

**NEW ISSUE – FULL BOOK ENTRY**

*In the opinion of McCarter & English, LLP, Bond Counsel to the Trust, assuming compliance by the Trust and the Series 2012A Borrowers with certain tax covenants described herein, under existing law, interest on the Series 2012A 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"). Further, interest on the Series 2012A Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the alternative minimum tax imposed on corporations. (See "TAX MATTERS" herein.)*

*Bond Counsel is further of the opinion that, assuming compliance by the Trust and the Series 2012B Borrowers with certain tax covenants described herein, under existing law, interest on the Series 2012B Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, except as to interest on any Series 2012B Bonds for any period during which such Series 2012B Bonds are held by a person who is either a "substantial user" (within the meaning of Section 147(a) of the Code) of a Series 2012B Project financed or refinanced with the proceeds of the Series 2012B Bonds or a "related person" of such "substantial user." Interest on the Series 2012B Bonds, however, is an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax imposed on individuals and corporations. (See "TAX MATTERS" herein.)*

*Interest on the Series 2012C 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 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**

**\$68,565,000\* Environmental Infrastructure Bonds,  
Series 2012A**

**\$21,755,000\* Environmental Infrastructure Bonds,  
Series 2012B (AMT)**

**\$4,790,000\* Environmental Infrastructure Bonds,  
Series 2012C (Federally Taxable)**



NEW JERSEY ENVIRONMENTAL  
INFRASTRUCTURE TRUST

**Dated: Date of Delivery****Due: September 1, as shown on the inside cover hereof**

The \$68,565,000\* aggregate principal amount of "Environmental Infrastructure Bonds, Series 2012A" (the "Series 2012A Bonds"), the \$21,755,000\* aggregate principal amount of "Environmental Infrastructure Bonds, Series 2012B (AMT)" (the "Series 2012B Bonds") and the \$4,790,000\* aggregate principal amount of "Environmental Infrastructure Bonds, Series 2012C (Federally Taxable)" (the "Series 2012C Bonds"; the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds shall be referred to collectively herein as the "Series 2012 Bonds") will be issued by the New Jersey Environmental Infrastructure Trust (the "Trust"). The principal of the Series 2012 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 U.S. Bank National Association, Morristown, New Jersey, or any successors thereto, as trustee and paying agent. Interest on the Series 2012 Bonds will be payable on September 1, 2012 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 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 each series of the Series 2012 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 Bonds, payments of the principal and redemption premium, if any, of and interest on the Series 2012 Bonds will be made directly to Cede & Co., which will remit such payments to the DTC participants, which in turn will remit such payments to the beneficial owners of the Series 2012 Bonds. (See "THE SERIES 2012 BONDS" herein.)

The Series 2012 Bonds will be subject to optional redemption and may be subject to mandatory sinking fund redemption, all as more fully described herein. (See "THE SERIES 2012 BONDS – Optional Redemption" and "THE SERIES 2012 BONDS – Possibility of Mandatory Sinking Fund Redemption" herein.)

The Series 2012 Bonds are being issued pursuant to (i) the Trust Act (as defined herein), (ii) all other applicable law and (iii) the respective Series 2012 Bond Resolutions (as defined herein), for the purpose of making loans (respectively, the "Series 2012A Trust Loans", the "Series 2012B Trust Loans" and the "Series 2012C Trust Loan") to the borrowers identified in Appendix B hereto (respectively, the "Series 2012A Borrowers", the "Series 2012B Borrowers" and the "Series 2012C Borrower") (which Series 2012A Borrowers, Series 2012B Borrowers and Series 2012C Borrower include some or all of the following types of borrowers: counties; municipalities; regional, county and municipal utilities, sewerage and improvement authorities, commissions and joint meetings; State authorities; non-profit corporations; and private water supply companies; all located in the State of New Jersey (the "State")), to finance or refinance a portion of the costs of the environmental infrastructure facilities of, respectively, the Series 2012A Borrowers, the Series 2012B Borrowers and the Series 2012C Borrower.

Although the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds will be issued simultaneously by the Trust, the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds will be issued pursuant to separate bond resolutions and will be separately secured, except for their respective interests in the Master Program Trust Account (as described herein) held by U.S. Bank Trust National Association, New York, New York, as master program trustee (the "Master Program Trustee"), in accordance with the terms of the Master Program Trust Agreement (as described herein). (See "SECURITY FOR THE SERIES 2012 BONDS" herein.)

The Series 2012A Bonds will be special obligations of the Trust, secured primarily by (i) the repayments by the Series 2012A Borrowers of the Series 2012A Trust Loans, (ii) with respect to certain authority Series 2012A Borrowers only, moneys on deposit in the Series 2012A Borrower Debt Service Reserve Funds (as described herein) and moneys payable pursuant to the Series 2012A Borrower Service Agreements (as described herein), (iii) certain State-aid payable to the municipal and county Series 2012A Borrowers and certain municipal and county Series 2012A Participants (as described herein), (iv) the repayments by the Series 2012A Borrowers of the companion Series 2012A Fund Loans (as described herein), and (v) certain of the repayments by those Borrowers (as described herein) in the Coverage Providing Financing Programs (as described herein) that have received Coverage Providing Fund Loans (as described herein) that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement. See "SECURITY FOR THE SERIES 2012 BONDS" herein.

The Series 2012B Bonds will be special obligations of the Trust, secured primarily by (i) the repayments by the Series 2012B Borrowers of the Series 2012B Trust Loans, (ii) with respect to certain authority Series 2012B Borrowers only, moneys payable pursuant to the Series 2012B Borrower Service Agreements (as described herein), (iii) certain State-aid payable to certain municipal and county Series 2012B Participants (as described herein), (iv) the repayments by the Series 2012B Borrowers of the companion Series 2012B Fund Loans (as described herein), and (v) certain of the repayments by those Borrowers in the Coverage Providing Financing Programs that have received Coverage Providing Fund Loans that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement. See "SECURITY FOR THE SERIES 2012 BONDS" herein.

The Series 2012C Bonds will be special obligations of the Trust, secured primarily by (i) the repayment by the Series 2012C Borrower of the Series 2012C Trust Loan, (ii) moneys payable pursuant to the Series 2012C Government Borrower Guaranty (as described herein), (iii) certain State-aid payable to the municipal Series 2012C Borrower, (iv) the repayment by the Series 2012C Borrower of the companion Series 2012C Fund Loan (as described herein), and (v) certain of the repayments by those Borrowers in the Coverage Providing Financing Programs that have received Coverage Providing Fund Loans that are held by the Master Program Trustee in accordance with the terms of the Master Program Trust Agreement. See "SECURITY FOR THE SERIES 2012 BONDS" herein.

**NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE TRUST, BUT SOLELY TO THE EXTENT OF THE RESPECTIVE SERIES 2012 TRUST ESTATES DESCRIBED HEREIN) IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE SERIES 2012 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 OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE SERIES 2012 BONDS.**

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

*Each series of the Series 2012 Bonds is offered when, as and if issued and delivered and subject to the receipt of the respective 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 each series of the Series 2012 Bonds in definitive form will be available for delivery to DTC in New York, New York, and that payment for each series of the Series 2012 Bonds will occur in Newark, New Jersey, on or about May 3, 2012.*

April , 2012

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

### NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

#### \$68,565,000\* Environmental Infrastructure Bonds, Series 2012A

Year	Principal Amount*	Interest Rate	Price or Yield	CUSIP	Year	Principal Amount*	Interest Rate	Price or Yield	CUSIP
2013	\$1,525,000	%	%		2023	\$3,775,000	%	%	
2014	1,955,000				2024	3,930,000			
2015	2,775,000				2025	4,095,000			
2016	2,870,000				2026	4,250,000			
2017	3,020,000				2027	4,395,000			
2018	3,115,000				2028	4,550,000			
2019	3,245,000				2029	4,665,000			
2020	3,375,000				2030	4,845,000			
2021	3,495,000				2031	5,045,000			
2022	3,640,000								

#### \$21,755,000\* Environmental Infrastructure Bonds, Series 2012B (AMT)

Year	Principal Amount*	Interest Rate	Price or Yield	CUSIP	Year	Principal Amount*	Interest Rate	Price or Yield	CUSIP
2013	\$790,000	%	%		2023	\$1,160,000	%	%	
2014	815,000				2024	1,210,000			
2015	850,000				2025	1,260,000			
2016	885,000				2026	1,310,000			
2017	920,000				2027	1,360,000			
2018	960,000				2028	1,415,000			
2019	1,000,000				2029	1,470,000			
2020	1,030,000				2030	1,530,000			
2021	1,085,000				2031	1,585,000			
2022	1,120,000								

#### \$4,790,000\* Environmental Infrastructure Bonds, Series 2012C (Federally Taxable)

Year	Principal Amount*	Interest Rate	Price or Yield	CUSIP	Year	Principal Amount*	Interest Rate	Price or Yield	CUSIP
2014	\$220,000	%	%		2023	\$260,000	%	%	
2015	220,000				2024	270,000			
2016	225,000				2025	280,000			
2017	230,000				2026	285,000			
2018	230,000				2027	295,000			
2019	235,000				2028	305,000			
2020	240,000				2029	320,000			
2021	245,000				2030	330,000			
2022	255,000				2031	345,000			

\* 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, Acting 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

## **TRUSTEE FOR THE SERIES 2012 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 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 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 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 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

**\$68,565,000\* Environmental Infrastructure Bonds, Series 2012A**

**\$21,755,000\* Environmental Infrastructure Bonds, Series 2012B (AMT)**

**\$4,790,000\* Environmental Infrastructure Bonds, Series 2012C (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 Bonds, Series 2012A”, dated the date of issuance thereof, in the aggregate principal amount of \$68,565,000\* (the “Series 2012A Bonds”), (ii) its “Environmental Infrastructure Bonds, Series 2012B (AMT)”, dated the date of issuance thereof, in the aggregate principal amount of \$21,755,000\* (the “Series 2012B Bonds”), and (iii) its “Environmental Infrastructure Bonds, Series 2012C (Federally Taxable)”, dated the date of issuance thereof, in the aggregate principal amount of \$4,790,000\* (the “Series 2012C Bonds”; the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds shall be referred to collectively herein as the “Series 2012 Bonds”). The Series 2012 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 (N.J.S.A. 58:11B-1 *et seq.*), as the same has been, and may from time to time be, amended and supplemented (the “Trust Act”), and (ii) all other applicable law. In addition, (i) the Series 2012A Bonds are being issued under and pursuant to the “Environmental Infrastructure Bond Resolution, Series 2012A”, adopted by the Trust on March 15, 2012, as the same may be amended from time to time in accordance with the terms thereof (the “Series 2012A Bond Resolution”), (ii) the Series 2012B Bonds are being issued under and pursuant to the “Environmental Infrastructure Bond Resolution, Series 2012B”, adopted by the Trust on March 15, 2012, as the same may be amended from time to time in accordance with the terms thereof (the “Series 2012B Bond Resolution”), and (iii) the Series 2012C Bonds are being issued under and pursuant to the “Environmental Infrastructure Bond Resolution, Series 2012C”, adopted by the Trust on March 15, 2012, as the same may be amended from time to time in accordance with the terms thereof (the “Series 2012C Bond Resolution”; the Series 2012A Bond Resolution, the Series 2012B Bond Resolution and the Series 2012C Bond Resolution shall be referred to collectively herein as the “Series 2012 Bond Resolutions”).

Due to the complexity of the Financing Programs (as defined herein), investors considering a purchase of the Series 2012 Bonds may wish to refer to the glossary containing the defined terms used in the body of this Official Statement, which glossary is set forth as Appendix H hereto.

The Series 2012 Bonds will be subject to optional redemption as more fully described herein. (See “THE SERIES 2012 BONDS – Optional Redemption” herein.) The Series 2012 Bonds may be subject to mandatory sinking fund redemption as more fully described herein. (See “THE SERIES 2012 BONDS – Possibility of Mandatory Sinking Fund Redemption” herein.)

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\* Preliminary, subject to change.

The Series 2012 Bonds are being issued to:

- (i) finance, together with certain moneys of the State of New Jersey (the “State”) and moneys of certain of the Series 2012 Borrowers (as defined herein), various System (as defined herein) improvements, as part of the Series 2012 Financing Program (as defined herein);
- (ii) finance, for certain Series 2012 Borrowers, capitalized interest on the Series 2012 Bonds; and
- (iii) fund a portion of the costs of issuance relating to the Series 2012 Bonds.

See “THE PROJECTS”, “SECURITY FOR THE SERIES 2012 BONDS” , “SOURCES AND USES OF FUNDS FOR THE SERIES 2012A BONDS”, “SOURCES AND USES OF FUNDS FOR THE SERIES 2012B BONDS” and “SOURCES AND USES OF FUNDS FOR THE SERIES 2012C BONDS herein.

The Series 2012 Bonds will be special obligations of the Trust, secured primarily by:

- (i) the repayments by the Series 2012 Borrowers of the Series 2012 Trust Loans (as defined herein);
- (ii) the repayments by the Series 2012 Borrowers of the companion Series 2012 Fund Loans (as defined herein);
- (iii) certain of the repayments by those Borrowers (as defined herein) in the Coverage Providing Financing Programs (as defined herein) that have received Coverage Providing Fund Loans (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 2012A Borrowers only, moneys on deposit in the Series 2012A Borrower Debt Service Reserve Funds (as defined herein);
- (v) moneys payable under the Series 2012 Borrower Service Agreements and, with respect to the Series 2012C Bonds only, the Series 2012C Government Borrower Guaranty (as defined herein); and
- (vi) certain State-aid payable to the municipal Series 2012 Borrowers, certain municipal and county Series 2012 Participants (as defined herein), and the Series 2012C Government Borrower Guarantor (as defined herein).

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

With respect to certain Series 2012A Fund Loans and certain Series 2012B Fund Loans (collectively, the “Principal Forgiveness Fund Loans”), on the date of issuance of the Series 2012 Bonds, the State will forgive the repayment 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. For information with respect to those Series 2012 Borrowers that are receiving Principal Forgiveness Fund Loans, see Appendix B hereto - “SERIES 2012 BORROWERS”.

Brief descriptions of the Trust, the Financing Programs, any Borrower, any Participant, the Bond Resolutions, the Bonds (including, without limitation, the Series 2012 Bonds), 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 and resolutions, 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 2012A Bonds, the Series 2012B Bonds and/or the Series 2012C 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*; Acting 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, Green Projects and Small Water System 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, 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.

### **Series 2012 Projects**

Each of the Series 2012 Borrowers has covenanted in its respective Loan Agreement (as defined herein) to undertake and complete the Project (the “Series 2012 Projects”) described in such Loan Agreement. A portion of the proceeds of the Series 2012 Bonds will be used to finance the Trust Loans (as defined herein) that will fund the Series 2012 Projects. In order to examine the list of the Series 2012 Projects, 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 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, and to the extent permitted by, 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 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 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

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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.

<sup>‡</sup> With respect to those Series 2012 Borrowers receiving Principal Forgiveness Fund Loans, the principal amount of the Trust Loan shall consist of an amount sufficient to fund up to 40% of the Allowable Costs of the Project up to \$10,000,000, and an amount sufficient to fund up to 25% of the Allowable Costs of the Project in excess of \$10,000,000.

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 SERIES 2012 TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE SERIES 2012 BORROWERS), THE SERIES 2012 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”). 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. Not including the Series 2012 Bonds, the Trust has issued Bonds (excluding Refunding Bonds (as defined in the Bond Resolutions)) in the aggregate principal amount of \$2,502,285,000.

### **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

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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.

- (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 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) 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 will receive Principal Forgiveness Fund Loans. On the date of issuance of the Series 2012 Bonds, the State will forgive 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. For information with respect to those Series 2012 Borrowers that are receiving Principal Forgiveness Fund Loans, see Appendix B hereto - “SERIES 2012 BORROWERS”.

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 Bonds (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 SERIES 2012 TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE SERIES 2012 BORROWERS), THE SERIES 2012 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 ensure the priority of the payment of debt service on Bonds over the repayment of any companion Fund Loans, and facilitate Trust Loan and Fund Loan repayments by the Borrowers.

### **The Series 2012 Financing Program**

The Series 2012A Bonds are scheduled to be issued on May 3, 2012 as part of the Financing Program for State Fiscal Year 2012 (the “Series 2012A Financing Program”); the Series 2012B Bonds are scheduled to be issued

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<sup>‡</sup> With respect to those Series 2012 Borrowers receiving Principal Forgiveness Fund Loans, (i) the principal amount of the Fund Loan shall consist of an amount sufficient to fund up to 60% of the Allowable Costs of the Project up to \$10,000,000, and an amount sufficient to fund up to 75% of the Allowable Costs of the Project in excess of \$10,000,000.

on May 3, 2012 as part of the Financing Program for State Fiscal Year 2012 (the “Series 2012B Financing Program”); and the Series 2012C Bonds are scheduled to be issued on May 3, 2012 as part of the Financing Program for State Fiscal Year 2012 (the “Series 2012C Financing Program”; the Series 2012A Financing Program, the Series 2012B Financing Program and the Series 2012C Financing Program shall be referred to collectively herein as the “Series 2012 Financing Program”).

The Trust Loans (the “Series 2012A Trust Loans”) and the Fund Loans (the “Series 2012A Fund Loans”; the Series 2012A Trust Loans and the Series 2012A Fund Loans shall be referred to collectively herein as the “Series 2012A Loans”), with the exception of the Principal Forgiveness Fund Loans, pursuant to the Series 2012A Financing Program were closed in escrow during the period from March 13, 2012 through March 28, 2012. The Principal Forgiveness Fund Loans pursuant to the Series 2012A Financing Program were closed during the period from March 13, 2012 through March 28, 2012.<sup>†</sup>

The Trust Loans (the “Series 2012B Trust Loans”) and the Fund Loans (the “Series 2012B Fund Loans”; the Series 2012B Trust Loans and the Series 2012B Fund Loans shall be referred to collectively herein as the “Series 2012B Loans”), with the exception of the Principal Forgiveness Fund Loans, pursuant to the Series 2012B Financing Program were closed in escrow during the period from March 13, 2012 through March 28, 2012. The Principal Forgiveness Fund Loans pursuant to the Series 2012B Financing Program were closed during the period from March 13, 2012 through March 28, 2012.

