-R Refunding Bonds is 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, as Amended" (the "2012A-R Tax Certificate"), which is being delivered in connection with the issuance of the 2012A-R Refunding Bonds (but which does not constitute a covenant under the Refunding Program Bond Resolutions), 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 2012A-R 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 2012A-R Refunding Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. Each Refunding Program Borrower has made certain tax covenants in its applicable Refunding Program Borrower Trust Loan Agreement, including, without limitation, a covenant not to take any action or fail to take any action that would cause interest on the Original Refunding Program Bonds and the 2012A-R Refunding Bonds to lose the exclusion from gross income under Section 103 of the Code. We have assumed, with your permission, continuing compliance (i) by the Trust with the provisions and procedures set forth in the 2012A-R Tax Certificate and (ii) by the Refunding Program Borrowers with the above referenced covenants in rendering our opinion with respect to the exclusion of interest on the 2012A-R Refunding Bonds from gross income for federal income tax purposes.

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, without limitation, the Act, with power to adopt the Refunding Program Bond Resolutions, to enter into the Refunding Program Borrower Trust Loan Agreements and the Master Program Trust Agreement and to issue the 2012A-R Refunding Bonds.

2. The 2012A-R Supplemental Refunding Bond Resolution has been duly and lawfully adopted by the Trust in accordance with the provisions of each of the Original Refunding Program Bond Resolutions and the Act, constitutes a "Supplemental Resolution" as defined in each of the Original Refunding Program Bond Resolutions, and is authorized or permitted by the provisions of each of the Original Refunding Program Bond Resolutions. The order, certificates and amounts of money that are delivered or paid, as the case may be, to the Series 2012A-R Refunding Fiduciary in accordance with the provisions of Section 2.04 of each of the Original Refunding Program Bond Resolutions constitute compliance with the conditions stated therein for the authentication and delivery of the 2012A-R Refunding Bonds as "Refunding Bonds" thereunder. The Refunding Program Bond Resolutions have been duly and lawfully adopted by the Trust, are in full force and effect, are valid and binding upon the Trust and are enforceable against the Trust in accordance with their respective terms, and no other authorization for the Refunding Program Bond Resolutions is required. The Refunding Program Bond Resolutions create the valid pledge that they respectively purport to create of the Refunding Program Trust Estates, including, without limitation, payments made to the Trust pursuant to the respective Refunding Program Borrower Trust Loan Agreements.

3. The Master Program Trust Agreement has been duly and lawfully authorized, executed and delivered by the Trust, is in full force and effect and is a valid and binding agreement enforceable against the Trust

in accordance with its terms and no other authorization by the Trust for the Master Program Trust Agreement is required. The Master Program Trust Agreement creates the valid pledge that it purports to create of the moneys and securities on deposit in the Master Program Trust Account (as defined therein) (and all subaccounts therein) to the extent and for the purposes set forth in the Master Program Trust Agreement.

4. The Refunding Program Borrower Trust Loan Agreements and the Continuing Disclosure Agreement have each been duly and lawfully authorized, executed and delivered by the Trust, are in full force and effect and are each valid and binding agreements enforceable against the Trust in accordance with their respective terms and no other authorization by the Trust for any of the Refunding Program Borrower Trust Loan Agreements or the Continuing Disclosure Agreement is required.

5. The Trust is duly authorized and entitled to issue the 2012A-R Refunding Bonds. The 2012A-R 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 Refunding Program Bond Resolutions, are valid and binding obligations of the Trust enforceable against the Trust in accordance with their terms and the terms of the Refunding Program Bond Resolutions, and are entitled to the benefits of the Refunding Program Bond Resolutions, to the extent provided therein, and the Act. Neither the State nor any political subdivision thereof (other than the Trust, but solely to the extent of the applicable Refunding Program Trust Estate with respect to each respective Allocable Portion) is obligated to pay the principal, redemption premium, if any, of or interest on the 2012A-R Refunding Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the 2012A-R Refunding Bonds. The Trust has no taxing power.

6. Under existing law, interest on the 2012A-R Refunding Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Further, interest on the 2012A-R Refunding Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding any other federal income tax consequences arising with respect to the 2012A-R Refunding Bonds. Interest on the 2012A-R Refunding Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

In rendering the opinions set forth above, we note that the enforceability of rights or remedies with respect to the Refunding Program Bond Resolutions, the Trust Documents and the 2012A-R 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 paragraph 3 above, we have relied upon the opinion, dated the date hereof, of independent counsel to the Master Program Trustee with respect to the due authorization, execution and delivery of the Master Program Trust Agreement by the Master Program Trustee.