The Trust Loan (the “Series 2012C Trust Loan”) and the Fund Loan (the “Series 2012C Fund Loan”; the Series 2012C Trust Loan and the Series 2012C Fund Loan shall be referred to collectively herein as the “Series 2012C Loans”) pursuant to the Series 2012C Financing Program was closed in escrow on March 28, 2012. The Series 2012A Trust Loans, the Series 2012B Trust Loans and the Series 2012C Trust Loan shall be referred to collectively herein as the “Series 2012 Trust Loans.” The Series 2012A Fund Loans, the Series 2012B Fund Loans and the Series 2012C Fund Loans shall be referred to collectively herein as the “Series 2012 Fund Loans.”

The identity of the Borrowers participating in the Series 2012A Financing Program (the “Series 2012A Borrowers”) and the amounts of the Series 2012A Trust Loans and the Series 2012A Fund Loans to be made by the Trust and the State, respectively, to such Series 2012A Borrowers are listed in Appendix B hereto – “SERIES 2012 BORROWERS.” The identity of the Borrowers participating in the Series 2012B Financing Program (the “Series 2012B Borrowers”) and the amounts of the Series 2012B Trust Loans and the Series 2012B Fund Loans to be made by the Trust and the State, respectively, to such Series 2012B Borrowers are listed in Appendix B hereto – “SERIES 2012 BORROWERS.” The identity of the Borrower participating in the Series 2012C Financing Program (the “Series 2012C Borrower”; the Series 2012A Borrowers, the Series 2012B Borrowers and the Series 2012C Borrower shall be referred to collectively herein as the “Series 2012 Borrowers”) and the amounts of the Series 2012C Trust Loan and the Series 2012C Fund Loan to be made by the Trust and the State, respectively, to such Series 2012C Borrower are listed in Appendix B hereto – “SERIES 2012 BORROWERS.”

Repayments of the Series 2012A Loans, the Series 2012B Loans and the Series 2012C Loans will be collected by U.S. Bank National Association, Morristown, New Jersey, as trustee and paying agent for, respectively, the Series 2012A Bonds pursuant to the Series 2012A Bond Resolution, the Series 2012B Bonds pursuant to the Series 2012B Bond Resolution, and the Series 2012C Bonds pursuant to the Series 2012C Bond Resolution (hereinafter, as the case may be, the “Series 2012A Trustee”, the “Series 2012B Trustee”, the “Series 2012C Trustee”, the “Series 2012A Paying Agent”, the “Series 2012B Paying Agent” and the “Series 2012C Paying Agent”; the Series 2012A Trustee, the Series 2012B Trustee and the Series 2012C Trustee shall be referred to collectively herein as the “Series 2012 Trustee”; the Series 2012A Paying Agent, the Series 2012B Paying Agent and the Series 2012C Paying Agent shall be referred to collectively herein as the “Series 2012 Paying Agent”). Upon receipt, the Series 2012 Trustee immediately will allocate such repayments (i) from the Series 2012A Loans up to an amount sufficient to pay the debt service due on the immediately following March 1 or September 1, as the case may be, with respect to the Series 2012A Bonds, (ii) from the Series 2012B Loans up to an amount sufficient to pay the debt service due on the immediately following March 1 or September 1, as the case may be, with respect to the Series 2012B Bonds, and (iii) from the Series 2012C Loans up to an amount sufficient to pay the debt service due on the immediately following

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<sup>†</sup> With respect to one Series 2012A Borrower, the Borough of Roselle, the escrow closing with respect to its Series 2012A Trust Loan and the closing with respect to its Series 2012A Fund Loan are expected to occur on April 13, 2012, outside the scheduled escrow closing period.

March 1 or September 1, as the case may be, with respect to the Series 2012C Bonds. See “SECURITY FOR THE SERIES 2012 BONDS” and Appendix C hereto – “AGGREGATE SERIES 2012 LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR SERIES 2012 BONDS.”

The Series 2012 Bonds are Coverage Receiving Bonds (as defined herein) and 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. See Appendix D hereto – “AGGREGATE FINANCING PROGRAM REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR COVERAGE RECEIVING BONDS.”

## **THE SERIES 2012 BONDS**

### **General Description**

The Series 2012 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 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 September 1, 2012, at the rates per annum set forth on the inside cover page hereof. The Series 2012 Bonds will be payable as to principal (including any sinking fund installment) upon presentation and surrender thereof at the corporate trust office of the Series 2012 Trustee. The Series 2012 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 Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any whole multiple thereof.

### **Optional Redemption**

The Series 2012 Bonds maturing on or prior to September 1, 2021 will not be subject to redemption prior to their respective stated maturity dates. The Series 2012 Bonds maturing on or after September 1, 2022 will be subject to redemption prior to their respective stated maturity dates, on or after September 1, 2021, at the option of the Trust, upon the terms set forth in the respective Series 2012 Bond Resolution, either in whole on any date, or in part, by lot within any maturity or maturities determined by the Trust, on any Interest Payment Date, upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

### **Possibility of Mandatory Sinking Fund Redemption**

The Trust has issued a notice of sale, dated April 11, 2012 (the “Notice of Sale”), with respect to the Series 2012 Bonds. The Notice of Sale invites potential bidders interested in purchasing all of the Series 2012A Bonds, all of the Series 2012B Bonds and/or all of the Series 2012C Bonds to submit bids for such purchase in accordance with the terms of the Notice of Sale. Under the terms thereof, the successful bidder with respect to each series of the Series 2012 Bonds may designate certain serial maturities of such series as a term maturity with mandatory sinking fund installments.

### **Refunding Bonds**

One or more Series of Refunding Bonds may be issued pursuant to the applicable Series 2012 Bond Resolution at any time solely for the purpose of refunding any Outstanding Series 2012 Bonds issued pursuant to such applicable Series 2012 Bond Resolution. Refunding Bonds shall be on a parity with and, except as otherwise provided in the applicable supplemental Bond Resolution authorizing the issuance of such Refunding Bonds, shall be entitled to the same benefit and security of the applicable Series 2012 Bond Resolution (including the pledge of the Series 2012A Trust Estate (as defined herein), the Series 2012B Trust Estate (as defined herein) or the Series 2012C Trust Estate (as defined herein), as the case may be), as the Series 2012 Bonds being refunded.

Refunding Bonds may only be issued upon the satisfaction of certain conditions as set forth in the applicable Series 2012 Bond Resolution, including, but not limited to, the receipt by the Series 2012 Trustee of a Certificate of an

Authorized Officer of the Trust demonstrating that the Trust Loan repayments to become due in each Bond Year during which such Refunding Bonds shall be Outstanding shall be sufficient to pay, when due, the principal and redemption premium, if any, of and the interest on all Bonds Outstanding under the applicable Series 2012 Bond Resolution upon the authentication and delivery of such Series of Refunding Bonds.

### **Notice of Redemption**

Notice of redemption of the Series 2012 Bonds will be given pursuant to the applicable Series 2012 Bond Resolution by the Series 2012 Trustee by mailing a copy of such notice not more than 45 days and not less than 30 days prior to the redemption date to DTC, as long as it remains the sole registered owner (and, if DTC does not remain the sole registered owner, to any other registered owners thereafter at their addresses as they appear on the bond registration books of the Trust) of any Series 2012 Bonds or portions thereof to be redeemed (provided that failure to mail such notice with respect to a particular Series 2012 Bond or any defect therein shall not affect the redemption of any other Series 2012 Bonds). If notice of redemption shall have been given as aforesaid and if on the redemption date moneys for the redemption of all Series 2012 Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall be available for such payments, then from and after the redemption date interest on such Series 2012 Bonds or portions thereof shall cease to accrue and be payable.

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

DTC will act as securities depository for the Series 2012 Bonds. The Series 2012 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 Bond certificate will be issued for each maturity of the Series 2012 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 Bonds under the DTC system must be made by or through DTC Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 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 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 Bonds, except in the event that use of the book-entry-system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 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 Bonds. DTC's records reflect only the identity of the DTC Direct Participants to whose accounts such Series 2012 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 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 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 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 Series 2012 Trustee, 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 Series 2012 Trustee, the Series 2012 Paying Agent, the Master Program Trustee 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 Series 2012 Trustee. 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 Bonds at any time by giving reasonable notice to the Trust or the Series 2012 Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012 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 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 Series 2012 Trustee, the Series 2012 Paying Agent, 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 Bonds (i) payments of principal, redemption premium, if any, or interest on the Series 2012 Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in the Series 2012 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2012 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 Series 2012 Trustee, the Series 2012 Paying Agent 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 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 Series 2012 Trustee as being a Series 2012 Bondholder. The Trust, the Series B&C Trustee, the Series 2012 Paying Agent and the Master Program Trustee shall have no responsibility with respect to (i) any ownership interest in the Series 2012 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 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 Bondholders under any Series 2012 Program Bond Resolution, or (iv) any consent given or other action taken by DTC or Cede & Co. as Series 2012 Bondholder.

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, as the nominee of DTC, references herein to the Series 2012 Bondholders or registered owners of the Series 2012 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 Bonds.

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

### **The Series 2012A Bonds – General**

The Series 2012A 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 2012A Financing Program (the "Series 2012A Trust Loan Agreements"), which loan repayments are collected by the Series 2012A Trustee;
- (ii) the Borrower Trust Loan Bonds issued in connection with the Series 2012A Trust Loan Agreements (the "Series 2012A Borrower Trust Loan Bonds") pursuant to the terms of the Borrower Trust Loan Bond Resolutions (the "Series 2012A Borrower Trust Loan Bond Resolutions"), which Series 2012A Borrower Trust Loan Bonds are held by the Trust and assigned by the Trust to the Series 2012A Trustee as evidence of and 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 2012A Financing Program (the "Series 2012A Fund Loan Agreements"), which loan repayments are collected by the Series 2012A Trustee;
- (iv) the other Series 2012A Revenues (as defined herein) not included in clauses (i) or (iii) above; and
- (v) all other funds, accounts and subaccounts established pursuant to the Series 2012A 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 (clauses (i), (iii), (iv) and (v) shall be referred to collectively herein as the "Series 2012A Trust Estate").

The "Series 2012A Revenues" include:

- (i) all Series 2012A Loan repayments from the Series 2012A Borrowers collected by the Series 2012A Trustee to satisfy debt service due on the Series 2012A Bonds, including, without limitation:
  - (a) moneys payable pursuant to the respective Series 2012A Borrower Service Agreements (as defined herein), if such Series 2012A Borrower Service Agreement is required pursuant to the respective Series 2012A Borrower Trust Loan Bond Resolution; and

- (b) moneys derived from the respective Series 2012A Borrower Debt Service Reserve Funds (as defined herein), if such Series 2012A Borrower Debt Service Reserve Fund is required pursuant to the respective Series 2012A Borrower Trust Loan Bond Resolution;
- (ii) payments, if any, made to the Series 2012A 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 2012A Loan repayments from municipal Series 2012A Borrowers, the State-aid payable to such municipal Series 2012A Borrowers; and if necessary to satisfy the Series 2012A Loan repayments from the authority Series 2012A Borrowers, the State-aid payable to certain municipal and county Series 2012A Participants (as defined herein) (see “Series 2012 Borrower Service Agreements and Series 2012C Government Borrower Guaranty” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 2012A Bond Resolution, the Series 2012A 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 2012A Bonds and any Refunding Bonds that may be issued thereunder, subject to certain provisions of the Series 2012A Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Series 2012A Bond Resolution. The Series 2012A 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 2012A Trustee to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012A 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 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 2012A Borrower, except as expressly provided in the Series 2012A Trust Loan Agreements.

### **The Series 2012B Bonds – General**

The Series 2012B 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 2012B Financing Program (the “Series 2012B Trust Loan Agreements”), which loan repayments are collected by the Series 2012B Trustee;
- (ii) the Borrower Trust Loan Bonds issued in connection with the Series 2012B Trust Loan Agreements (the “Series 2012B Borrower Trust Loan Bonds”) pursuant to the terms of the Borrower Trust Loan Bond Resolutions (the “Series 2012B Borrower Trust Loan Bond Resolutions”), which Series 2012B Borrower Trust Loan Bonds are held by the Trust and assigned by the Trust to the Series 2012B Trustee as evidence of and 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 2012B Financing Program (the “Series 2012B Fund Loan Agreements”), which loan repayments are collected by the Series 2012B Trustee;
- (iv) the other Series 2012B Revenues (as defined herein) not included in clauses (i) or (iii) above; and
- (v) all other funds, accounts and subaccounts established pursuant to the Series 2012B 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 (clauses (i), (iii), (iv) and (v) shall be referred to collectively herein as the “Series 2012B Trust Estate”).

The “Series 2012B Revenues” include:

- (i) all Series 2012B Loan repayments from the Series 2012B Borrowers collected by the Series 2012B Trustee to satisfy debt service due on the Series 2012B Bonds, including, without limitation, moneys payable pursuant to the respective Series 2012B Borrower Service Agreements (as defined herein);
- (ii) payments, if any, made to the Series 2012B 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 2012B Loan repayments from the authority Series 2012B Borrower, the State-aid payable to certain municipal and county Series 2012B Participants (as defined herein) (see “Series 2012 Borrower Service Agreements and Series 2012C Government Borrower Guaranty” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 2012B Bond Resolution, the Series 2012B 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 Bonds and any Refunding Bonds that may be issued thereunder, subject to certain provisions of the Series 2012B Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Series 2012B Bond Resolution. The Series 2012B 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 2012B Trustee to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012B 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 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 2012B Borrower, except as expressly provided in the Series 2012B Trust Loan Agreements.

### **The Series 2012C Bonds – General**

The Series 2012C 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 Agreement entered into in connection with the Series 2012C Financing Program (the “Series 2012C Trust Loan Agreement”; the Series 2012A Trust Loan Agreements, the Series 2012B Trust Loan Agreements and the Series 2012C Trust Loan Agreement shall be referred to collectively herein as the “Series 2012 Trust Loan Agreements”), which loan repayments are collected by the Series 2012C Trustee;
- (ii) the Borrower Trust Loan Bond issued in connection with the Series 2012C Trust Loan Agreement (the “Series 2012C Borrower Trust Loan Bond”; the Series 2012A Borrower Trust Loan Bonds, the Series 2012B Borrower Trust Loan Bonds and the Series 2012C Borrower Trust Loan Bond shall be referred to collectively herein as the “Series 2012 Borrower Trust Loan Bonds”) pursuant to the terms of the Borrower Trust Loan Bond Resolution (the “Series 2012C Borrower Trust Loan Bond Resolution”; the Series 2012A Borrower Trust Loan Bond Resolutions, the Series 2012B Borrower Trust Loan Bond Resolutions and the Series 2012C Borrower Trust Loan Bond Resolution shall be referred to collectively herein as the “Series 2012 Borrower Trust Loan Bond Resolutions”), which Series 2012C Borrower Trust Loan Bond is held by the Trust and assigned by the Trust to the Series 2012C Trustee as evidence of and security for the loan repayments described in clause (i) above;
- (iii) loan repayments made pursuant to the Fund Loan Agreement entered into in connection with the Series 2012C Financing Program (the “Series 2012C Fund Loan Agreement”; the Series 2012A Fund Loan Agreements, the Series 2012B Fund Loan Agreements and the Series 2012C Fund Loan Agreement shall be referred to collectively herein as the “Series 2012 Fund Loan Agreements”), which loan repayments are collected by the Series 2012C Trustee;
- (iv) the other Series 2012C Revenues (as defined herein) not included in clauses (i) or (iii) above; and
- (v) all other funds, accounts and subaccounts established pursuant to the Series 2012C 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 (clauses (i), (iii), (iv) and (v) shall be referred to collectively herein as the “Series 2012C Trust Estate”).

The “Series 2012C Revenues” include:

- (i) all Series 2012C Loan repayments from the Series 2012C Borrower collected by the Series 2012C Trustee to satisfy debt service due on the Series 2012C Bonds, including, without limitation, moneys payable pursuant to the Series 2012C Government Borrower Guarantor (as defined herein);
- (ii) payments, if any, made to the Series 2012C 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 2012C Loan repayments from the municipal Series 2012C Borrower, the State-aid payable to such municipal Series 2012C Borrower (see “Series 2012 Borrower Service Agreements and Series 2012C Government Borrower Guaranty” and “State-Aid Intercept Powers of the Trust under the Trust Act” below).

Pursuant to the Series 2012C Bond Resolution, the Series 2012C 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 Bonds and any Refunding Bonds that may be issued thereunder, subject to certain provisions of the Series 2012C Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Series 2012C Bond Resolution. The Series 2012C 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

2012C Trustee to the extent set forth in the Master Program Trust Agreement. (See “Master Program Trust Agreement” herein.)

Because the Series 2012C 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 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 2012C Borrower, except as expressly provided in the Series 2012C 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 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 Bonds has been reached and the Series 2012 Trustee is still unable to satisfy all or a portion of the debt service payment due on the Series 2012 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 Bonds – Available Security Provisions for the Series 2012 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 Bonds. Although the State previously has 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 1989 through and including 2012 for so long as Coverage Receiving Bonds, including the Series 2012 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 1992 to date). 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 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 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 and two series of Bonds issued under the 1994 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 (exclusive of that portion of the 2001 Financing Program that refunded a portion of one series of Bonds issued under the 1990 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”); and
- (xvii) the two series of Bonds issued to finance the 2010 B&C Financing Program (the “Series 2010 B&C Bonds”); and
- (xviii) 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 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, 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 in each Coverage Providing Financing Program 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, since the Financing Program has been established, has 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 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 the 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 letters of credit (the "Private Borrower Letters of Credit") issued by financial institutions authorized to transact business in the State, mortgages (the "Private Borrower Mortgages") or 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. 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. To the extent any such debt service reserve funds or special reserve funds have been depleted and have not been replenished under the terms of the applicable Borrower Bond Resolutions, the scheduled payment of principal of and interest on certain Borrower Trust Loan Bonds and certain Borrower Fund Loan Bonds, in very limited circumstances, may be guaranteed by nationally recognized municipal bond insurance companies. These policies may then be drawn on to make timely payment of the respective series of Borrower Bonds.

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 such Financing Program up to an amount necessary to satisfy any such Trust Loan 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.**

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

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

The following sections discuss the specific provisions for security for the payment of the principal and redemption premium, if any, of and the interest on the Series 2012 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 Series 2012 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 Series 2012 Trust Loan delinquency, all of the rights and remedies discussed herein are available to the Trust and the Series 2012 Trustee immediately upon the failure by a Series 2012 Borrower to make a complete and timely Series 2012 Trust Loan repayment.

#### **1. Series 2012 Trust Loan Agreements**

Pursuant to the Series 2012 Trust Loan Agreements:

- (i) Upon the issuance by the Trust of its Series 2012 Bonds, each Series 2012 Borrower must deliver to the Trust a valid Series 2012 Borrower Trust Loan Bond evidencing and securing the repayment obligation of such Series 2012 Borrower with respect to its Series 2012 Trust Loan.
- (ii) The Series 2012 Trust Loan repayments payable by the Series 2012 Borrowers pursuant to their respective Series 2012 Trust Loan Agreements will equal the principal and interest payments that the Trust is required to make on the allocable portion of the particular Series 2012 Bonds from which such Series 2012 Trust Loans were made, and will be due from the Series 2012 Borrowers on February 1 (interest only) and August 1 (principal and interest) of each year (except in the case of certain Series 2012 Borrowers that will make their semiannual payments earlier than required in satisfaction of requirements set forth in their respective Series 2012 Borrower Trust Loan Bond Resolutions), with interest payments commencing August 1, 2012, until the end of the Series 2012

Trust Loan terms, such dates being at least thirty (30) days prior to the respective March 1 and September 1 payment dates for the Series 2012 Bonds.

- (iii) Each Series 2012 Trust Loan Agreement will establish certain conditions precedent to, among other things, the prepayment of the Series 2012 Trust Loan and the Series 2012 Borrower Trust Loan Bond, and to the assignment of such Series 2012 Trust Loan Agreement by the applicable Series 2012 Borrower, which preconditions include, but are not limited to, the written approval thereof by the Trust.

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

*General Obligation Series 2012A Borrowers.* The obligations of certain Series 2012A Borrowers (the “General Obligation Series 2012A Borrowers”) to repay their Series 2012A Trust Loans will be direct and general obligations and ultimately payable from its general tax revenues. Under the terms of its respective Series 2012A Trust Loan Agreement, each General Obligation Series 2012A Borrower will (i) covenant to provide the resources to maintain its System in good repair and operating condition and (ii) irrevocably pledge its full faith and credit and covenant to exercise its unlimited taxing powers for the punctual payment of the principal of and interest on its Series 2012A Trust Loan and its Series 2012A Borrower Trust Loan Bond. Simultaneously with the execution of the Series 2012A Trust Loan Agreements, the Trust will receive an opinion from counsel to each General Obligation Series 2012A Borrower to the effect that such General Obligation Series 2012A Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to its Series 2012A Borrower Trust Loan Bond as to the pledge of and lien on the general tax revenues of such General Obligation Series 2012A Borrower.

*Special Obligation Series 2012 Borrowers.* The obligations of certain Series 2012 Borrowers (respectively, the “Special Obligation Series 2012A Borrowers”, the “Special Obligation Series 2012B Borrowers” and the “Special Obligation Series 2012C Borrower” and, collectively, the “Special Obligation Series 2012 Borrowers”) to repay their Series 2012 Trust Loans will be special obligations of each such Special Obligation Series 2012 Borrower and will be payable solely from the pledged revenues or other receipts of its respective System. The obligations of certain Special Obligation Series 2012 Borrowers (the “Junior Lien Series 2012 Borrowers”) to repay their respective Series 2012 Trust Loans will be payable from funds made available by such Special Obligation Series 2012 Borrowers under their respective subordinate lien Series 2012 Borrower Trust Loan Bond Resolutions. Notwithstanding the subordinate nature of the lien described in foregoing sentence, the municipal and county Participants for such Junior Lien Series 2012 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 Series 2012 Trust Loan Agreement, each Special Obligation Series 2012 Borrower will pledge 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 shall be 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 Series 2012 Trust Loan Agreement and its Series 2012 Borrower Trust Loan Bond. Simultaneously with the execution of the Series 2012 Trust Loan Agreements, the Trust will receive an opinion from counsel to each Special Obligation Series 2012 Borrower, except for the Junior Lien Series 2012 Borrowers, to the effect that such Special Obligation Series 2012 Borrower has no bonds, notes or other debt obligations outstanding that are superior or senior to its Series 2012 Borrower Trust Loan Bond as to the pledge of and lien on the pledged revenues of such Special Obligation Series 2012 Borrower’s System.

For additional information regarding the provisions, terms and conditions of the Series 2012 Trust Loan Agreements, see Appendix F hereto – “SUMMARY OF THE SERIES 2012 TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE SERIES 2012 BORROWERS), THE SERIES 2012 FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS.” For information concerning which Series 2012A Borrowers are General Obligation Series 2012A Borrowers and which Series 2012 Borrowers are Special Obligation Series 2012 Borrowers, see Appendix B hereto - “SERIES 2012 BORROWERS.”

## **2. Series 2012A Borrower Debt Service Reserve Funds**

If and when a Special Obligation Series 2012A Borrower is unable to make its Series 2012A Trust Loan repayment in full when due from pledged System revenues, the trustee for the applicable Series 2012A Borrower Trust Loan Bonds and the Series 2012A Borrower Fund Loan Bonds (collectively, the “Series 2012A Borrower Bonds”) is required to satisfy any such deficiency on the Series 2012A Trust Loan repayment date, if applicable, from a draw on the debt service reserve fund that may be created and existing pursuant to the applicable Series 2012A Borrower Trust Loan Bond Resolution (the “Series 2012A Borrower Debt Service Reserve Fund”) for such Special Obligation Series 2012A Borrower. However, the Series 2012A Financing Program does not require the funding of a Series 2012A Borrower Debt Service Reserve Fund to secure the Series 2012A Borrower Bonds, and, therefore, some, but not all, Series 2012A Borrower Trust Loan Bond Resolutions require the funding of a Series 2012A Borrower Debt Service Reserve Fund.

None of the Series 2012B Borrower Trust Loan Bond Resolutions and the Series 2012C Borrower Trust Loan Bond Resolutions require the funding of a debt service reserve fund.

## **3. Series 2012 Borrower Service Agreements and Series 2012C Government Borrower Guaranty**

As further security for the payment of the Series 2012 Bonds, (i) most, but not all, Special Obligation Series 2012A Borrowers and Special Obligation Series 2012B Borrowers have entered into a Borrower Service Agreement (the “Series 2012A Borrower Service Agreements” and the “Series 2012B Borrower Service Agreements”, respectively, and, collectively, the “Series 2012 Borrower Service Agreements”) with Participants (the “Series 2012A Participants” and the “Series 2012B Participants”, respectively, and, collectively, the “Series 2012 Participants”) that receive environmental infrastructure service from such Special Obligation Series 2012 Borrowers, and (ii) the Special Obligation Series 2012C Borrower has entered into a Government Borrower Guaranty (the “Series 2012C Government Borrower Guaranty”) with a Government Borrower Guarantor (the “Series 2012C Government Borrower Guarantor”). The Series 2012 Borrower Service Agreements require that the Series 2012 Participants pay certain deficiencies or other amounts (the “Series 2012 Annual Charges”), including, without limitation, the Series 2012 Participants’ share of debt service on the Series 2012 Borrower Bonds of the respective Special Obligation Series 2012 Borrowers. Pursuant to the Series 2012 Borrower Service Agreements, any deficiency giving rise to a Series 2012 Annual Charge is calculated at the end of each fiscal year of the Special Obligation Series 2012 Borrower and is submitted to the applicable Series 2012 Participants for payment as provided therein. The Series 2012C Government Borrower Guaranty requires that the Series 2012C Government Borrower Guarantor pay debt service on the Series 2012 Borrower Bonds of the Special Obligation Series 2012C Borrower. Under the terms of the respective Series 2012 Borrower Service Agreements and the Series 2012C Government Borrower Guaranty, the Authorities Laws and all other applicable law, the municipal and county Series 2012 Participants and the Series 2012C Government Borrower Guarantor, as applicable, are required to levy *ad valorem* taxes upon all of the taxable property within the jurisdiction of the municipal and county Series 2012 Participants or Series 2012C Government Borrower Guarantor, as applicable, without limitation as to rate or amount, in order to pay, respectively, Series 2012 Annual Charges or debt service on the Series 2012 Borrower Bonds of the Special Obligation Series 2012C Borrower.

If and when any Special Obligation Series 2012 Borrower that has entered into either a Series 2012 Borrower Service Agreement or the Series 2012C Government Borrower Guaranty is unable to make its Series 2012 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 Series 2012A Borrower Debt Service Reserve Fund, if applicable, such Special Obligation Series 2012 Borrower has covenanted in its Series 2012 Trust Loan Agreement to take all measures permitted under its Series 2012 Borrower Service Agreement or its Series 2012C Government Borrower Guaranty, as the case may be, to collect such deficiency from its Series 2012 Participants or its Series 2012C Government Borrower Guarantor, as the case may be. This obligation arises immediately on the Series 2012 Trust Loan payment date.

For information regarding Special Obligation Series 2012 Borrowers, the Series 2012 Trust Loan repayments of which are secured by the Series 2012 Borrower Service Agreements or the Series 2012C Government Borrower Guaranty, see Appendix B hereto - “SERIES 2012 BORROWERS.”

#### **4. Series 2012 Bond Resolutions**

Pursuant to the Series 2012A Bond Resolution, the Series 2012A Trustee will collect all Series 2012A Trust Loan repayments and all Series 2012A Fund Loan repayments, in order to provide sufficient moneys to pay debt service on the Series 2012A Bonds (that financed the Series 2012A Trust Loans) prior to the repayment of the Series 2012A Fund Loans. Pursuant to the Series 2012B Bond Resolution, the Series 2012B Trustee will collect all Series 2012B Trust Loan repayments and all Series 2012B Fund Loan repayments, in order to provide sufficient moneys to pay debt service on the Series 2012B Bonds (that financed the Series 2012B Trust Loans) prior to the repayment of the Series 2012B Fund Loans. Pursuant to the Series 2012C Bond Resolution, the Series 2012C Trustee will collect all Series 2012C Trust Loan repayments and all Series 2012C Fund Loan repayments, in order to provide sufficient moneys to pay debt service on the Series 2012C Bonds (that financed the Series 2012C Trust Loan) prior to the repayment of the Series 2012C Fund Loan. 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 the Trust Loan repayment deficiencies of such Private Borrowers. For a more detailed description of the provisions of the Series 2012 Bond Resolutions, see Appendix E hereto – “SUMMARY OF THE SERIES 2012 BOND RESOLUTIONS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT” herein. See also Appendix C hereto – “AGGREGATE SERIES 2012 LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE FOR SERIES 2012 BONDS.”

On or before each Series 2012A Loan repayment due date, each Series 2012A Borrower will make one payment to the Series 2012A Trustee in an amount equal to the Series 2012A Trust Loan repayment, the Trust administrative fee payment, the Series 2012A Fund Loan repayment, and the State administrative fee payment then due, if any. Regardless of the manner in which each Series 2012A Borrower is credited for such payment, the Series 2012A Trustee shall apply the total of all such payments received from all Series 2012A Borrowers as follows: FIRST, towards the satisfaction of debt service due on the Series 2012A Bonds; SECOND, to the satisfaction of the Trust’s administrative fee payment then due; 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 related zero-interest Series 2012A Fund Loans; and, FOURTH, to the satisfaction of the State’s administrative fee payment then due, if any.

On or before each Series 2012B Loan repayment due date, each Series 2012B Borrower will make one payment to the Series 2012B Trustee in an amount equal to the Series 2012B Trust Loan repayment, the Trust administrative fee payment, the Series 2012B Fund Loan repayment, and the State administrative fee payment then due, if any. Regardless of the manner in which each Series 2012B Borrower is credited for such payment, the Series 2012B Trustee shall apply the total of all such payments received from all Series 2012B Borrowers as follows: FIRST, towards the satisfaction of debt service due on the Series 2012B Bonds; SECOND, to the satisfaction of the Trust’s administrative fee payment then due; 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 related zero-interest Series 2012B Fund Loans; and, FOURTH, to the satisfaction of the State’s administrative fee payment then due, if any.

On or before each Series 2012C Loan repayment due date, the Series 2012C Borrower will make one payment to the Series 2012C Trustee in an amount equal to the Series 2012C Trust Loan repayment, the Trust administrative fee payment, the Series 2012C Fund Loan repayment, and the State administrative fee payment then due, if any. Regardless of the manner in which the Series 2012C Borrower is credited for such payment, the Series 2012C Trustee shall apply the total of all such payments received from the Series 2012C Borrower as follows: FIRST, towards the satisfaction of debt service due on the Series 2012C Bonds; SECOND, to the satisfaction of the Trust’s administrative fee payment then due; 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 related zero-interest Series 2012C Fund Loan; and, FOURTH, to the satisfaction of the State’s administrative fee payment then due, if any.

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

If and when a Series 2012 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 Series 2012 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 Series 2012 Borrower, certain municipal and county Series 2012 Participants, and the Series 2012C Government Borrower Guarantor.

As authorized by the Trust Act, the Trust shall require that, if a Series 2012 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 30 days, the State Treasurer shall pay to the Trust the following amounts: (i) if the Series 2012 Borrower is a General Obligation Series 2012A Borrower, the State Treasurer shall pay an amount sufficient to satisfy such unpaid obligations from State-aid payable to the General Obligation Series 2012A Borrower or (ii) if the Series 2012 Borrower is a Special Obligation Series 2012 Borrower, the State Treasurer shall pay an amount sufficient to satisfy such unpaid obligations from State-aid payable to any municipal and county Series 2012 Participant or the Series 2012C Government Borrower Guarantor, as the case may be, that has executed a Series 2012 Borrower Service Agreement or the Series 2012C Government Borrower Guaranty with any such Special Obligation Series 2012 Borrower. As defined in the Trust Act, "obligations" of the Series 2012 Borrowers include, but are not limited to, principal of and interest on the Series 2012 Borrower Trust Loan Bonds issued by the General Obligation Series 2012A Borrowers to the Trust, any Series 2012 Annual Charges payable by the Series 2012 Participants under any Series 2012B Borrower Service Agreement, and debt service on the Series 2012C Borrower Trust Loan Bond of the Series 2012C Special Obligation Borrower payable by the Series 2012C Government Borrower Guarantor.

The State-aid subject to interception by the Trust for General Obligation Series 2012A Borrowers, applicable municipal and county Series 2012 Participants, and the Series 2012C Government Borrower Guarantor 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 Series 2012A Borrowers, the applicable municipal and county Series 2012 Participants, and the Series 2012C Government Borrower Guarantor. The State-aid subject to interception by the Trust for county Series 2012 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 Series 2012A Borrowers, the applicable municipal and county Series 2012 Participants and the Series 2012C Government Borrower Guarantor.

## **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 Bonds has been reached and the Series 2012 Trustee is still unable to satisfy the debt service payment due on the Series 2012 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 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 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, and 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 the

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 and the Master Program Trustee 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 and the Master Program Trustee 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 1999B Bonds, the Series 2000B 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. Event of Default**

To the extent that the remedies discussed in the preceding sections are insufficient to satisfy any repayment deficiency with respect to the Series 2012A Bonds and, therefore, an Event of Default pursuant to the Series 2012A Bond Resolution occurs, the Series 2012A Bonds are subject to acceleration prior to their stated maturities at the times and in the manner set forth in the Series 2012A Bond Resolution. To the extent that the remedies discussed in the preceding sections are insufficient to satisfy any repayment deficiency with respect to the Series 2012B Bonds and, therefore, an Event of Default pursuant to the Series 2012B Bond Resolution occurs, the Series 2012B Bonds are subject to acceleration prior to their stated maturities at the times and in the manner set forth in the Series 2012B Bond Resolution. To the extent that the remedies discussed in the preceding sections are insufficient to satisfy any repayment deficiency with respect to the Series 2012C Bonds and, therefore, an Event of Default pursuant to the

Series 2012C Bond Resolution occurs, the Series 2012C Bonds are subject to acceleration prior to their stated maturities at the times and in the manner set forth in the Series 2012C Bond Resolution. See Appendix E hereto – “SUMMARY OF THE SERIES 2012 BOND RESOLUTIONS, 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 Series 2012A Bond Resolution, the Series 2012A Bonds shall be special obligations 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 Series 2012A 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 Series 2012A Trust Estate). The principal and redemption premium, if any, of and the interest on the Series 2012A Bonds shall be payable from and secured by the pledge (i) by the Trust of the Series 2012A Trust Estate and (ii) 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.

Pursuant to the Trust Act and the Series 2012B Bond Resolution, the Series 2012B Bonds shall be special obligations 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 Series 2012B 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 Series 2012B Trust Estate). The principal and redemption premium, if any, of and the interest on the Series 2012B Bonds shall be payable from and secured by the pledge (i) by the Trust of the Series 2012B Trust Estate and (ii) 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.