In rendering the opinions contained in paragraphs 4 and 6 above, we have relied upon the respective opinions, dated the date of issuance of the respective Refunding Program Bonds, of independent counsel to each of the respective Refunding Program Borrowers with respect to (i) the due authorization, execution and delivery of the respective Refunding Program Borrower Trust Loan Agreements by each of such respective Refunding Program Borrowers and (ii) certain legal consequences concerning the intended use by the Refunding Program Borrowers of the proceeds of the loan financing provided by the Trust to such respective Refunding Program Borrowers and we rely upon continued compliance with the covenants set forth in the respective Refunding Program Borrower Trust Loan Agreements by each of the Refunding Program Borrowers.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America 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 to any 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 any laws or judicial decisions hereafter enacted or rendered that impact on this opinion letter.

This opinion letter is being furnished solely to the person to whom this opinion letter is addressed and may not be relied upon by any other person without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

We have examined an executed 2012A-R Refunding Bond, and, in our opinion, the form of said 2012A-R Refunding Bond and its execution are regular and proper.

Very truly yours,



**APPENDIX G-2**

**PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO  
THE TRUST, REGARDING THE SERIES 2012B-R REFUNDING BONDS**

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## APPENDIX G-2

### PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO THE TRUST, REGARDING THE SERIES 2012B-R REFUNDING BONDS

[Letterhead of McCarter & English, LLP]

[Date of Closing]

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 6 – Suite 201  
Lawrenceville, New Jersey 08648

Re: New Jersey Environmental Infrastructure Trust  
Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable)

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 \$\_\_\_\_\_ aggregate principal amount of “Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable)” (the “2012B-R Refunding Bonds”). The 2012B-R Refunding Bonds are being issued under and pursuant to (i) the Act, (ii) (a) with respect to the 1995B Allocable Portion as set forth in the Series 2012B-R Refunding Supplemental Bond Resolution (the “1995B Allocable Portion”), the “Environmental Infrastructure Bond Resolution, Series 1995B”, adopted by the Trust on September 22, 1995 (the “Original 1995B Bond Resolution”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2012B-R (Federally Taxable) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 12, 2012, as amended and supplemented by a certificate of an authorized officer of the Trust dated the date of issuance of the 2012B-R Refunding Bonds (the “Series 2012B-R Refunding Supplemental Bond Resolution”) (as so amended and supplemented, the “1995B Bond Resolution”); and (b) with respect to the 2001C Allocable Portion as set forth in the Series 2012B-R Refunding Supplemental Bond Resolution (the “2001C Allocable Portion”; the 1995B Allocable Portion and the 2001C Allocable Portion shall be referred to collectively herein as the “Refunding Program Allocable Portions”), the “Environmental Infrastructure Bond Resolution, Series 2001C”, adopted by the Trust on September 17, 2001 (the “Original 2001C Bond Resolution”, the Original 1995B Bond Resolution and the Original 2001C Bond Resolution shall be referred to collectively herein as the “Original Refunding Program Bond Resolutions”), as the same may be amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by the Series 2012B-R Refunding Supplemental Bond Resolution (as so amended and supplemented, the “2001C Bond Resolution”; the 1995B Bond Resolution and the 2001C Bond Resolution shall be referred to collectively herein as the “Refunding Program Bond Resolutions”); and (iii) other applicable law. Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the respective Refunding Program Bond Resolutions.

With respect to the 1995B Allocable Portion, the 2012B-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “2012 Refunding of the 1995B Bonds to be Refunded”) and (ii) the defeasance (the “1995B Bond Defeasance”) of a portion (the “1995B Bonds to be Refunded”) of the currently outstanding principal amount of the Trust’s “Environmental Infrastructure Bonds, Series 1995B (Federally Taxable)”, dated October 15, 1995, and issued on November 9, 1995 in the original aggregate principal amount of \$2,235,000 (the “Original 1995B Bonds”). The 1995B Bond

Defeasance is scheduled to occur upon issuance of the 2012B-R Refunding Bonds. Therefore, upon issuance of the 2012B-R Refunding Bonds and upon the 1995B Bond Defeasance, the 1995B Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 1995B Bond Resolution. However, Original 1995B Bonds currently outstanding in the principal amount of \$165,000 (the "Remaining Outstanding 1995B Bonds"), which Remaining Outstanding 1995B Bonds shall not be the subject of the 1995B Bond Defeasance, shall remain outstanding pursuant to the terms of the 1995B Bond Resolution.