Pursuant to the Trust Act and the Series 2012C Bond Resolution, the Series 2012C Bonds shall be special obligations 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 Series 2012C 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 Series 2012C Trust Estate). The principal and redemption premium, if any, of and the interest on the Series 2012C Bonds shall be payable from and secured by the pledge (i) by the Trust of the Series 2012C Trust Estate and (ii) 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.

### **No Debt Service Reserve Fund for the Series 2012 Bonds**

The Series 2012A Bond Resolution does not require the funding of a Debt Service Reserve Fund as security for the Series 2012A Bonds. The Series 2012B Bond Resolution does not require the funding of a Debt Service Reserve Fund as security for the Series 2012B Bonds. The Series 2012C Bond Resolution does not require the funding of a Debt Service Reserve Fund as security for the Series 2012C Bonds.

### **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.

**SOURCES AND USES OF FUNDS FOR THE SERIES 2012A BONDS**

**Sources:**

Aggregate Principal Amount of Series 2012A Bonds .....	\$
Net Original Issue Premium .....	
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$</b>

**Uses:**

Project Fund Deposits <sup>(1)</sup> .....	\$
Capitalized Interest <sup>(2)</sup> .....	
Costs of Issuance.....	
Underwriter's Discount.....	
<b>TOTAL USES OF FUNDS</b>	<b>\$</b>

- 
- (1) Project costs are to be funded in part by the Series 2012A Trust Loan for each Project. A portion of the Allowable Costs of each Project will be funded by the State with a Series 2012A Fund Loan. (See "THE FINANCING PROGRAM - Trust Loans" and "THE FINANCING PROGRAM - Fund Loans").
  - (2) Interest is capitalized with respect to certain Projects financed with a portion of the Series 2012A Bonds for a period ending no later than the next ensuing Interest Payment Date after the scheduled completion of such Projects.

**SOURCES AND USES OF FUNDS FOR THE SERIES 2012B BONDS**

**Sources:**

Aggregate Principal Amount of Series 2012B Bonds .....	\$
Net Original Issue Premium .....	
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$</b>

**Uses:**

Project Fund Deposits <sup>(1)</sup> .....	\$
Costs of Issuance.....	
Underwriter's Discount.....	
<b>TOTAL USES OF FUNDS</b>	<b>\$</b>

- 
- (1) Project costs are to be funded in part by the Series 2012B Trust Loan for each Project. A portion of the Allowable Costs of each Project will be funded by the State with a Series 2012B Fund Loan. (See "THE FINANCING PROGRAM - Trust Loans" and "THE FINANCING PROGRAM - Fund Loans").

**SOURCES AND USES OF FUNDS FOR THE SERIES 2012C BONDS**

**Sources:**

Aggregate Principal Amount of Series 2012C Bonds .....	\$
Net Original Issue Premium .....	
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$</b>

**Uses:**

Project Fund Deposit <sup>(1)</sup> .....	\$
Capitalized Interest <sup>(2)</sup> .....	
Costs of Issuance.....	
Underwriter's Discount.....	
<b>TOTAL USES OF FUNDS</b>	<b>\$</b>

- 
- (1) Project costs are to be funded in part by the Series 2012C Trust Loan for the Project. A portion of the Allowable Costs of the Project will be funded by the State with a Series 2012C Fund Loan. (See "THE FINANCING PROGRAM - Trust Loans" and "THE FINANCING PROGRAM - Fund Loans").
- (2) Interest is capitalized with respect to the Project financed with a portion of the Series 2012C Bonds for a period ending no later than the next ensuing Interest Payment Date after the scheduled completion of such Project.

**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 (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Trust has determined that, with regard to each respective series of the Series 2012 Bonds, it is not an "obligated person", as defined therein.

The Trust has determined in the Series 2012A Bond Resolution that those Borrowers (from any Financing Program) whose remaining Fund Loan repayments in all Coverage Providing Financing Programs, when aggregated with their Series 2012A Trust Loan repayments, 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 Series 2012A Trust Loan repayments from all Series 2012A Borrowers, shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 for the Series 2012A Bonds. The Trust has determined in the Series 2012B Bond Resolution that those Borrowers (from any Financing Program) whose remaining Fund Loan repayments in all Coverage Providing Financing Programs, when aggregated with their Series 2012B Trust Loan repayments, 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 Series 2012B Trust Loan repayments from all Series 2012B Borrowers, shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 for the Series 2012B Bonds. The Trust has determined in the Series 2012C Bond Resolution that those Borrowers (from any Financing Program) whose remaining Fund Loan repayments in all Coverage Providing Financing Programs, when aggregated with their Series 2012C Trust Loan repayments, 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 Series 2012C Trust Loan repayments from the Series 2012C Borrower, shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 for the Series 2012C Bonds. To the extent any such 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 Borrower, any such Participants and Indirect Participants also shall be considered material "obligated persons" within the meaning and for the purposes of Rule 15c2-12 for the respective series of the Series 2012 Bonds.

Each Series 2012 Borrower has covenanted in its Series 2012 Trust Loan Agreement, for the benefit of the respective Series 2012 Bondholders, 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 Series 2012 Trust Loan, the material "obligated persons" test referred to above. Such Borrower Continuing Disclosure Agreement obligates any such Series 2012 Borrower to provide (i) certain financial information and operating data relating to

such Series 2012 Borrower and the Participants and Indirect Participants, if any, of such Series 2012 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, if material. The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in Appendix F hereto – “SUMMARY OF THE SERIES 2012 TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE SERIES 2012 BORROWERS), THE SERIES 2012 FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS.”

The Borrower Continuing Disclosure Agreement further requires that the Annual Report shall be delivered by or on behalf of such Series 2012 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. Notices of material events relating to the Series 2012 Trust Loan Bonds of such Series 2012 Borrower will be filed by such Series 2012 Borrower with the Trust, and the notices of material events relating to the Series 2012 Bonds will be filed directly by the Trust with each NRMSIR or with the Municipal Securities Rulemaking Board (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 for municipal securities disclosure of the MSRB shall satisfy the requirement to file such information with each NRMSIR. The obligations under the Borrower Continuing Disclosure Agreement shall continue through final maturity (stated or otherwise) of the respective series of the Series 2012 Bonds, but shall terminate when any such material “obligated persons” shall no longer meet the material “obligated persons” test with respect to the respective series of the Series 2012 Bonds. The Trust shall have no liability to the Series 2012 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 SERIES 2012 TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE SERIES 2012 BORROWERS), THE SERIES 2012 FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS” herein.

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

As of the date of issuance of the Series 2012A Bonds, there are no Borrowers that meet this material “obligated persons” test for the Series 2012A Bonds. As of the date of issuance of the Series 2012B Bonds, there are no Borrowers that meet this material “obligated persons” test for the Series 2012B Bonds. As of the date of issuance of the Series 2012C Bonds, there are no Borrowers that meet this material “obligated persons” test for the Series 2012C Bonds. In addition, as of such issuance, no Participants or Indirect Participants meet this test with respect to the Series 2012A Bonds and the Series 2012B Bonds, and the Series 2012C Government Borrower Guarantor does not meet this test with respect to the Series 2012C Bonds.

Based upon official interpretations of Rule 15c2-12, the Trust has determined that, in connection with each series of the Series 2012 Bonds, each of (i) the Series 2012A Financing Program relating to the Series 2012A Bonds, (ii) the Series 2012B Financing Program relating to the Series 2012B Bonds, and (iii) the Series 2012C Financing Program relating to the Series 2012C Bonds, respectively, is an “obligated person”, as defined in Rule 15c2-12. In addition, on the date of delivery of each series of the Series 2012 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 respective series of the Series 2012 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 respective series of the Series 2012 Bonds. Specifically, the Trust will covenant to provide certain financial information relating to each respective Series 2012 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”) (the “Series 2012 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, if material, relating to each respective series of the Series 2012 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 for municipal securities disclosure of the MSRB shall satisfy the requirement to file such information with each NRMSIR. The specific nature of the information to be contained in the Series 2012 Financing Program Annual Report and the notices of material events is summarized in Appendix E hereto – “SUMMARY OF THE SERIES 2012 BOND RESOLUTIONS, THE MASTER PROGRAM TRUST AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT.”

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 by the parties thereto, and no person, including any holder of the Series 2012 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 respective series of the Series 2012 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreements when executed by the parties thereto upon the delivery of the Series 2012 Bonds will be on file at the office of the Series 2012 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 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 previously been in default with respect to any of its continuing disclosure undertakings, except with respect to an administrative oversight by the Trust that resulted in the late submission of annual financial information required by undertakings of the Trust in connection with the refunding bond issues completed in 1996, which annual financial information was submitted to each NRMSIR in 1998 four weeks subsequent to the date required therefor by such undertakings. The Trust immediately thereafter put in place appropriate procedures to prevent such a default from occurring again, and no such default has occurred since the default described above in 1998. 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 Bonds or in any way contesting or affecting the validity of the Trust Act, the Series 2012 Bonds or the proceedings of the Trust taken with respect to the issuance and sale thereof or the pledge of the Series 2012A Trust Estate, the Series 2012B Trust Estate or the Series 2012C Trust Estate.

#### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Series 2012 Trustees or the Series 2012 Bondholders (references to such terms in this section shall be deemed to apply only to the affected series of the Series 2012 Bonds) upon the occurrence of an event of default under the Series 2012 Bond Resolutions 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 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 Bonds, see “SECURITY FOR THE SERIES 2012 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 Series 2012 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 Bondholders’ claim in any bankruptcy, the Series 2012 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 Bondholders’ claim. In any bankruptcy, it is possible that the debts created by the Series 2012 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 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 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 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 each series of the Series 2012 Bonds are subject to the receipt of the respective 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 each respective series of the Series 2012 Bonds in substantially the forms included in Appendix G to this Official Statement. Certain legal matters in connection with the Series 2012 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 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 2012A Bonds in order to assure that interest on the Series 2012A Bonds will be excluded from gross income for purposes of federal income taxation under Section 103 of the Code. Such requirements relate, among other things, to the use and investment of proceeds of the Series 2012A Bonds and rebate to the United States of America of certain arbitrage earnings. Failure of the Trust or the Series 2012A Borrowers to observe such requirements may cause interest on the Series 2012A 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 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,” which will be delivered in connection with the issuance of the Series 2012A Bonds (the “Series 2012A Tax Certificate”) (the covenants under which do not constitute covenants under the Series 2012A 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 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 Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. Each Series 2012A Borrower has made certain tax related covenants in its Series 2012A Trust Loan Agreement, including a covenant not to take any action or omit to take any action which would result in the loss of the exclusion of the interest on the Series 2012A Bonds from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.

Assuming continuing compliance by the Trust with the provisions and procedures set forth in the Series 2012A Tax Certificate and assuming the Series 2012A Borrowers observe their covenants with respect 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 Bonds is excluded from gross income of the owners thereof pursuant to Section 103 of the Code. Further, interest on the Series 2012A Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the alternative minimum tax imposed on corporations.

#### **Exclusion of Interest on the Series 2012B Bonds from Gross Income for Federal Income Tax Purposes, But Subject to the Alternative Minimum Tax**

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 2012B Bonds in order to assure that interest on the Series 2012B Bonds will be excluded from gross income for purposes of federal income taxation under Section 103 of the Code. The requirements that may have to be met or must be met on a continuing basis subsequent to the issuance and delivery of the Series 2012B Bonds in order to assure that interest on the Series 2012B Bonds will be excluded from gross income for purposes of federal income taxation under Section 103 of the Code include, among other things, requirements with respect to rebate of arbitrage, investment limitations, use of proceeds for certain facilities including sewage disposal facilities and facilities for furnishing water, limitations with respect to payment of issuance costs and

acquisition of land, used property and prohibited facilities. Failure of the Trust or the Series 2012B Borrowers to observe such requirements may cause interest on the Series 2012B Bonds to lose the exclusion from gross income provided under Section 103 of the Code, retroactive to the date of issuance of the Series 2012B 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,” which will be delivered in connection with the issuance of the Series 2012B Bonds (the “Series 2012B Tax Certificate”) (the covenants under which do not constitute covenants under the Series 2012B 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 2012B 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 2012B Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. Each Series 2012B Borrower has made certain tax related covenants in its Series 2012B Trust Loan Agreement, including a covenant not to take any action or omit to take any action which would result in the loss of the exclusion of the interest on the Series 2012B Bonds from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.

Assuming continuing compliance by the Trust with the provisions and procedures set forth in the Series 2012B Tax Certificate and assuming the Series 2012B Borrowers observe their covenants with respect 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 2012B Bonds is excluded from gross income of the owners thereof pursuant to Section 103 of the Code, except as to interest on any Series 2012B Bond for any period during which such Series 2012B Bond is held by a person who is either a “substantial user” (within the meaning of Section 147(a) of the Code) of the facilities financed or refinanced with the proceeds of the Series 2012B Bonds or a “related person” of such “substantial user.” INTEREST ON THE SERIES 2012B BONDS, HOWEVER, IS AN ITEM OF TAX PREFERENCE UNDER SECTION 57 OF THE CODE FOR PURPOSES OF COMPUTING ALTERNATIVE MINIMUM TAX IMPOSED UPON INDIVIDUALS AND CORPORATIONS.

#### **Additional Federal Income Tax Consequences Relating to the Series 2012A Bonds and the Series 2012B Bonds**

Prospective purchasers of the Series 2012A Bonds and the Series 2012B Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations, such as the Series 2012A Bonds and the Series 2012B 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 Bonds and the Series 2012B Bonds may also 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 Bonds and the Series 2012B Bonds from gross income pursuant to Section 103 of the Code, and interest on the Series 2012A Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Series 2012A Bonds and the Series 2012B 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 Bonds and the Series 2012B 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 Bonds and the Series 2012B Bonds, gains from the sale or other disposition of the Series 2012 Bonds and the Series 2012B Bonds, the market value of the Series 2012A Bonds and the Series 2012B Bonds, or the marketability of the Series 2012A Bonds and the Series 2012B 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 Bonds and the Series 2012B Bonds). Prospective purchasers of the Series 2012A Bonds and the Series 2012B Bonds should consult their own tax and financial advisers regarding such matters.

### **Federal Tax Matters Relating to the Series 2012C 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 2012C Bonds by original purchasers of the Series 2012C 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 Series 2012C 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 Series 2012C 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 Series 2012C 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 Series 2012C 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 Series 2012C 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 Series 2012C Bonds:* Except as discussed above, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2012C Bond, 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 Series 2012C Bond. A U.S. Holder’s adjusted tax basis in a Series 2012C Bond generally will equal such U.S. Holder’s initial investment in the Series 2012C Bond, 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 Series 2012C Bond was held for more than one year.

*U.S. Holders – Defeasance:* U.S. Holders of the Series 2012C 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 Series 2012C Bonds to be deemed to be no longer outstanding under the Series 2012C 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 Series 2012C Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Series 2012C 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 Series 2012C 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 Series 2012C

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 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 Bonds and 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 opinions of Bond Counsel with respect to the federal and State income tax consequences of the Series 2012 Bonds will be delivered in substantially the forms attached to this Official Statement as Appendices G-1, G-2 and G-3, respectively.

### **RATINGS**

Fitch Ratings ("Fitch"), Moody's Investors Service ("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 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 Bonds may have an adverse effect on the market price of such series of the Series 2012 Bonds.

### **MISCELLANEOUS**

Information contained in this Official Statement with respect to the Series 2012 Financing Program and the Trust and copies of the related Bond Resolutions, Trust Loan Agreements, Fund Loan Agreements, Master Program Trust Agreement, Borrower Bond Resolutions, Borrower Service Agreements, Borrower Guaranties, Private Borrower Letters of Credit, Private Borrower Mortgages 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 each series of the Series 2012 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 respective Series 2012 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 Bonds.

### **NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

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

DATED: April \_\_, 2012

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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**  
**SERIES 2012 BORROWERS**

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**APPENDIX B**  
**SERIES 2012A BORROWERS**

General Obligation Series 2012A Borrowers	Trust Loan		Fund Loan	
	Amount <sup>1</sup>	% <sup>1</sup>	Amount <sup>1</sup>	% <sup>1</sup>
Aberdeen, Township of	\$ 300,000	0.44%	\$ 947,527	0.77%
Boonton, Town of	355,000	0.52%	1,132,142	0.92%
Burlington, Township of <sup>2</sup>	280,000	0.41%	301,852	0.25%
Clinton, Town of (CW) <sup>2</sup>	525,000	0.77%	561,844	0.46%
Clinton, Town of (DW)	415,000	0.61%	1,304,088	1.06%
Elizabeth, City of <sup>2</sup>	2,635,000	3.84%	2,839,367	2.31%
Frenchtown, Borough of <sup>2</sup>	3,615,000	5.27%	3,442,740	2.80%
Gloucester, Township of	380,000	0.55%	1,185,938	0.96%
Hammonton, Town of	1,175,000	1.71%	1,264,622	1.03%
Linwood, City of	365,000	0.53%	1,155,931	0.94%
Long Beach, Township (CW) <sup>2</sup>	1,035,000	1.51%	1,178,762	0.96%
Long Beach, Township (DW) <sup>2</sup>	910,000	1.33%	910,767	0.74%
Maple Shade, Township of <sup>2</sup>	490,000	0.71%	526,302	0.43%
Matawan, Borough of	1,325,000	1.93%	4,012,140	3.26%
Maywood, Borough of <sup>2</sup>	325,000	0.47%	350,651	0.28%
Milltown, Borough of <sup>2</sup>	540,000	0.79%	578,569	0.47%
Monroe, Township of <sup>2</sup>	1,100,000	1.60%	1,183,520	0.96%
Montclair, Township of	240,000	0.35%	729,932	0.59%
Nutley, Township of	470,000	0.69%	1,487,148	1.21%
Ocean, County of	280,000	0.41%	894,023	0.73%
Ocean, Township of <sup>2</sup>	315,000	0.46%	337,374	0.27%
Pleasantville, City of <sup>2</sup>	430,000	0.63%	464,561	0.38%
Princeton, Borough of <sup>2</sup>	565,000	0.82%	609,144	0.49%
Princeton, Township of <sup>2</sup>	620,000	0.90%	664,749	0.54%
Roselle, Borough of <sup>2</sup>	760,000	1.11%	795,341	0.65%
Seaside Park, Borough of (CW) <sup>2</sup>	875,000	1.28%	943,589	0.77%
Seaside Park, Borough of (DW) <sup>2</sup>	745,000	1.09%	802,707	0.65%
Stone Harbor, Borough of (CW) <sup>2</sup>	1,410,000	2.06%	1,518,177	1.23%
Stone Harbor, Borough of (DW)	290,000	0.42%	916,984	0.74%
Weehawken, Township of	2,095,000	3.06%	6,669,336	5.42%
Willingboro, Township of <sup>2</sup>	460,000	0.67%	491,600	0.40%
Winslow, Township of <sup>2</sup>	1,150,000	1.68%	1,236,411	1.00%

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

<sup>2</sup> The respective Series 2012A Fund Loans of these Series 2012A Borrowers are Principal Forgiveness Fund Loans. The respective Fund Loan Amounts for these Series 2012A Borrowers as set forth herein reflect the respective principal amounts of such Series 2012A Fund Loans to be repaid by such Series 2012A Borrowers *subsequent to* the application of principal forgiveness as described under the headings "INTRODUCTION" and "THE FINANCING PROGRAM - Fund Loans" in the body of this Official Statement.