With respect to the 2001C Allocable Portion, the 2012B-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the "2012 Refunding of the 2001C Bonds to be Refunded", the 2012 Refunding of the 1995B Bonds to be Refunded and the 2012 Refunding of the 2001C Bonds to be Refunded shall be referred to collectively herein as the "2012 Refunding of the Refunding Program Bonds to be Refunded") and (ii) the defeasance (the "2001C Bond Defeasance"; the 1995B Bond Defeasance and the 2001C Bond Defeasance shall be referred to collectively herein as the "Refunding Program Bond Defeasances") of a portion (the "2001C Bonds to be Refunded"; the 1995B Bonds to be Refunded and the 2001C Bonds to be Refunded shall be referred to herein as the "Refunding Program Bonds to be Refunded") of the currently outstanding principal amount of the Trust's "Environmental Infrastructure Bonds, Series 2001C (Federally Taxable)", dated October 15, 2001, and issued on November 8, 2001 in the original aggregate principal amount of \$1,330,000 (the "Original 2001C Bonds" the Original 1995B Bonds and the Original 2001C Bonds shall be referred to collectively herein as the "Original Refunding Program Bonds"). The 2001C Bond Defeasance is scheduled to occur upon issuance of the 2012B-R Refunding Bonds. Therefore, upon issuance of the 2012B-R Refunding Bonds and upon the 2001C Bond Defeasance, the 2001C Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 2001C Bond Resolution. However, Original 2001C Bonds currently outstanding in the principal amount of \$135,000 (the "Remaining Outstanding 2001C Bonds"; the Remaining Outstanding 1995B Bonds and the Remaining Outstanding 2001C Bonds shall be referred to collectively herein as the "Remaining Outstanding Refunding Program Bonds"), which Remaining Outstanding 2001C Bonds shall not be the subject of the 2001C Bond Defeasance, shall remain outstanding pursuant to the terms of the 2001C Bond Resolution.

The respective Original Refunding Program Bonds, originally were issued to finance or refinance the making of loans (respectively, the "1995B Trust Loans" and the "2001C Trust Loans" which shall be referred to collectively herein as the "Refunding Program Borrower Trust Loans") for certain costs of environmental infrastructure projects (respectively, the "1995B Borrower Projects" and the "2001C Borrower Projects" which shall be referred to collectively herein as the "Refunding Program Borrower Projects") undertaken by various qualifying borrowers in the State (respectively, the "1995B Borrowers" and the "2001C Borrowers" which shall be referred to collectively herein as the "Refunding Program Borrowers"). In connection with the making of the respective Refunding Program Borrower Trust Loans, the Trust entered into a "Loan Agreement" with each 1995B Borrower, dated as of November 1, 1995 (each a "1995B Trust Loan Agreement"), and each 2001C Borrower, dated as of November 1, 2001 (each a "2001C Trust Loan Agreement", the 1995B Trust Loan Agreements and the 2001C Trust Loan Agreements shall be referred to collectively herein as the "Refunding Program Borrower Trust Loan Agreements"). The 1995B Trust Loan repayment obligations of each 1995B Borrower pursuant to its respective 1995B Trust Loan Agreement are evidenced and secured by a bond (the "1995B Borrower Trust Loan Bond") of each such 1995B Borrower. The 2001C Trust Loan repayment obligations of each 2001C Borrower pursuant to its respective 2001C Trust Loan Agreement are evidenced and secured by a bond (the "2001C Borrower Trust Loan Bond"; the 1995B Borrower Trust Loan Bonds and the 2001C Borrower Trust Loan Bonds shall be referred to herein collectively as the "Refunding Program Borrower Trust Loan Bonds") of each such 2001C Borrower.

The 2012B-R Refunding Bonds are "Refunding Bonds" pursuant to the terms of (i) to the extent of the 1995B Allocable Portion, the 1995B Bond Resolution, and (ii) to the extent of the 2001C Allocable Portion, the 2001C Bond Resolution.