**SERIES 2012A BORROWERS**

Special Obligation Series 2012A Borrowers	Trust Loan		Fund Loan	
	Amount <sup>1</sup>	% <sup>1</sup>	Amount <sup>1</sup>	% <sup>1</sup>
Atlantic County Utilities Authority <sup>3</sup>	\$495,000	0.72%	\$ 1,565,563	1.27%
Bergen County Utilities Authority <sup>3</sup>	305,000	0.44%	973,907	0.79%
Bordentown Sewerage Authority <sup>2,3</sup>	875,000	1.28%	897,120	0.73%
Camden County Municipal Utilities Authority <sup>3</sup>	1,120,000	1.63%	3,397,500	2.76%
Camden County Municipal Utilities Authority <sup>2,3</sup>	14,280,000	20.83%	34,037,500	27.65%
Cape May County Municipal Utilities Authority <sup>3</sup>	185,000	0.27%	582,075	0.47%
Cape May County Municipal Utilities Authority <sup>2,3</sup>	390,000	0.57%	390,293	0.32%
Cape May County Municipal Utilities Authority <sup>3</sup>	1,260,000	1.84%	3,966,467	3.22%
Ewing-Lawrence Sewerage Authority <sup>3</sup>	315,000	0.46%	980,602	0.80%
Hamilton Township Municipal Utilities Authority <sup>2,3</sup>	415,000	0.61%	448,220	0.36%
Hanover Sewerage Authority <sup>3</sup>	1,150,000	1.68%	3,667,729	2.98%
Jersey City Municipal Utilities Authority <sup>3</sup>	430,000	0.63%	1,350,120	1.10%
Kearny Municipal Utilities Authority <sup>3</sup>	455,000	0.66%	1,404,953	1.14%
Lakewood Township Municipal Utilities Authority <sup>3</sup>	790,000	1.15%	2,430,781	1.97%
Lakewood Township Municipal Utilities Authority <sup>3</sup>	1,055,000	1.54%	955,430	0.78%
Linden Roselle Sewerage Authority <sup>2,3</sup>	3,770,000	5.50%	4,191,741	3.40%
New Jersey Water Supply Authority <sup>3</sup>	475,000	0.69%	1,501,455	1.22%
North Hudson Sewerage Authority <sup>2,3</sup>	850,000	1.24%	913,400	0.74%
Northwest Bergen County Utilities Authority <sup>2,3</sup>	1,960,000	2.86%	2,051,088	1.67%
Ocean County Utilities Authority <sup>2,3</sup>	3,885,000	5.67%	4,544,519	3.69%
Old Bridge Municipal Utilities Authority <sup>2,3</sup>	4,905,000	7.16%	7,079,015	5.75%
Pompton Lakes Borough Municipal Utilities Authority <sup>3</sup>	375,000	0.55%	1,157,873	0.94%
Raritan Township Municipal Utilities Authority <sup>3</sup>	365,000	0.53%	1,125,840	0.91%
Raritan Township Municipal Utilities Authority <sup>2,3</sup>	410,000	0.60%	428,543	0.35%
Rockaway Valley Regional Sewerage Authority <sup>2,3</sup>	1,560,000	2.28%	1,630,646	1.32%

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

<sup>2</sup> The respective Series 2012A Fund Loans of these Series 2012A Borrowers are Principal Forgiveness Fund Loans. The respective Fund Loan Amounts for these Series 2012A Borrowers as set forth herein reflect the respective principal amounts of such Series 2012A Fund Loans to be repaid by such Series 2012A Borrowers *subsequent to* the application of principal forgiveness as described under the headings “INTRODUCTION” and “THE FINANCING PROGRAM - Fund Loans” in the body of this Official Statement.

<sup>3</sup> The Loan repayment obligations of these Special Obligation Series 2012A Borrowers are secured by a full faith and credit general obligation pledge provided for in such Borrowers’ respective Series 2012A Borrower Service Agreement; provided, however, that in the case of the New Jersey Water Supply Authority, only approximately 14.77% of such Loan repayment obligations are so secured.

**SERIES 2012B BORROWERS**

Special Obligation Series 2012B Borrowers	Trust Loan		Fund Loan	
	Amount <sup>1</sup>	% <sup>1</sup>	Amount <sup>1</sup>	% <sup>1</sup>
Aqua New Jersey, Inc. <sup>2</sup>	\$ 825,000	3.84%	\$ 855,017	1.51%
Middlesex Water Company	960,000	4.47%	2,960,000	5.21%
New Jersey Water Supply Authority <sup>3</sup>	750,000	3.49%	2,312,250	4.07%
New Jersey-American Water Co., Inc.	1,465,000	6.82%	4,526,014	7.97%
New Jersey-American Water Co., Inc. <sup>2</sup>	17,470,000	81.37%	46,140,092	81.24%

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

<sup>2</sup> The respective Series 2012B Fund Loans of these Series 2012B Borrowers are Principal Forgiveness Fund Loans. The respective Fund Loan Amounts for these Series 2012B Borrowers as set forth herein reflect the respective principal amounts of such Series 2012B Fund Loans to be repaid by such Series 2012B Borrowers *subsequent to* the application of principal forgiveness as described under the headings "INTRODUCTION" and "THE FINANCING PROGRAM - Fund Loans" in the body of this Official Statement.

<sup>3</sup> Approximately 29.86% of the Loan repayment obligations of this Special Obligation Series 2012B Borrower are secured by a full faith and credit general obligation pledge provided for in such Borrower's Series 2012B Borrower Service Agreement.

**SERIES 2012C BORROWER**

<b>Special Obligation Series 2012C Borrower</b>	<b>Trust Loan</b>		<b>Fund Loan</b>	
	<b>Amount<sup>1</sup></b>	<b>%<sup>1</sup></b>	<b>Amount<sup>1</sup></b>	<b>%<sup>1</sup></b>
Newark City (Project Sponsor for Morris Lister Avenue Associates Urban Renewal, LLC) <sup>2</sup>	\$4,755,000	100.00%	\$12,568,224	100.00%

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

<sup>2</sup> The Loan repayment obligations of this Special Obligation Series 2012C Borrower are secured by a full faith and credit general obligation pledge provided for in such Borrower's Series 2012C Government Borrower Guaranty.

**APPENDIX C**

**AGGREGATE SERIES 2012 LOAN REPAYMENTS AVAILABLE TO PROVIDE COVERAGE  
FOR SERIES 2012 BONDS**

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**APPENDIX C**  
**AGGREGATE SERIES 2012A LOAN**  
**REPAYMENTS AVAILABLE TO PROVIDE COVERAGE**  
**FOR SERIES 2012A BONDS**

<u>Year Ending September 1</u>	<u>Aggregate Series 2012A Borrower Trust Loan Repayments<sup>1</sup></u>	<u>Aggregate Series 2012A Borrower Fund Loan Repayments<sup>1, 2</sup></u>	<u>Total Series 2012A Borrower Loan Repayments<sup>1, 2</sup></u>	<u>Annual Debt Service Series 2012A Bonds<sup>1</sup></u>
2012	\$ 898,963	\$ 1,540,175	\$ 2,439,139	\$ 898,963
2013	4,267,600	3,396,372	7,663,972	4,267,600
2014	4,636,600	4,513,035	9,149,635	4,636,600
2015	5,378,400	5,835,402	11,213,802	5,378,400
2016	5,362,400	5,835,402	11,197,802	5,362,400
2017	5,397,600	6,835,402	12,233,002	5,397,600
2018	5,371,800	6,835,402	12,207,202	5,371,800
2019	5,377,200	6,835,402	12,212,602	5,377,200
2020	5,377,400	6,835,402	12,212,802	5,377,400
2021	5,362,400	6,835,402	12,197,802	5,362,400
2022	5,367,600	6,835,402	12,203,002	5,367,600
2023	5,357,000	6,835,402	12,192,402	5,357,000
2024	5,361,000	6,835,402	12,196,402	5,361,000
2025	5,368,800	6,835,402	12,204,202	5,368,800
2026	5,360,000	6,835,402	12,195,402	5,360,000
2027	5,335,000	6,771,543	12,106,543	5,335,000
2028	5,314,200	6,771,543	12,085,743	5,314,200
2029	5,247,200	6,697,573	11,944,773	5,247,200
2030	5,240,600	6,697,573	11,938,173	5,240,600
2031	5,246,800	6,697,586	11,944,386	5,246,800
<b>Total<sup>3</sup></b>	<u><u>\$100,628,563</u></u>	<u><u>\$123,110,208</u></u>	<u><u>\$223,738,781</u></u>	<u><u>\$100,628,563</u></u>

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

<sup>2</sup> The Series 2012A Fund Loan repayments with respect to Principal Forgiveness Fund Loans, as such repayments are set forth herein, assume and reflect the successful application of principal forgiveness on May 3, 2012, as described under the headings "INTRODUCTION" and "THE FINANCING PROGRAM - Fund Loans" in the body of this Official Statement.

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

**AGGREGATE SERIES 2012B LOAN  
REPAYMENTS AVAILABLE TO PROVIDE COVERAGE  
FOR SERIES 2012B BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2012B Borrower Trust Loan Repayments<sup>1</sup></b>	<b>Aggregate Series 2012B Borrower Fund Loan Repayments<sup>1, 2</sup></b>	<b>Total Series 2012B Borrower Loan Repayments<sup>1, 2</sup></b>	<b>Annual Debt Service Series 2012B Bonds<sup>1</sup></b>
2012	\$ 285,232	\$ 1,925,199	\$ 2,210,431	\$ 285,232
2013	1,660,200	2,887,799	4,547,999	1,660,200
2014	1,653,600	2,887,799	4,541,399	1,653,600
2015	1,656,000	2,887,799	4,543,799	1,656,000
2016	1,657,000	2,887,799	4,544,799	1,657,000
2017	1,656,600	2,887,799	4,544,399	1,656,600
2018	1,659,800	2,887,799	4,547,599	1,659,800
2019	1,661,400	2,887,799	4,549,199	1,661,400
2020	1,651,400	2,887,799	4,539,199	1,651,400
2021	1,665,200	2,887,799	4,552,999	1,665,200
2022	1,656,800	2,887,799	4,544,599	1,656,800
2023	1,652,000	2,887,799	4,539,799	1,652,000
2024	1,655,600	2,887,799	4,543,399	1,655,600
2025	1,657,200	2,887,799	4,544,999	1,657,200
2026	1,656,800	2,887,799	4,544,599	1,656,800
2027	1,654,400	2,887,799	4,542,199	1,654,400
2028	1,655,000	2,887,799	4,542,799	1,655,000
2029	1,653,400	2,887,799	4,541,199	1,653,400
2030	1,654,600	2,887,799	4,542,399	1,654,600
2031	1,648,400	2,887,800	4,536,200	1,648,400
<b>Total<sup>3</sup></b>	<b>\$31,750,632</b>	<b>\$56,793,373</b>	<b>\$88,544,005</b>	<b>\$31,750,632</b>

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

<sup>2</sup> The Series 2012B Fund Loan repayments with respect to Principal Forgiveness Fund Loans, as such repayments are set forth herein, assume and reflect the successful application of principal forgiveness on May 3, 2012, as described under the headings "INTRODUCTION" and "THE FINANCING PROGRAM - Fund Loans" in the body of this Official Statement.

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

**AGGREGATE SERIES 2012C LOAN  
REPAYMENTS AVAILABLE TO PROVIDE COVERAGE  
FOR SERIES 2012C BONDS**

<b>Year Ending September 1</b>	<b>Aggregate Series 2012C Borrower Trust Loan Repayments<sup>1</sup></b>	<b>Aggregate Series 2012C Borrower Fund Loan Repayments<sup>1</sup></b>	<b>Total Series 2012C Borrower Loan Repayments<sup>1</sup></b>	<b>Annual Debt Service Series 2012C Bonds<sup>1</sup></b>
2012	45,523	\$ 0	\$ 45,523	\$ 45,523
2013	138,885	0	138,885	138,885
2014	358,885	698,235	1,057,120	358,885
2015	356,817	698,235	1,055,052	356,817
2016	359,177	698,235	1,057,412	359,177
2017	360,690	698,235	1,058,924	360,690
2018	356,596	698,235	1,054,830	356,596
2019	356,927	698,235	1,055,161	356,927
2020	356,686	698,235	1,054,921	356,686
2021	355,854	698,235	1,054,089	355,854
2022	359,313	698,235	1,057,547	359,313
2023	357,122	698,235	1,055,356	357,122
2024	359,270	698,235	1,057,504	359,270
2025	360,711	698,235	1,058,945	360,711
2026	356,415	698,235	1,054,649	356,415
2027	356,525	698,235	1,054,760	356,525
2028	355,846	698,235	1,054,081	355,846
2029	359,518	698,235	1,057,753	359,518
2030	357,173	698,235	1,055,407	357,173
2031	359,131	698,235	1,057,366	359,131
<b>Total<sup>2</sup></b>	<b>\$6,627,062</b>	<b>\$12,568,224</b>	<b>\$19,195,286</b>	<b>\$6,627,062</b>

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

<sup>2</sup> Totals may not add due to rounding.

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**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>Year Ending September 1</b>	<b>Aggregate Coverage Receiving Trust Loan Repayments<sup>1, 2</sup></b>	<b>Aggregate Coverage Providing Fund Loan Repayments<sup>1, 2, 3</sup></b>	<b>Total Funds Available For Coverage Receiving Financing Program Debt Service<sup>1, 2, 3</sup></b>	<b>Total Debt Service on Coverage Receiving Financing Programs<sup>1, 2, 4</sup></b>
2012	\$ 116,587,744	\$ 94,770,109	\$ 211,357,853	\$ 113,251,652
2013	152,157,670	129,605,701	281,763,371	146,071,115
2014	150,359,128	128,085,532	278,444,660	142,206,300
2015	153,348,312	127,217,111	280,565,423	145,400,144
2016	150,215,401	125,285,935	275,501,336	142,240,417
2017	144,677,193	122,248,670	266,925,863	137,097,165
2018	141,704,782	119,866,688	261,571,470	134,571,371
2019	137,074,296	116,788,397	253,862,693	130,379,680
2020	127,401,545	110,408,397	237,809,942	121,177,014
2021	118,956,650	106,055,587	225,012,237	114,053,944
2022	106,533,293	98,154,755	204,688,048	103,398,212
2023	95,940,915	92,084,712	188,025,627	95,383,621
2024	88,983,773	86,854,567	175,838,340	87,680,285
2025	77,813,835	77,571,585	155,385,420	77,813,835
2026	68,337,840	69,851,428	138,189,268	68,337,840
2027	54,760,725	56,189,191	110,949,916	54,760,725
2028	40,907,790	41,898,662	82,806,452	40,907,790
2029	31,646,749	34,907,108	66,553,857	31,646,749
2030	17,606,967	16,402,104	34,009,071	17,606,967
2031	7,254,331	10,283,621	17,537,952	7,254,331
<b>Total<sup>5</sup></b>	<b>\$1,982,268,939</b>	<b>\$1,764,529,860</b>	<b>\$3,746,798,799</b>	<b>\$1,911,239,157</b>

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

<sup>2</sup> Includes the Series 2012 Financing Program.

<sup>3</sup> The Series 2012 Fund Loan repayments with respect to Principal Forgiveness Fund Loans, as such repayments are set forth herein, assume and reflect the successful application of principal forgiveness on May 3, 2012, as described under the headings "INTRODUCTION" and "THE FINANCING PROGRAM - Fund Loans" in the body of this Official Statement.

<sup>4</sup> Reflects the application to Trust Bond debt service of savings credits derived from the prior refunding of certain series of Trust Bonds.

<sup>5</sup> Totals may not add due to rounding.

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**APPENDIX E**

**SUMMARY OF THE SERIES 2012 BOND RESOLUTIONS, THE MASTER PROGRAM TRUST  
AGREEMENT AND THE TRUST CONTINUING DISCLOSURE AGREEMENT**

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## SUMMARY OF THE SERIES 2012 BOND RESOLUTIONS

The following are excerpts of certain provisions of the bond resolutions adopted by the Trust on March 15, 2012, as the same may be amended from time to time in accordance with the terms thereof, and entitled “Environmental Infrastructure Bond Resolution, Series 2012A” (the “Series 2012A Resolution”), “Environmental Infrastructure Bond Resolution, Series 2012B” (the “Series 2012B Resolution”) and “Environmental Infrastructure Bond Resolution, Series 2012C” (the “Series 2012C Resolution” each a “Bond Resolution” and, collectively, the “Bond Resolutions”). The Bond Resolutions are identical in all material respects, with the exception of the changes noted herein and with the exception that the Series 2012B Resolution authorizing the issuance of the Series 2012B Bonds is primarily secured from certain payments to be made by the Series 2012B Borrowers, and the Series 2012C Resolution authorizing the issuance of the Series 2012C Bonds is primarily secured from certain payments to be made by the Series 2012C Borrowers (as such terms are defined in the main text of this Official Statement). These excerpts are not to be considered a full statement of the terms of the Bond Resolutions and, accordingly, are qualified by reference thereto and are subject to the full text thereof. Copies of the Bond Resolutions may be obtained from the Trust upon request. The section references shown at the beginning of each excerpt are to particular sections of the Bond Resolutions.

**SECTION 1.01. Definitions.** Unless the context otherwise requires, for all purposes of this Bond Resolution, the terms defined in this Section 1.01 shall have the meanings specified below:

“**Account**” means any account designated and established hereunder.

“**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 hereof.

“**Allocable Share**” for any 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) hereof, the percentage set forth for any such SRF Borrowers on Schedule II-A attached hereto, which percentage shall be equal to a fraction, the numerator of which shall equal the Allowable Project Cost for such SRF Borrower, and the denominator of which shall equal the aggregate amount of all Allowable Project Costs 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) hereof, the percentage set forth for any such non-SRF Borrowers on Schedule II-B attached hereto, which percentage shall be equal to a fraction, the numerator of which shall equal the Allowable Project Cost for such non-SRF Borrower, and the denominator of which shall equal the aggregate amount of all Allowable Project Costs for all non-SRF 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) hereof and with respect to the earnings on all other funds and accounts that are subject to transfer and credit in

accordance with Sections 5.10(3) and (4) hereof, the percentage set forth for any such Borrower on Schedule I-A attached hereto 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 for such Borrower, and the denominator of which shall equal the aggregate amount of all Allowable Project Costs for all SRF or non-SRF Borrowers, as appropriate, and (iv) for all other purposes hereunder, the percentage set forth for any such Borrower on Schedule I-B attached hereto, which percentage shall be equal to a fraction, the numerator of which shall equal the Allowable Project Cost for such Borrower, and the denominator of which shall equal the aggregate amount of all Allowable Project Costs 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 hereto shall equal the percentages set forth in Schedule I-B hereto.

**“Allowable Project Cost”** means for any Borrower the Trust Share as initially defined in Exhibit B to such Borrower’s Loan Agreement.

**“Applicable”** means (i) with reference to any Fund, Account or Subaccount so designated and established by this Bond Resolution, the Fund, Account or Subaccount so designated and established, (ii) with respect to any Series of Bonds, the Series of Bonds issued for a particular purpose hereunder, 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 Newspapers”** means three general newspapers and one financial newspaper, all of which are customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation, with respect to the general newspapers, in the State of New Jersey, and with respect to the financial newspaper, in the State of New Jersey or the Borough of Manhattan, City and State of New York.

**“Authorized Officer”** means (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 by resolution to act on behalf of the Trust under this 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, Vice-Chairman or Executive Director; (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 this Bond Resolution shall be given by law.

**“Bond”** or **“Bonds”** means one or more, as the case may be, of Series 2012A Bonds, the Series 2012B Bonds, the Series 2012C Bonds or Refunding Bonds, and all bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III or Sections 4.07 or 11.10 hereof.

**“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 hereunder and ending on the next succeeding August 31.

**“Borrower’s Project”** means the project of the Borrower described in Exhibit A-1 to 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.

**“Business Day”** means, with respect to the Bonds of any Series, any day other than (i) a Saturday, Sunday or legal holiday or a day on which banking institutions, in the city in which the Principal Office of the Trust, the Trustee, the Paying Agent, or the Master Program Trustee is located, are closed, or (ii) a day on which the New York Stock Exchange is closed.

**“Capitalized Interest Account”** means the Account within the Debt Service Fund so designated and established by Article V hereof.

**“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 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 hereof.

**“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 Master Program Trustee or any Borrower) duly admitted to practice law before the highest court of any state.

**“Debt Service Fund”** means the fund so designated and established by Article V hereof.

**“Debt Service Reserve Fund”** means the Fund so designated and established by Article V hereof.

**“Debt Service Reserve Fund Credit Facility”** means any irrevocable letter of credit or insurance policy issued to the Trustee by a bank, insurance company or other financial institution, the long term debt of which is rated in either of the two highest credit rating categories by one or more Rating Agency.

**“Debt Service Reserve Requirement”** means, as of any date of calculation, (1) an amount equal to, or (2) a Debt Service Reserve Fund Credit Facility in an aggregate principal 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 2012A Bonds, the Outstanding Series 2012B Bonds or the Outstanding Series 2012C Bonds, as the case may be, and Outstanding Refunding Bonds and (b) principal or Sinking Fund Installments, as the case may be, of the Outstanding Series 2012A Bonds, the Outstanding Series 2012B Bonds or the Outstanding Series 2012C Bonds, as the case may be, and Outstanding Refunding Bonds; (ii) 125% of a fraction, the numerator of which is the sum of the interest, principal and Sinking Fund Installments on the Outstanding Series 2012A Bonds, the Outstanding Series 2012B Bonds or the Outstanding Series 2012C Bonds, as the case may be, and Outstanding Refunding Bonds payable beginning in such Bond Year and each succeeding Bond Year thereafter until the maturity of the Outstanding Series 2012A Bonds, the Outstanding Series 2012B Bonds or the Outstanding Series 2012C Bonds, as the case may be, and Outstanding Refunding Bonds, and the denominator of which is the number of years or portion thereof until the maturity of the Outstanding Series 2012A Bonds, the Outstanding Series 2012B Bonds or the Outstanding Series 2012C Bonds, as the case may be, and Outstanding Refunding Bonds; or (iii) the sum of 10% of the “proceeds” of the Outstanding Series 2012A Bonds, the Outstanding Series 2012B Bonds or the Outstanding Series 2012C Bonds, as the case may be, but only if such Outstanding Series 2012A Bonds, Outstanding Series 2012B Bonds or Outstanding Series 2012C Bonds, as the case may be, are Outstanding, and if any Refunding Bonds are Outstanding, 10% of the “proceeds” of such Refunding Bonds, within the meaning of Section 148(d) of the Code. Notwithstanding the provisions of this definition to the contrary, if each Rating Agency that has been requested by the Trust to publish a rating for the Outstanding Series 2012A Bonds, the Series 2012B Bonds, the Series 2012C Bonds or any Refunding Bonds, as the case may be, determines that such Rating Agency shall assign to the Outstanding Series 2012A Bonds, the Series 2012B Bonds, the Series 2012C Bonds and any Refunding Bonds, as the case may be, upon the issuance thereof the then highest rating assigned to any such debt instruments by such Rating Agency notwithstanding the fact that the Debt Service Reserve Requirement is equal to \$0.00, then, given such factual circumstances, the Debt Service Reserve Requirement pursuant to the terms of this Resolution shall be equal to \$0.00 during the entire period during which the Series 2012A Bonds, the 2012B Bonds, the Series 2012C Bonds or any Refunding Bonds, as the case may be, remain Outstanding.

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

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

**“DTC”** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds.

**“Event of Default”** means any occurrence or event designated as such in Section 9.01.

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

**“Fund”** means any Fund designated and established hereunder.

**“General Fund”** means the Fund so designated and established by Article V hereof.

**“Interest Account”** means the Account within the Debt Service Fund so designated and established by Article V hereof.

**“Interest Payment Date”** means each March 1 and September 1 until final maturity of the Bonds, commencing September 1, 2012.

**“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 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;
- (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 (including the Trustee), 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 fully 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.
  - (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, provided that such repurchase agreements satisfy each of the following requirements:

(i) The repurchase agreement is rated no lower than “Aa” by Moody’s Investors Service, Inc., or “AA” by Standard & Poor’s Corporation (without reference to any gradation within such rating category);

(ii) The weighted average maturity of the repurchase agreement is not longer than the lesser of the estimated average period required to complete construction of the Projects or five years from the date the repurchase agreement is entered into;

(iii) The seller of the repurchase agreement is a bank or trust company or a wholly-owned subsidiary of such bank or trust company which: (A) is headquartered in the United States and is a member of the Federal Reserve System or (B) is a securities broker which is headquartered in the United States, is registered with the Securities and Exchange Commission, and is currently on the “Approved List of Issuers of Commercial Paper” as permitted under N.J.A.C. 17:16-31;

(iv) The collateral for the repurchase agreement consists of obligations of the United States Government or an obligation of the following United States Government agencies:

(A) Federal Farm Credit Banks Consolidated Systemwide Bonds;

(B) Federal Financing Bank;

(C) Federal Home Loan Banks; and

(D) Federal Land Banks;

(v) At the time the repurchase agreement is purchased, the market value of the securities delivered as collateral pursuant to the repurchase agreement is equal to at least 102 percent of the par value of the repurchase agreement;

(vi) The securities delivered as collateral have a maturity not exceeding 10 years from the date of the repurchase agreement; and

(vii) The repurchase agreement shall be purchased pursuant to a competitively bid process.

(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 this 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 Closing”** means the date on which an executed Loan Agreement between the Trust and a Borrower is delivered pursuant to this 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.

**“Master Program Trust Account”** means the account and all subaccounts therein created pursuant to Section 3 of the Master Program Trust Agreement to be held by the Master Program Trustee in trust as additional security for the Holders of the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, and all other Coverage Receiving Trust Bonds as defined in the Master Program Trust Agreement.

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

**“Master Program Trustee”** means U.S. Bank Trust National Association (as successor to State Street Bank and Trust Company, N.A.), appointed pursuant to Section 2 of the Master Program Trust Agreement, and its successors as may be appointed pursuant to the provisions thereof.

**“Notice of Sale”** means the Notice of Sale of the Trust relating to the sale of the Series 2012A Bonds, the Series 2012B Bonds and the Series 2012C Bonds, to be dated on or about April 11, 2012, substantially in the form attached hereto as Exhibit C.

**“Operating Expense Fund”** means the Fund so designated and established by Article V hereof.

**“Outstanding”** or **“outstanding”** means, when used with reference to Bonds of any Series, as of any particular date (subject to the provisions of Section 14.08), all Bonds of such Series theretofore, or thereupon being, authenticated and delivered by the Trustee under this 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 Article XII; 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 this Bond Resolution.

**“Paying Agent”** means the Paying Agent appointed pursuant to Section 10.02, and its successors.

**“Principal Account”** means the Account within the Debt Service Fund so designated and established by Article V.

**“Principal Office”** means, when used with reference to the Trust, the Trustee, or the Paying Agent, the respective addresses of such parties as set forth in Section 14.07, and any further or different addresses as such parties may designate pursuant to Section 14.07.

**“Project Fund”** means the Fund so designated and established by Article V hereof.

**“Project Loan Account”** means any of the Accounts within the Project Fund so designated and established by Article V.

**“Rating Agency”** shall mean individually or collectively, as the case may be, the nationally recognized rating agencies that have published ratings for the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be.

**“Rebate Fund”** means the Fund so designated and established by Article V hereof.

**“Record Date”** means with respect to an Interest Payment Date for a particular Series of Bonds, unless otherwise provided by this Bond Resolution or Supplemental Resolution authorizing such Series, (i) if the Interest Payment Date is scheduled for the first (1st) day of any month, the fifteenth (15th) day (whether or not such day shall be a Business Day) of the month prior to such Interest Payment Date, or (ii) if the Interest Payment Date is scheduled for the fifteenth (15th) day of any month, the first (1st) day (whether or not such day shall be a Business Day) of the month in which such Interest Payment Date occurs.

**“Redemption Account”** means the Account within the Debt Service Fund so designated and established pursuant to Article V hereof.

**“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 this Bond Resolution.

**“Refunding Bonds”** means all Bonds authenticated and delivered pursuant to Section 2.04 hereof.

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

**“Reserve Capacity Debt Service Reserve Requirement”** means that portion of the Debt Service Reserve Requirement financed with a portion of the proceeds of the Series 2012A Bonds, the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, and attributable to the cost of funding reserve capacity for the Reserve Capacity Borrowers.

**“Reserve Capacity Borrowers”** means the Borrowers set forth in Section 2.03(7)(d) hereof.

**“Revenue Fund”** means the Fund so designated and established by Article V hereof.

**“Series”** means all of the Bonds authenticated and delivered on original issuance and identified pursuant to this 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 pursuant to Article III or Sections 4.07 or 11.10, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**“Series 2012A Bonds”** means the \$\_\_\_\_\_ aggregate principal amount of the Trust’s “Environmental Infrastructure Bonds, Series 2012A” authorized pursuant to Section 2.03 of the Series 2012A Bond Resolution.

**“Series 2012B Bonds”** means the \$\_\_\_\_\_ aggregate principal amount of the Trust’s “Environmental Infrastructure Bonds, Series 2012B” authorized pursuant to Section 2.03 of the Series 2012B Bond Resolution.

**“Series 2012C Bonds”** means the \$\_\_\_\_\_ aggregate principal amount of the Trust’s “Environmental Infrastructure Bonds, Series 2012C” authorized pursuant to Section 2.03 of the Series 2012C Bond Resolution.

**“Sinking Fund Installments”**, with respect to any Series of Bonds, shall have the meaning, if any, specified in either Section 2.03(6) of this Bond Resolution or the Applicable Supplemental Resolution.

**“SRF”**, with respect to any Fund, Account or Subaccount established under this 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 State of New Jersey Fiscal Year 2012 zero-interest loan made by the State of New Jersey, acting by and through the Department, to finance in part such Borrower’s Project.

**“Subaccount”** means any subaccount designated and established hereunder.

**“Supplemental Resolution”** means any resolution or resolutions of the Trust amending, modifying or supplementing this 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 this 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 each of the Series 2012A Bonds and the Series 2012B 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.

**“Trustee”** means the trustee appointed pursuant to Section 10.01, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to this Bond Resolution.

**SECTION 1.04. Bond Resolution and Bonds Constitute a Contract; Pledge of Trust Estate; Interest in Master Program Trust Account.** With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under this Bond Resolution

by those who shall hold the same from time to time: (i) this 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 herein and the duties, covenants, obligations and agreements set forth herein to be observed and performed by or on behalf of the Trust and the Trustee 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 hereby; (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 this Bond Resolution all in accordance with the provisions thereof and hereof, does hereby 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 hereby 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 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; (v) the Bonds shall be special obligations of the Trust payable solely (except as set forth in clause (vi) hereof) from and secured by a pledge of the Trust Estate as provided hereby; 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 amounts 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 hereby.

Nothing in this Bond Resolution expressed or implied is intended or shall be construed to confer upon, or give or grant to, any person or entity, other than the Trust, the Trustee, the Paying Agent and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Bond Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Bond Resolution contained by and on behalf of the Trust shall be for the sole and exclusive benefit of the Trust, the Trustee, the Paying Agent and the registered owners of the Bonds.

#### **SECTION 2.01. Authorization of Bonds; Designation of Bonds of Series.**

1. This Bond Resolution authorizes Bonds of the Trust to be designated as “Environmental Infrastructure Bonds” which may be issued from time to time in one or more Series. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under this Bond Resolution is not limited except as may hereafter be provided in this Bond Resolution or as may be limited by law.

2. The Bonds may, if and when authorized by the Trust pursuant hereto or pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “Environmental Infrastructure Bonds” shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the Trust may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

3. Neither the State of New Jersey 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 2.04. Refunding Bonds.**

1. One or more Series of Refunding Bonds may be issued at any time to refund any Outstanding Bond or Bonds of a particular Series or all of the Bonds of one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts under this Bond Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds. Refunding Bonds shall be on a parity with and, except as otherwise provided in the Applicable Supplemental Resolution for such Refunding Bonds, shall be entitled to the same benefit and security of this Bond Resolution including the pledge of the Trust Estate as the Bonds of the Series of Bonds which are being refunded.

2. Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by Section 2.02) of:

(a) Instructions to the Trustee, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of Section 12.01;

(b) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding sixty (60) days, instructions to the Trustee, satisfactory to it, to mail the notice provided for in Section 12.01 to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded together with accrued interest on such Bonds to the redemption date or dates, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) qualifying Investment Securities in such principal amounts of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys as shall be necessary to comply with the provisions of subsection 2 of Section 12.01, which Investment Securities and moneys shall be held in trust and used only as provided in said subsection 2 of Section 12.01;

(d) A Certificate of an Authorized Officer of the Trust demonstrating that the Trust Bond Loan Repayments to become due in each Bond Year during which such Refunding Bonds shall be Outstanding shall be sufficient to pay when due the principal or Redemption Price of, and interest on, all Bonds Outstanding upon the authentication and delivery of such Series of Refunding Bonds;

(e) A verification report of an independent nationally recognized certified public accountant addressed to the Trust and the Trustee with respect to the matters set forth in (c) and (d) hereof; and

(f) In the event that a forward supply contract is employed in connection with the matters set forth in (c) and (d) hereof, (i) the verification report required by (e) hereof shall expressly state that the adequacy of the irrevocable trust described in (c) hereof to accomplish the issuance of Refunding Bonds relies solely on the initial investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the escrow agreement entered into by the Trust pursuant to (c) hereof shall provide that in the event of any discrepancy or differences between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

3. The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Refunding Bonds for the purposes of making deposits, if any, in such Funds and Accounts as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

**SECTION 4.01. Privilege of Redemption and Redemption Price.** Bonds subject to redemption prior to maturity pursuant to this Bond Resolution shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in this Article IV as may be specified in this Bond Resolution and the Supplemental Resolution authorizing such Series of Bonds. In order to redeem prior to maturity Bonds which are registered in the name of Cede & Co., the Redemption Price plus accrued interest thereon shall be deposited with the Trustee in immediately available funds not later than 11:00 a.m., New York City time, on the redemption date.