Upon their issuance, the 2012B-R Refunding Bonds, to the extent of the 1995B Allocable Portion, shall be on parity with the Remaining Outstanding 1995B Bonds and shall be entitled to the same benefit and security of the 1995B Bond Resolution, including, without limitation, the pledge pursuant thereto of the "Trust Estate" (the "1995B Trust Estate"), as the Remaining Outstanding 1995B Bonds. Upon their issuance, the 2012B-R Refunding Bonds shall be on parity with, to the extent of the 2001C Allocable Portion, the Remaining Outstanding 2001C Bonds and shall be entitled to the same benefit and security of the 2001C Bond Resolution, including, without limitation, the

pledge pursuant thereto of the “Trust Estate” (the “2001C Trust Estate”; the 1995B Trust Estate and the 2001C Trust Estate shall be referred to collectively herein as the “Refunding Program Trust Estates”), as the Remaining Outstanding 2001C Bonds.

The respective Refunding Program Trust Estates include, *inter alia*, (i) the respective Refunding Program Borrower Trust Loan repayments and (ii) certain payments to be made pursuant to the Master Program Trust Agreement, dated as of November 1, 1995 (the “Master Program Trust Agreement”), by and among the Trust, the State, United States Trust Company of New York, as original master program trustee thereunder (the “Original Master Program Trustee”), The Bank of New York (NJ) (predecessor to The Bank of New York Mellon), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to U.S. Bank National Association), in several capacities thereunder, and as acknowledged and consented to by AMBAC Indemnity Corporation, Financial Guaranty Insurance Company and MBIA Insurance Corporation, as the same has been and in the future may be amended from time to time in accordance with the terms thereof. In accordance with that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement, dated as of November 1, 2001, and entered into pursuant to the successor provisions set forth in the Master Program Trust Agreement, State Street Bank & Trust Company, N.A. (predecessor to U.S. Bank National Association) became the master program trustee (the “Master Program Trustee”) as of November 1, 2001.

In issuing the 2012B-R Refunding Bonds and in effecting (i) the respective 2012 Refunding of the Refunding Program Bonds to be Refunded and (ii) the respective Refunding Program Bond Defeasances, the respective Refunding Program Borrower Trust Loan Agreements and the respective Refunding Program Borrower Trust Loan Bonds have not been amended or supplemented. Pursuant to the respective Refunding Program Borrower Trust Loan Agreements, the respective Refunding Program Borrowers have acknowledged that the Refunding Program Trust Loan repayments of each such Borrower, as part of the respective Refunding Program Trust Estates, will be applied by the Trust to the payment of the principal of and interest on the 2012B-R Refunding Bonds to the extent of the respective Refunding Program Allocable Portions and the respective Remaining Outstanding Refunding Program Bonds. In effecting the 2012B-R Refunding of the Refunding Program Bonds to be Refunded, the Trust has determined that the respective Refunding Program Borrower Trust Loan repayments will be equal to or greater than the amounts necessary to pay the principal of and interest on the 2012B-R Refunding Bonds to the extent of the applicable Allocable Portion and the respective Remaining Outstanding Refunding Program Bonds.

Simultaneously with the issuance of the 2012B-R Refunding Bonds, the Trust, the Series 2012B-R Refunding Fiduciary (as hereinafter defined) and the Master Program Trustee have entered into that certain “Trust Continuing Disclosure Agreement”, dated as of August 1, 2012 (the “Continuing Disclosure Agreement”; the Refunding Program Borrower Trust Loan Agreements, the Master Program Trust Agreement and the Continuing Disclosure Agreement shall be referred to collectively herein as the “Trust Documents”), relating to the 2012B-R Refunding Bonds.

The 2012B-R Refunding Bonds are dated and shall bear interest from the date of issuance thereof, and will mature on September 1 in the years and in the principal amounts, and bear interest at the respective rates per annum, as provided therein and in the 2012B-R Supplemental Refunding Bond Resolution.

Interest on the 2012B-R Refunding Bonds is payable on March 1 and September 1 in each year, commencing March 1, 2013, 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 2012B-R Refunding Bonds by wire sent by, The Bank of New York Mellon, Woodland Park, New Jersey (the “2012B-R Refunding Fiduciary”). Principal of the 2012B-R Refunding Bonds is payable upon the surrender thereof at the corporate trust office of the 2012B-R Refunding Fiduciary.

The 2012B-R Refunding Bonds are issued in fully registered form, 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 clearing house for securities transactions. Purchases of the 2012B-R 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 2012B-R Refunding Bonds, payments of the principal of and interest on the 2012B-R Refunding Bonds will be made by the 2012B-R Refunding Fiduciary

directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC, and disbursal of such payments to the beneficial owners of the 2012B-R Refunding Bonds is the responsibility of the DTC participants.

The 2012B-R Refunding Bonds are not subject to optional redemption or mandatory sinking fund redemption prior to their stated maturity dates.

In our capacity as Bond Counsel to the Trust, we have examined the Constitution and statutes of the State, including, without limitation, the Act, and 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 Refunding Program Bond Resolutions, the Refunding Program Borrower Trust Loan Agreements, the Refunding Program Borrower Trust Loan Bonds, the Master Program Trust Agreement, the Continuing Disclosure Agreement and the other documents, including, without limitation, certifications of the Trust listed in the closing index relating to the 2012B-R Refunding Bonds filed with the 2012B-R Refunding Fiduciary (the "Closing Index"). As to matters of fact, we have relied upon the representations and certifications of the Trust and, where we have deemed appropriate, representations or other certifications of public officials, as set forth in, *inter alia*, the Trust Documents, the Refunding Program Bond Resolutions and the certifications of the Trust identified in the Closing Index. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, representations, certifications, records and instruments referred to above.

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, without limitation, the Act, with power to adopt the Refunding Program Bond Resolutions, to enter into the Refunding Program Borrower Trust Loan Agreements and the Master Program Trust Agreement and to issue the 2012B-R Refunding Bonds.

2. The 2012B-R Supplemental Refunding Bond Resolution has been duly and lawfully adopted by the Trust in accordance with the provisions of the Original Refunding Program Bond Resolutions and the Act, constitutes a "Supplemental Resolution" as defined in each of the Original Refunding Program Bond Resolutions, and is authorized or permitted by the provisions of each of the Original Refunding Program Bond Resolutions. The order, certificates and amounts of money that are delivered or paid, as the case may be, to the Series 2012B-R Refunding Fiduciary in accordance with the provisions of Section 2.04 of each of the Original Refunding Program Bond Resolutions constitute compliance with the conditions stated therein for the authentication and delivery of the 2012B-R Refunding Bonds as "Refunding Bonds" thereunder. The Refunding Program Bond Resolutions have been duly and lawfully adopted by the Trust, are in full force and effect, are valid and binding upon the Trust and are enforceable against the Trust in accordance with their respective terms, and no other authorization for the Refunding Program Bond Resolutions is required. The Refunding Program Bond Resolutions create the valid pledge that they respectively purport to create of the Refunding Program Trust Estates, including, without limitation, payments made to the Trust pursuant to the respective Refunding Program Borrower Trust Loan Agreements.

3. The Master Program Trust Agreement has been duly and lawfully authorized, executed and delivered by the Trust, is in full force and effect and is a valid and binding agreement enforceable against the Trust in accordance with its terms and no other authorization by the Trust for the Master Program Trust Agreement is required. The Master Program Trust Agreement creates the valid pledge that it purports to create of the moneys and securities on deposit in the Master Program Trust Account (as defined therein) (and all subaccounts therein) to the extent and for the purposes set forth in the Master Program Trust Agreement.

4. The Refunding Program Borrower Trust Loan Agreements and the Continuing Disclosure Agreement have each been duly and lawfully authorized, executed and delivered by the Trust, are in full force and effect and are each valid and binding agreements enforceable against the Trust in accordance with their respective terms and no other authorization by the Trust for the Refunding Program Borrower Trust Loan Agreements or the Continuing Disclosure Agreement is required.

5. The Trust is duly authorized and entitled to issue the 2012B-R Refunding Bonds. The 2012B-R 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 Refunding Program Bond Resolutions, are valid and binding obligations of the Trust enforceable against the Trust in accordance with their terms and the terms of the Refunding Program Bond Resolutions, and are entitled to the benefits of the Refunding Program Bond Resolutions, to the extent provided therein, and the Act. Neither the State nor any political subdivision thereof (other than the Trust, but solely to the extent of the applicable Refunding Program Trust Estate with respect to each respective Allocable Portion) is obligated to pay the principal of or interest on the 2012B-R Refunding Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the 2012B-R Refunding Bonds. The Trust has no taxing power.

6. Under existing law, interest on the Series 2012B-R Refunding Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. We express no opinion with respect to any exemption of interest on the Series 2012B-R Refunding Bonds from federal income taxation.

In rendering the opinions set forth above, we note that the enforceability of rights or remedies with respect to the Refunding Program Bond Resolutions, the Trust Documents and the 2012B-R 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 paragraph 3 above, we have relied upon the opinion, dated the date hereof, of independent counsel to the Master Program Trustee with respect to the due authorization, execution and delivery of the Master Program Trust Agreement by the Master Program Trustee.