**SECTION 4.02. Optional and Mandatory Sinking Fund Redemption.**

1. The Series 2012A Bonds, the 2012B Bonds or the Series 2012C Bonds, as the case may be, shall be subject to optional redemption and mandatory sinking fund redemption in accordance with the provisions of this Bond Resolution, including, without limitation, Sections 2.03(5) and (6), respectively, hereof.

2. In the case of any redemption of Bonds at the election or direction of the Trust, the Trust shall give written notice to the Trustee of its election or direction to so redeem, of the redemption date, and of the principal amounts of the Bonds of each maturity to be redeemed (which maturities and principal amounts thereof to be redeemed shall be determined by the Trust in its sole discretion, subject to any limitations with respect thereto contained in this Bond Resolution). Such notice shall be given at least fifty (50) days prior to the redemption date or such shorter period as shall be agreed to in writing by the Trustee. In the event notice of redemption shall have been given as provided in Section 4.05, the Trust shall pay or require the Applicable Borrower to pay to the Trustee on or prior to the redemption date an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

**SECTION 4.03. Redemption Otherwise than at Trust's Election or Direction.** Whenever by the terms of this Bond Resolution the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Trust, the Trustee shall select the Bonds to be redeemed, give the notice of redemption as provided in Section 4.05 and pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the Paying Agent in accordance with the terms of this Article IV and, to the extent applicable, Article V hereof.

**SECTION 4.04. Selection of Bonds to Be Redeemed.** If less than all of the Bonds of like maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee shall determine; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum denomination in which Bonds of such Series are authorized to be outstanding after the redemption date.

**SECTION 4.05. Notice of Redemption.** When Bonds of a Series have been selected for redemption pursuant to any provision of this Bond Resolution, the Trustee shall give written notice of the redemption of such Bonds in the name of the Trust at the times specified in the second paragraph of this Section, which notice shall set forth: (i) the Series of the Bonds to be redeemed, (ii) the date fixed for redemption, (iii) the Redemption Price to be paid, (iv) that such Bonds will be redeemed at the Principal Office of the Paying Agent, (v) if less than all of such Bonds shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed, (vi) in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, and (vii) except with respect to a mandatory sinking fund redemption, that such redemption is conditioned upon there being on deposit with the Trustee on the date designated for redemption moneys sufficient for the payment of the Redemption Price and the accrued interest to the redemption date. Such notice shall further state that on the redemption date there shall become due and payable the Redemption Price of all Bonds to be redeemed, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue. In case any Bond is to be redeemed in part only, the notice of redemption that relates to such Bond shall state also that on or after the redemption date, upon surrender of such Bond, the Holder thereof shall be entitled to a new Bond or Bonds of the same Series, bearing interest at the same rate and in aggregate principal amount equal to the unredeemed portion of such Bond.

The notice required to be given by the Trustee pursuant to this Section shall be sent by first class mail to the registered owners of the Bonds to be redeemed, at their addresses as they appear on the Bond registration books of the Trust, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date. The failure to give notice of the redemption of any Bond or portion thereof to the registered owner of such Bond as herein provided shall not affect the validity of the proceedings for the redemption of any Bonds for which notice of redemption has been given in accordance with the provisions of this Section.

**SECTION 4.06. Payment of Redeemed Bonds.** On the date designated for redemption, notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds called for redemption shall become and be due and payable at the Redemption Price provided for redemption of such Bonds or such portions thereof on such date and, if upon presentation and surrender moneys for the payment of the Redemption Price and the accrued interest to the redemption date are held in a separate account by the Trustee in trust for the holders of such Bonds, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof shall cease to be entitled to any benefit or security under this Bond Resolution and the Holders of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof and the accrued interest thereon and, to the extent provided in Section 4.07 hereof, to receive Bonds for any unredeemed portions of Bonds.

**SECTION 4.07. Redemption of Portions of Bonds.** In case part but not all of an Outstanding Bond shall be selected for redemption, upon presentation and surrender of such Bond to the Paying Agent for payment of the principal amount thereof so called for redemption and accrued interest thereon on or after the redemption date, the Trust shall execute and the Trustee shall authenticate and deliver to or upon the order of the registered owner thereof or his attorney or legal representative, without charge therefor, a Bond or Bonds of the same Series bearing interest at the same rate and of any denomination or denominations authorized by this Bond Resolution in aggregate principal amount equal to the unredeemed portion of such Bond.

**SECTION 5.01. Creation of Funds and Accounts.** The following funds and separate accounts within funds shall be established, held and maintained for the Bonds:

1. Debt Service Fund, to be held by the Trustee, which shall consist of an Interest Account, a Capitalized Interest Account, a Principal Account and a Redemption Account, each of which Accounts shall be further subdivided into an SRF Subaccount and a non-SRF Subaccount, each of which Subaccounts shall be further subdivided into a Clean Water Subaccount and a Drinking Water Subaccount;

2. Debt Service Reserve Fund, to be held by the Trustee, which shall consist of an SRF Account and a non-SRF Account, each of which Accounts shall be subdivided into a Clean Water Subaccount and a Drinking Water Subaccount;

3. General Fund, to be held by the Trustee, which shall consist of an SRF Account and a non-SRF Account, each of which Accounts shall be subdivided into a Clean Water Subaccount and a Drinking Water Subaccount;

4. Operating Expense Fund, to be held by the Trust, which shall consist of an Administrative Fee Account and a Costs of Issuance Account;

5. Project Fund, to be held by the Trustee, which shall consist of a separate Project Loan Account established (i) for each Borrower to which a single Loan is to be made from a portion of the proceeds of the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, and, if applicable, (ii) for each Loan with respect to any Borrowers that have received two or more loans from a portion of the proceeds of the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, each of which Project Loan Accounts shall be designated either “SRF” or “non-SRF” pursuant to Section 5.02 hereof, each of which Accounts shall be subdivided into a Clean Water Subaccount and a Drinking Water Subaccount;

6. Revenue Fund, to be held by the Trustee, which shall consist of an SRF Account and a non-SRF Account, each of which Accounts shall be subdivided into a Clean Water Subaccount and a Drinking Water Subaccount; and

7. With respect to the Series 2012A Bond Resolution and the Series 2012B Bond Resolution, Rebate Fund, to be held by the Trustee, which shall consist of a General Rebate Account.

8. Pursuant to a certificate of an Authorized Officer of the Trust, the Trust may direct the Trustee to establish additional funds, accounts within funds, and subaccounts within accounts, in the manner set forth in such certificate.

Each of the funds and accounts created by this Bond Resolution, other than the Operating Expense Fund, the Project Fund, the Rebate Fund and the amounts held in the Capitalized Interest Account of the Debt Service Fund that are allocable to and held for the benefit of the Camden County Municipal Utilities Authority, Free Acres Association, Inc., Pequannock, Lincoln Park and Fairfield Sewerage Authority, Pompton Lakes Borough Municipal Utilities Authority and West Milford Township Municipal Utilities Authority is hereby pledged to, and charged with, the payment of the principal or Redemption Price of and interest on the Bonds as the same shall become due.

#### **SECTION 5.02. Project Fund.**

1. 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.

2. There shall be deposited into each Project Loan Account from the proceeds of the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, the respective amounts set forth in the Certificate of an Authorized Officer of the Trust delivered to the Trustee pursuant to Section 2.03(7)(f) hereof, which Certificate shall also designate each such Project Loan Account as “SRF” or “non-SRF”.

3. Subject to Section 5.09 with respect to the Camden County Municipal Utilities Authority, Hanover Sewerage Authority, Hamilton Township Municipal Utilities Authority, Pompton Lakes Borough Municipal Utilities Authority and Rockaway Valley Regional Sewerage Authority, the Trustee shall make payments from a Project Loan Account for Costs of a Borrower’s Project in the amounts, at the times, in the manner and on the other terms and conditions set forth in this Section 5.02 and in such Borrower’s Loan Agreement. 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.

4. The Trust shall file with the Trustee a Certificate, signed by an Authorized Officer of the Trust, with respect to each Project Loan Account directing the Trustee to transfer to the Debt Service Fund to be applied as a credit against and considered as Trust Bond Loan Repayments due from the respective Borrower in whose favor any such Project Loan Account was established (a) all of the moneys remaining in any such Project Loan Account at the times and upon satisfaction of the conditions set forth in Section 5.02(4)(i) below, (b) all or a portion of the interest earned and retained in any such Project Loan Account at the times and upon satisfaction of the conditions set forth in Section 5.02(4)(ii) below, or (c) all or a portion of the original principal amount deposited in accordance with Section 2.03(7)(e) hereof and remaining in any such Project Loan Account at the times and upon satisfaction of the conditions set forth in Section 5.02(4)(iii) below.

(i) The Trust shall file the Certificate ordering the transfer referred to in Section 5.02(4)(a) above when (A) the Trust has approved all requisitions to be paid from any such Project Loan Account that are eligible to be approved under the Regulations, or (B) such Borrower has prepaid all of its Loan pursuant to Section 3.03A or Section 3.07 of such Borrower’s respective Loan Agreement. Such Certificate shall also state (X) that the proceeds of the Loan have been fully disbursed to the extent allowed by the Regulations, and (Y) 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.

(ii) The Trust shall file the Certificate ordering the transfer referred to in Section 5.02(4)(b) above when the Trust has been notified that (A) all of the contracts for completion of the respective Borrower’s Project must have been awarded, (B) the low bid building cost must have been established by the Department and any dispute between the Department and the Borrower regarding same must be settled and (C) the last date of the original draw schedule set forth in Exhibit C to the Borrower’s Loan Agreement has passed. If any moneys that constitute interest earned in the Project Loan Account remain on deposit in the Project Loan Account after such initial transfer to the Debt Service Fund, such Certificate shall also set forth a schedule indicating when and how much of the remaining moneys that constitute interest earned in the Project Loan Account 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.

(iii) The Trust shall file the Certificate ordering the transfer referred to in Section 5.02(4)(c) above when the Trust has been notified that (A) all of the contracts for completion of the respective Borrower's Project must have been awarded, (B) the low bid building cost must have been established by the Department and any dispute between the Department and the Borrower regarding same must be settled, (C) the Project must be sufficiently completed such that the Department has authorized the Borrower to commence operation of the Borrower's Project and (D) the last date of the original draw schedule set forth in Exhibit C to the Borrower's Loan Agreement has passed. If any moneys that constitute all or a portion of the original principal amount deposited in any such Project Loan Account in accordance with Section 2.03(7)(e) hereof remain on deposit in the Project Loan Account, such Certificate shall also set forth a schedule indicating when and how much of the remaining moneys that constitute all or a portion of the original principal amount deposited in any such Project Loan Account in accordance with Section 2.03(7)(e) hereof 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.

(iv) The Trustee shall transfer from the Project Loan Accounts to the SRF Account or the non-SRF Account of the Debt Service Fund, as applicable, the amounts contained in any such Certificate of the Trust at the times indicated therein.

5. 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 the Series 2012A Bonds or the Series 2012B Bonds, as the case may be, 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 hereof, 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 made necessary to effect such early disbursement, shall be borne solely by any such Borrower.

### **SECTION 5.03. Operating Expense Fund.**

1. There shall be established within the Operating Expense Fund a Costs of Issuance Account and an Administrative Fee Account.

2. In addition to the amounts deposited in the Costs of Issuance Account from the proceeds of the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, pursuant to Section 2.03(7)(b), there shall be deposited in the Costs of Issuance Account from the proceeds of each Series of Refunding Bonds, the amounts set forth for deposit therein pursuant to the Supplemental Resolutions authorizing the issuance of each such Series of Refunding Bonds.

3. 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 this Bond Resolution, in the amounts, at the times, in the manner and on the other terms and conditions as the Trust shall determine to be fair and reasonable in the payment of the particular items of the Costs of Issuance relating to the issuance of a particular Series of Bonds and, in the case of the Series 2012A Bond Resolution and the Series 2012B Bond Resolution, in accordance with the provisions of the Tax Certificate. Upon the payment of all Costs of Issuance as evidenced by a Certificate of an Authorized Officer of the Trust to such effect, the amounts remaining in the Costs of Issuance Account, if any, shall be transferred (i) to the Debt Service Fund and deposited into the Interest Account thereof to pay the interest and to the extent available therefor, deposited in the Principal Account thereof to pay the principal of the Bonds due and owing on the immediately succeeding Interest Payment Date, in which case such amounts shall be credited to the Trust Bond Loan Repayments of Borrowers in the percentages set forth on Schedule I-B attached hereto, or (ii) as otherwise set forth in a Certificate of an Authorized Officer of the Trust.

4. The Trustee shall deposit in the Administrative Fee Account the Administrative Fees received by the Trustee on behalf of the Trust pursuant to the Loan Agreements. 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 this Bond Resolution 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 5.04. Revenues.** 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 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, under this 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:

(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 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be,;

(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 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, 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 this Section 5.04 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 this Section 5.04 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(2) 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) hereof.

#### **SECTION 5.05. Revenue Fund.**

1. On or prior to each Interest Payment Date, the Trustee shall transfer from amounts in the SRF Account and the non-SRF Account of the Revenue Fund to the SRF Subaccount and the non-SRF Subaccount, as applicable, of the Interest Account in the Debt Service Fund, the amount which, together with the amounts, if any, already on deposit in such subaccounts of 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 pursuant to this Bond Resolution or a Supplemental Resolution, is equal in the aggregate to the interest due and payable on the Bonds on such Interest Payment Date.

2. 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 SRF Account and the non-SRF Account of the Revenue Fund to the SRF Subaccount and the non-SRF Subaccount, as applicable, of the Principal Account in the Debt Service Fund the amount which, together with the amounts, if any, already on deposit in such subaccounts of the Principal Account (other than investment earnings on amounts that have been received in the Principal Account since the immediately preceding Interest Payment Date), is equal in the aggregate to the principal, including Sinking Fund Installments, if any, due and payable on the Bonds on such September 1.

3. 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 SRF Account and the non-SRF Account of the Revenue Fund, (i) to the SRF Subaccount and the non-SRF Subaccount, as applicable, of the Redemption Account in the Debt Service Fund an amount equal in the aggregate to the Redemption Price due and payable on all Bonds to be redeemed on such redemption date and (ii) to the SRF Subaccount and the non-SRF Subaccount, as applicable, of the Interest Account in the Debt Service Fund an amount equal in the aggregate to the interest accrued and not paid and to accrue on such Bonds to such redemption date. Money received from a Borrower prior to March 1, 2021, 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 September 1, 2021.

4. 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 SRF Account or the non-SRF Account, as applicable, of the Debt Service Reserve Fund.

5. The Trustee shall keep records and accounts with respect to the Revenue Fund. Such records shall be in such format so that all amounts received by the Trustee from the Borrowers under the Loan Agreements can be properly designated as interest or principal payments on the Loans, other amounts payable under the Loan Agreements or investment earnings attributable to such amounts.

#### **SECTION 5.06. Debt Service Fund.**

1. 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 Section 3.01 hereof.

2. 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.

3. 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 5.07. Debt Service Reserve Fund.**

1. Each Rating Agency that has been requested by the Trust to publish a rating for the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, has determined that such Rating Agency shall assign to the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, upon the issuance thereof, the highest rating assigned to any such debt instruments by such Rating Agency notwithstanding the fact that the Debt Service Reserve Requirement with respect to the Series 2012 Bonds is equal to \$0.00. Therefore, in accordance with the last sentence of the definition of "Debt Service Reserve Requirement" set forth in Section 1.10 of the Resolution, the Debt Service Reserve Requirement with respect to the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, pursuant to the terms of the Resolution shall be equal to \$0.00 during the entire period during which the 2012B Bonds or the Series 2012C Bonds, as the case may be, remain Outstanding. To the extent any moneys are on deposit in the Debt Service Reserve Fund, such moneys shall be applied solely as provided in this Section.

2. 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 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 second paragraph of Section 3.04 of 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 attached hereto.

3. Whenever the Trustee is notified by the Trust that 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.

4. After any transfer made pursuant to Section 5.07(3) herein and upon the cancellation of all Series 2012A Bonds, Series 2012B Bonds or Series 2012C Bonds, as the case may be, and any Refunding Bonds in accordance with Section 3.08 hereof, 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.

5. (a) 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 that 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 (i) of the Trust's consent to such prepayment, where applicable, and (ii) 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 that 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 Article XII hereof, 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.

(b) Whenever any Borrower that is not a Reserve Capacity Borrower and that 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 (i) of the Trust's consent to such prepayment, where applicable, and (ii) that 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.

6. 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.

7. Investment of the Debt Service Reserve Fund shall be valued every ten (10) years, at the market value thereof, exclusive of accrued interest. Notwithstanding anything to the contrary in Section 5.10 hereof, 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 Section 5.10 hereof. Investments purchased with funds on deposit in the Debt Service Reserve Fund shall have a term to maturity of not greater than ten (10) years.

**SECTION 5.08. General Fund.** On the first day of each Bond Year beginning September 1, 2012, the Trustee shall deposit in the SRF Account and non-SRF Account, as applicable, of the General Fund all moneys then remaining in the Revenue Fund except for those moneys identified as credits under Section 5.10 hereof to be transferred to the Interest Account on the second day of such Bond Year; 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 required pursuant to subsections (1), (2), (3) and (4) of Section 5.05 shall have been made, and (iii) all funds required to be on deposit in the Revenue Fund pursuant to Section 5.05(2) are on deposit in the Revenue Fund. Moneys on deposit in the General Fund that shall not be required to be transferred to the Interest Account in the Debt Service Fund pursuant to Section 5.10 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. Such requisition shall state that the Trust is requesting such moneys pursuant to the provisions of this Section 5.08.