In rendering the opinions contained in paragraph 4 above, we have relied upon the respective opinions, dated the date of issuance of the respective Refunding Program Bonds, of independent counsel to each of the respective Refunding Program Borrowers with respect to the due authorization, execution and delivery of the respective Refunding Program Borrower Trust Loan Agreements by each of such respective Refunding Program Borrowers.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America 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 to any 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 any laws or judicial decisions hereafter enacted or rendered that impact on this opinion letter.

This opinion letter is being furnished solely to the person to whom this opinion letter is addressed and may not be relied upon by any other person without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

We have examined an executed 2012B-R Refunding Bond, and, in our opinion, the form of said 2012B-R Refunding Bond and its execution are regular and proper.

Very truly yours,

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**APPENDIX G-3**

**PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO  
THE TRUST, REGARDING THE SERIES 2012C-R REFUNDING BONDS**

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### APPENDIX G-3

#### PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO THE TRUST, REGARDING THE SERIES 2012C-R REFUNDING BONDS

[Letterhead of McCarter & English, LLP]

[Date of Closing]

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 6 – Suite 201  
Lawrenceville, New Jersey 08648

Re: New Jersey Environmental Infrastructure Trust  
Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable)

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 \$\_\_\_\_\_ aggregate principal amount of “Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable)” (the “2012C-R Refunding Bonds”). The 2012C-R Refunding Bonds are being issued under and pursuant to (i) the Act, (ii) a bond resolution of the Trust entitled “Environmental Infrastructure Bond Resolution, Series 2003A”, adopted on September 16, 2003 (the “2003A Original Bond Resolution”), as amended and supplemented from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by (1) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2010A of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 8, 2010 and (2) the “Supplemental Bond Resolution Authorizing the Issuance of Environmental Infrastructure Refunding Bonds, Series 2012C-R (Federally Taxable) of the New Jersey Environmental Infrastructure Trust”, adopted by the Trust on July 12, 2012, as further amended and supplemented by a certificate of an authorized officer of the Trust, dated the date of issuance of the 2012C-R Refunding Bonds (the “2012C-R Supplemental Bond Resolution”) (as so amended and supplemented, the “2003A Bond Resolution”), and (iii) other applicable law. Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the 2003A Bond Resolution

The 2012C-R Refunding Bonds are being issued to provide funds that, together with certain other available moneys, will finance (i) the current refunding (the “2012 Refunding of the 2003A Bonds to be Refunded”) and (ii) the defeasance (the “2003A Bond Defeasance”) of a portion (the “2003A Bonds to be Refunded”) of the currently outstanding principal amount of the Trust’s “Environmental Infrastructure Bonds, Series 2003A”, issued on November 6, 2003 in the original aggregate principal amount of \$66,420,000 (the “Original 2003A Bonds”). The 2003A Bond Defeasance is scheduled to occur upon issuance of the 2012C-R Refunding Bonds. Therefore, upon issuance of the 2012C-R Refunding Bonds and upon the 2003A Bond Defeasance, the 2003A Bonds to be Refunded will no longer remain outstanding pursuant to the terms of the 2003A Bond Resolution. However, (a) Original 2003A Bonds currently outstanding in the principal amount of \$3,450,000 (the “Remaining Outstanding Original 2004A Bonds”), and (b) that portion (the “2003A Allocable Portion of the Series 2010A Refunding Bonds”) of the Trust’s “Environmental Infrastructure Refunding Bonds, Series 2010A (the “2010A Refunding Bonds”) that refunded a portion of the Original 2003A Bonds, currently outstanding in the principal amount of \$30,680,000 (the “Remaining Outstanding 2003A Allocable Portion of the Series 2010A Refunding Bonds” and, together with the Remaining Outstanding Original 2003A Bonds, the “Remaining Outstanding 2003A Bonds”), which Remaining

Outstanding 2003A Bonds shall not be the subject of the 2003A Bond Defeasance, shall remain outstanding pursuant to the terms of the 2003A Bond Resolution.

The Original 2003A Bonds originally were issued to finance or refinance the making of loans (the “2003A Trust Loans”) for certain costs of environmental infrastructure projects undertaken by various qualifying borrowers in the State (the “2003A Borrowers”). In connection with the making of the respective 2003A Trust Loans, the Trust entered into a “Loan Agreement” with each 2003A Borrower, dated as of November 1, 2003 (each a “2003A Trust Loan Agreement”). The 2003A Trust Loan repayment obligations of each 2003A Borrower pursuant to its respective 2003A Trust Loan Agreement are evidenced by a bond (the “2003A Borrower Trust Loan Bond”) of each such 2003A Borrower.

The 2012C-R Refunding Bonds are “Refunding Bonds” pursuant to the terms of the 2003A Bond Resolution. Upon their issuance, the 2012C-R Refunding Bonds shall be on parity with the Remaining Outstanding 2003A Bonds and shall be entitled to the same benefit and security of the 2003A Bond Resolution, including, without limitation, the pledge pursuant thereto of the “Trust Estate” (the “2003A Trust Estate”), as the Remaining Outstanding 2003A Bonds.

The 2003A Trust Estate includes, *inter alia*, (i) the 2003A Trust Loan repayments and (ii) certain payments to be made pursuant to the Master Program Trust Agreement, dated as of November 1, 1995 (the “Master Program Trust Agreement”), by and among the Trust, the State, United States Trust Company of New York, as original master program trustee thereunder (the “Original Master Program Trustee”), The Bank of New York (NJ), in several capacities thereunder, and First Fidelity Bank, N.A. (predecessor to U.S. Bank National Association), in several capacities thereunder, and as acknowledged and consented to by AMBAC Indemnity Corporation, Financial Guaranty Insurance Company and MBIA Insurance Corporation, as the same has been and may be amended from time to time in accordance with the terms thereof. In accordance with that certain Agreement of Resignation of Outgoing Master Program Trustee, Appointment of Successor Master Program Trustee and Acceptance Agreement, dated as of November 1, 2001, and entered into pursuant to the successor provisions set forth in the Master Program Trust Agreement, State Street Bank & Trust Company, N.A. (predecessor to U.S. Bank Trust National Association) became the master program trustee (the “Master Program Trustee”) as of November 1, 2001.

In issuing the 2012C-R Refunding Bonds and in effecting the 2012 Refunding of the 2003A Bonds to be Refunded and the 2003A Bond Defeasance, the 2003A Trust Loan Agreements and the 2003A Borrower Trust Loan Bonds have not been amended or supplemented. Pursuant to the 2003A Trust Loan Agreements, the 2003A Borrowers have acknowledged that the 2003A Trust Loan repayments, as part of the 2003A Trust Estate, will be applied by the Trust to the payment of the principal of and interest on the 2012C-R Refunding Bonds and the Outstanding 2003A Bonds. In effecting the 2012 Refunding of the 2003A Bonds to be Refunded, the Trust has determined that the 2003A Trust Loan repayments will be equal to or greater than the amounts necessary to pay the principal of and interest on the 2012C-R Refunding Bonds and the Remaining Outstanding 2003A Bonds.

Simultaneously with the issuance of the 2012C-R Refunding Bonds, the Trust, the 2012C-R Refunding Fiduciary (as hereinafter defined) and the Master Program Trustee have entered into that certain “Trust Continuing Disclosure Agreement”, dated as of the date hereof (the “Continuing Disclosure Agreement”; the 2003A Trust Loan Agreements, the Master Program Trust Agreement and the Continuing Disclosure Agreement shall be referred to collectively herein as the “Trust Documents”), relating to the 2012C-R Refunding Bonds.

The 2012C-R Refunding Bonds are dated and shall bear interest from the date of issuance thereof, and will mature on September 1 in the years and in the principal amounts, and will bear interest at the respective rates per annum, as provided therein and in the 2012C-R Supplemental Bond Resolution.

Interest on the 2012C-R Refunding Bonds is payable on March 1 and September 1 in each year, commencing March 1, 2013, 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 2012C-R Refunding Bonds, by wire sent by U.S. Bank National Association, Morristown, New Jersey (the “2012C-R Refunding Fiduciary”). Principal of the 2012C-R Refunding Bonds is payable upon the surrender thereof at the corporate trust office of the 2012C-R Refunding Fiduciary.

The 2012C-R Refunding Bonds are issued in fully registered form, 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 2012C-R 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 2012C-R Refunding Bonds, payments of the principal of and interest on the 2012C-R Refunding Bonds will be made by the 2012C-R Refunding Fiduciary directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC, and disbursal of such payments to the beneficial owners of the 2012C-R Refunding Bonds is the responsibility of the DTC participants.

The 2012C-R 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 the Constitution and statutes of the State, including, without limitation, the Act, and 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 2003A Bond Resolution, the 2003A Trust Loan Agreements, the 2003A Borrower Trust Loan Bonds, the Master Program Trust Agreement, the Continuing Disclosure Agreement, and the other documents, including, without limitation, certifications of the Trust listed in the closing index relating to the 2012C-R Refunding Bonds filed with the 2012C-R Refunding Fiduciary (the "Closing Index"). As to matters of fact, we have relied upon the representations and certifications of the Trust and, where we have deemed appropriate, representations or other certifications of public officials, as set forth in, *inter alia*, the Trust Documents, the 2003A Bond Resolution and the certifications of the Trust identified in the Closing Index. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness and completeness of the resolutions, documents, representations, certifications, records and instruments referred to above.

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, without limitation, the Act, with power to adopt the 2003A Bond Resolution, to enter into the 2003A Trust Loan Agreements and the Master Program Trust Agreement, and to issue the 2012C-R Refunding Bonds.

2. The 2012C-R Supplemental Bond Resolution has been duly and lawfully adopted by the Trust in accordance with the provisions of the 2003A Original Bond Resolution and the Act, constitutes a "Supplemental Resolution" as defined in the 2003A Original Bond Resolution, and is authorized or permitted by the provisions of the 2003A Original Bond Resolution. The order, certificates and amounts of money that are delivered or paid, as the case may be, to the 2012C-R Refunding Fiduciary in accordance with the provisions of Section 2.04 of the 2003A Original Bond Resolution constitute compliance with the conditions stated therein for the authentication and delivery of the 2012C-R Refunding Bonds as "Refunding Bonds" thereunder. The 2003A 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 against the Trust in accordance with its terms, and no other authorization for the 2003A Bond Resolution is required. The 2003A Bond Resolution creates the valid pledge that it purports to create of the 2003A Trust Estate, including, without limitation, payments made to the Trust pursuant to the 2003A Trust Loan Agreements.

3. The Master Program Trust Agreement has been duly and lawfully authorized, executed and delivered by the Trust, is in full force and effect and is a valid and binding agreement enforceable against the Trust in accordance with its terms, and no other authorization by the Trust for the Master Program Trust Agreement is required. The Master Program Trust Agreement creates the valid pledge that it purports to create of the moneys and securities on deposit in the Master Program Trust Account (as defined therein) (and all subaccounts therein) to the extent and for the purposes set forth in the Master Program Trust Agreement.

4. The 2003A Trust Loan Agreements and the Continuing Disclosure Agreement have each been duly and lawfully authorized, executed and delivered by the Trust, are in full force and effect and are each valid and

binding agreements enforceable against the Trust in accordance with their respective terms and no other authorization by the Trust for the 2003A Trust Loan Agreements and the Continuing Disclosure Agreement is required.

5. The Trust is duly authorized and entitled to issue the 2012C-R Refunding Bonds. The 2012C-R 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 2003A Bond Resolution, are valid and binding obligations of the Trust enforceable against the Trust in accordance with their terms and the terms of the 2003A Bond Resolution, and are entitled to the benefits of the 2003A Bond Resolution, to the extent provided therein, and the Act. Neither the State nor any political subdivision thereof (other than the Trust, but solely to the extent of the 2003A Trust Estate) is obligated to pay the principal of or interest on the 2012C-R Refunding Bonds, and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the 2012C-R Refunding Bonds. The Trust has no taxing power.

6. Under existing law, interest on the Series 2012C-R Refunding Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act. We express no opinion with respect to any exemption of interest on the Series 2012C-R Refunding Bonds from federal income taxation.

In rendering the opinions set forth above, we note that the enforceability of rights or remedies with respect to the 2003A Bond Resolution, the Trust Documents and the 2012C-R 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 paragraph 3 above, we have relied upon the opinion, dated the date hereof, of independent counsel to the Master Program Trustee with respect to the due authorization, execution and delivery of the Master Program Trust Agreement by the Master Program Trustee.

In rendering the opinions contained in paragraph 4 above, we continue to rely upon the respective opinions, dated November 6, 2003, of independent counsel to each of the 2003A Borrowers with respect to the due authorization, execution and delivery of the 2003A Trust Loan Agreements by each of such respective 2003A Borrowers.

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America 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 to any laws or judicial decisions hereafter enacted or rendered.

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

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 any laws or judicial decisions hereafter enacted or rendered that impact on this opinion letter.

This opinion letter is being furnished solely to the person to whom this opinion letter is addressed and may not be relied upon by any other person without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

We have examined an executed 2012C-R Refunding Bond, and, in our opinion, the form of said 2012C-R Refunding Bond and its execution are regular and proper.

Very truly yours,

**APPENDIX H**  
**GLOSSARY OF TERMS**

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