**SECTION 5.09. Moneys to Be Held in Trust.** All moneys required to be deposited with or paid to the Trustee or the Paying Agent for the account of any fund or account established under any provision of this Bond Resolution for the Bonds in accordance with this Bond Resolution, other than the Project Loan Account in the Project Fund, the Operating Expense Fund, the Rebate Fund and the amounts held in the Capitalized Interest Account of the Debt Service Fund that are allocable to and held for the benefit of the Camden County Municipal Utilities Authority, Hanover Sewerage Authority, Hamilton Township Municipal Utilities Authority, Pompton Lakes Borough Municipal Utilities Authority and Rockaway Valley Regional Sewerage Authority, shall be held by the Trustee or the Paying Agent, as the case may be, in trust for the Holders of the Bonds and shall constitute part of the Trust Estate while held by the Trustee or the Paying Agent; provided, however, that moneys deposited with or held by the Trustee or the Paying Agent for the redemption of Bonds on or after the redemption date of such Bonds, or for the payment of the Redemption Price of or interest on Bonds on or after the date on which such amounts shall have become due shall be held and applied solely for the redemption or payment of the Redemption Price of or the payment of the interest on such Bonds.

If, with respect to the Camden County Municipal Utilities Authority, Hanover Sewerage Authority, Hamilton Township Municipal Utilities Authority, Pompton Lakes Borough Municipal Utilities Authority or Rockaway Valley Regional Sewerage Authority, the Trustee receives (i) notice that an event of default has occurred under the provisions of the bond resolution authorizing the issuance of the bond evidencing the Loan under the Loan Agreement thereof, (ii) notice that such trustee has demanded repayment of the amounts on deposit in the Project Loan Account in the Project Fund allocable thereto and (iii) a Certificate of an Authorized Officer of the Trust authorizing any such transfer, the Trustee shall transfer such funds remaining in the Project Loan Account in the Project Fund allocable

thereto in a manner consistent with the written instructions to the Trustee as set forth in any such Certificate of an Authorized Officer of the Trust.

#### **SECTION 5.10. Investments.**

1. **Generally.** All moneys in any of the Funds and Accounts created under this Bond Resolution, other than the Operating Expense Fund and 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 this Section. 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 shall be invested by the Trust in accordance with the provisions of this Section.

Moneys in all Funds and Accounts created under this 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 hereunder, 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.

Investment Securities acquired as an investment of moneys in any Fund or Account created under this Bond Resolution shall be credited to such Fund or Account. For the purpose of determining the amount in any Fund or Account at any time in accordance with this Bond Resolution, all Investment Securities credited to such Fund or Account shall be valued at the lesser of amortized cost (exclusive of accrued interest) or fair market value.

The Trustee may act as principal or agent in the acquisition or disposition of any Investment Securities. The Trustee shall exercise its best efforts to sell at the best price obtainable, or present for redemption, any Investment Securities to the credit of any Fund or Account created under this Bond Resolution, other than the Operating Expense Fund, the Accounts established therein and the Rebate Fund, whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from such Fund or Account, and the Trustee shall not be liable for any loss resulting from such necessary sale so made of such investments.

2. **Earnings on the Debt Service Reserve Fund During the Capitalized Interest Period.** Amounts earned from the investment of the Debt Service Reserve Fund during the capitalized interest period (from September 1, 2012 and on each Interest Payment Date through and including September 1, 2014) shall be applied as follows:

(a) **Borrowers that are Capitalizing Interest.** Commencing September 1, 2012 and on each Interest Payment Date thereafter through and including September 1, 2014, 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 this Bond Resolution to the Capitalized Interest Account to be applied to the payment of a portion of the interest due on the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, on such Interest Payment Date.

(b) **Borrowers that are not or are no Longer Capitalizing Interest.** Commencing September 1, 2012 and on each Interest Payment Date thereafter through and including September 1, 2014, the Trustee shall transfer the balance of the net earnings from the investment of moneys in the SRF and non-SRF portions of the Debt Service Reserve Fund respectively, to the SRF Subaccount and the non-SRF Subaccount, as applicable, of the Interest Account in the Debt Service Fund and apply such amounts as credits against the Interest Portion of the Trust Bond Loan Repayment due on any such

immediately succeeding 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 applicable to the Borrowers set forth on Schedule II-A (for SRF Borrowers) and Schedule II-B (for non-SRF Borrowers) attached hereto; 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) 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) if 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 (to the extent applicable during the capitalized interest period), 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 in writing of all such net earnings so transferred. Such writings shall set forth the net earnings for each such fund or account created hereunder.

**3. Earnings on all Funds and Accounts Other than the Funds and Accounts not Subject to Transfer and Credit and Other than the Debt Service Reserve Fund During the Capitalized Interest Period.** 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, 2012 from investment of moneys in any fund or account created hereunder, other than the Operating Expense Fund, the Rebate Fund, the Project Fund and the respective accounts established therein, and the Capitalized Interest Account in the Debt Service Fund, shall be deposited or retained in the SRF Subaccount and non-SRF Subaccount as applicable, of the Interest Account in the Debt Service Fund on September 2, 2012; (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 this Bond Resolution, other than the funds and accounts excepted in (i) above, shall be deposited or retained in the SRF Subaccount and non-SRF Subaccount as applicable, of 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 this Bond Resolution, other than the funds and accounts excepted in (i) and (ii) above, shall be deposited or retained in the SRF Subaccount and non-SRF Subaccount as applicable, of 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, 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.

4. **Specific Borrower Credits.** The Trustee, simultaneously with each transfer contemplated by Section 5.10(2) and (3) hereof, shall notify the Trust in writing of all such net earnings so transferred. Such writings shall set forth the net earnings for each such fund or account created hereunder. The Trust 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. The net earnings allocable to a Borrower shall be the sum of: (a) said Borrower's pro rata share of the net earnings derived in accordance with Section 5.10(3) hereof from the SRF or non-SRF Subaccounts or Accounts, as applicable, of the Interest Account, the Principal Account and the Redemption Account in the Debt Service Fund, the General Fund and the Revenue Fund (*i.e.*, all funds and accounts created hereunder other than (i) those funds and accounts listed in Section 5.05 hereof, the earnings on which accounts are not subject to transfer and credit in favor of Borrower Trust Bond Loan Repayments and (ii) the Debt Service Reserve Fund, the earnings on which are subject to transfer and credit during the capitalized interest period in accordance with Sections 5.10(2) and (4)(b) during the capitalized interest period and Sections 5.10(3), 4(c) and 4(d) for all other periods) in any Bond Year commencing on or after September 1, 2012, which pro rata share shall be equal to the product of: (i) such net earnings so derived from the SRF or non-SRF accounts of such funds or accounts, as applicable and (ii) said Borrower's Allocable Share (as determined pursuant to Schedule I-A attached hereto); (b) during the period from the issuance of the Series 2012A Bonds, the Series 2012B Bonds or the Series 2012C Bonds, as the case may be, through and including September 1, 2014 (the capitalized interest period), said Borrower's net earnings derived from the SRF or non-SRF Account, as applicable of the Debt Service Reserve Fund as set forth in Section 5.10(2) (a) (for Borrowers that are capitalizing interest) and 5.10(2)(b) for Borrowers that are not or are no longer capitalizing interest hereof; (c) after the capitalized interest period for SRF Borrowers, said Borrower's pro rata share of the net earnings derived from the SRF Account of the Debt Service Reserve Fund in any Bond Year, which pro rata share shall be equal to the product of (i) such net earnings and (ii) 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 I-A attached hereto) 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 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 SRF Borrowers which have not been repaid as of the last day of such Bond Year; and (d) after the capitalized interest period for non-SRF Borrowers, said Borrower's pro rata share of the net earnings derived from the non-SRF Account of the Debt Service Reserve Fund in any Bond Year, which pro rata share shall be equal to the product of (i) such net earnings and (ii) 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 I-A attached hereto) 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 non-SRF Borrowers which have not been repaid as of the last day of such Bond Year. Provided, however (with respect to (c) and (d) above), that during any valuation date 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 and retained in the Debt Service Reserve Fund until the amount on deposit therein equals the Debt Service Reserve Requirement.

5. **Earnings on Funds and Accounts Not Subject to Transfer and Credit.** All interest, profits and other income earned and received by the Trustee and the Trust, as appropriate, net of any losses suffered (herein called the “net earnings”), from the investment of moneys in the Project Loan Accounts, the Capitalized Interest Account, the Rebate Fund, the Revenue Fund and the Operating Expense Fund, shall be retained in and treated as part of such fund or accounts and applied in accordance with the Sections of this Bond Resolution governing such funds or accounts.

6. **Rebate Fund** With respect to the Series 2012A Bond Resolution and the Series 2012B Bond Resolution, the Trust may withdraw and utilize earnings in any fund or account other than the Interest Account and the Principal Account in the Debt Service Fund to pay into the Rebate Fund held by the Trust any amounts desired by the Trust or required pursuant to the Code to be set aside for rebate or to satisfy a yield restriction requirement to the Internal Revenue Service, as outlined in the Tax Certificate or any letter of instructions referred to in Section 8.06(2) hereof; provided, however, that to the extent any such moneys and investment earnings thereon on deposit in the Rebate Fund shall not be needed for such purposes at the times so outlined, all or a portion of such moneys may be transferred by the Trustee to the General Fund upon the Trustee’s receipt of written instructions from the Trust to such effect. The Trust shall submit to the Trustee a certificate specifying the funds or accounts and the amount of earnings to be withdrawn for such purposes, and the Trustee shall be entitled to rely on each such certificate in making payments to the Trust.

**SECTION 6.03. Restrictions on Loans.** No Loan may be made to reimburse a Series 2012A Borrower or a Series 2012B Borrower for all or a portion of the Cost of any such Borrower’s Project, or to refinance indebtedness or reimburse any such 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 Series 2012A Bonds or the Series 2012B Bonds as the case may be.

**SECTION 8.03. 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 Section 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 evidences 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 this 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 8.04. 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, this 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 and 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 this Bond Resolution; (ii) a statement of the Revenues collected in connection with this Bond Resolution; (iii) a statement whether the balance in the Debt Service Reserve Fund meets the Debt Service Reserve Requirement established under this 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 this Bond Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof.

#### **SECTION 8.06. Tax Rebate.**

1. In connection with the issuance of any Bonds pursuant to the Series 2012A Bond Resolution or the Series 2012B Bond Resolution, 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.

2. Any amounts required to be set aside for rebate or to satisfy a yield restriction requirement 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 Section 5.10 hereof.

**SECTION 8.07. 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, or (ii) to the payment of Bonds in accordance with Section 12.01. 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 9.01. Defaults; Events of Default.** If any of the following events occurs, it is hereby defined as and declared to be and to constitute an “Event of Default” for the Bonds of all Series then Outstanding:

- (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) if (i) the Trust shall be adjudicated a bankrupt or become subject to an order for relief under federal bankruptcy law, (ii) the Trust shall institute a proceeding seeking an order for relief under

federal bankruptcy law or seeking to be adjudicated a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or all of its debts under New Jersey bankruptcy or insolvency law, (iii) with the consent of the Trust, there shall be appointed a receiver, liquidator or similar official for the Trust under federal bankruptcy law or under New Jersey bankruptcy or insolvency law, or (iv) without the application, approval or consent of the Trust, a receiver, trustee, liquidator or similar official shall be appointed for the Trust under federal bankruptcy law or under New Jersey bankruptcy or insolvency law, or a proceeding described in clause (ii) above shall be instituted against the Trust and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) consecutive days; or

(d) if (i) the Trust shall make an assignment for the benefit of creditors, (ii) the Trust shall apply for or seek the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (iii) the Trust shall fail to file an answer or other pleading denying the material allegations of any proceeding filed against it described under clause (ii) of paragraph (c) of this Section, (iv) the Trust shall take any action to authorize or effect any of the actions set forth in paragraph (c) or (d) of this Section, (v) the Trust shall fail to contest in good faith any appointment or proceeding described in paragraph (c) or (d) of this Section or (vi) without the application, or approval or consent of the Trust, a receiver, trustee, examiner, liquidator or similar official shall be appointed for any substantial part of the Trust's property and such appointment shall continue undischarged or such proceedings shall continue undismissed or unstayed for a period of thirty (30) consecutive days; or

(e) the Trust shall 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 this Bond Resolution or the Bonds of each Series, which default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall be given to the Trust by the Trustee or the Bondholders in accordance with Section 9.10 hereof.

**SECTION 9.02. Acceleration of Bonds; Remedies.** If an Event of Default described in Section 9.01 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 this 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 this 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 applicable 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, and 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 this Section as the Trustee shall deem most expedient in the interests of the Holders of Bonds.

No right or remedy by the terms of this Bond Resolution conferred upon or reserved to the Trustee (or to the Holders of Bonds) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to Trustee or to such Holders hereunder or now or hereafter existing at law or in equity or by statute other than pursuant to the Act. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee or by the Holders of any Bonds in default, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

**SECTION 9.03. Right of Holders of a Series of Bonds to Direct Proceedings.** Anything in this Bond Resolution to the contrary notwithstanding, but subject to Section 9.07 hereof, the Holders of a majority in aggregate principal amount of Bonds in default then Outstanding shall have the right at any time during the continuance of an Event of Default of such Bonds, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this 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 this Bond Resolution.

**SECTION 9.05. Application of Moneys.** All moneys received by the Trustee pursuant to any right or remedy given or action taken under the provisions of this Article 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 hereunder), shall be applied, first, to the payment of the interest then due and unpaid upon the Bonds in default and, second, to the payment of the principal then due and unpaid upon the Bonds in default, to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond in default until such obligation shall be presented to the Trustee for appropriate endorsement or for cancellation (as the case may be).

**SECTION 9.07. Rights and Remedies of Holders of Bonds.** 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 this Bond Resolution or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, 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 hereinbefore granted 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 hereinbefore granted, 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 this Bond Resolution, and to any action or cause of action for the enforcement of this Bond Resolution, or for the appointment of a receiver or for any other remedy hereunder. 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 this Bond Resolution by his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Holders of all Bonds then Outstanding; provided, however, that nothing contained in this 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 issued hereunder to the respective Holders thereof at the time and place, from the source and in the manner expressed in the Bonds and in this Bond Resolution and the Applicable Supplemental Resolution.

**SECTION 9.08. Termination of Proceedings.** In case the Trustee or a Holder of a Bond in default shall have proceeded to enforce any right under this 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 hereunder, respectively, and all rights, remedies and powers of the Trustee and the Holders shall continue as if no such proceedings have been taken.

**SECTION 9.09. 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 this Bond Resolution; but no such waiver shall extend to any subsequent or other Event of Default, or impair any rights consequent thereon.

**SECTION 10.07. Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties and obligations created by this Bond Resolution by giving not less than sixty (60) days' written notice to the Trust, and mailing notice thereof the Holders of the Bonds then Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Trust or the Bondholders as provided in Section 10.09, in which event such resignation shall take effect immediately on the appointment of such successor, or unless a successor shall not have been appointed by the Trust or the Bondholders as provided in Section 10.09 on that date, in which event such resignation shall not take effect until a successor is appointed.

**SECTION 10.08. Removal of Trustee.** The Trustee may be removed at any time: (i) 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, or (ii) so long as no Event of Default, or any event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, for just cause by a resolution of the Trust filed with the Trustee. Notwithstanding any other provision in this Article X, no removal of the Trustee shall take effect until a successor shall be appointed pursuant to the provisions of Section 10.09.

**SECTION 10.09. Appointment of Successor Trustee.**

1. In case at any time the 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 Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the 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 Trustee within forty-five (45) days then by the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any 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 Trustee, notification thereof being given to the Trust and the predecessor Trustee. After such appointment of a successor Trustee, the Trust shall mail notice of any such appointment made by it or the Bondholders to the Holders of the Bonds then Outstanding.

2. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Trust written notice as provided in Section 10.07 or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of

competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

3. Any Trustee appointed under the provisions of this Section in succession to the 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, 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 this Bond Resolution.

#### **SECTION 10.13. Resignation or Removal of Paying Agent; Appointment of Successor.**

1. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Bond Resolution by giving at least sixty (60) days written notice to the Trust, the Trustee and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Trust. Any successor Paying Agent shall be appointed by the Trust with the written 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 this Bond Resolution.

2. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

**SECTION 11.01. Supplemental Resolutions Effective Upon Filing With Trustee.** For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Trust may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Trust, shall be fully effective in accordance with its terms:

(a) To close this Bond Resolution against, or provide limitations and restrictions contained in this Bond Resolution on, the authentication and delivery of Bonds;

(b) To add to the duties, covenants, obligations and agreements of the Trust in this Bond Resolution, other duties, covenants, obligations and agreements to be observed and performed by the Trust which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;

(c) To add to the limitations and restrictions in this Bond Resolution, other limitations and restrictions to be observed by the Trust which are not contrary to or inconsistent with this Bond Resolution as theretofore in effect;

(d) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Bonds including whether to issue Bonds in book entry forms, which are not contrary to or inconsistent with this 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;

(e) To confirm as further assurance, any security interest, pledge or assignment under this Bond Resolution, and the subjection of the Revenues or of any other moneys, securities or funds to any security interest, pledge or assignment created or to be created by a Bond Resolution;

(f) To modify any of the provisions of a Bond Resolution in any other respect whatever, 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;

(g) To modify any of the provisions of a Bond Resolution in any respect provided that the modifications affect only Bonds issued subsequent to the date of such modifications; or

(h) 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.

If the Supplemental Resolution adopted by the Trust pursuant to this Section materially increases the duties and responsibilities of the Trustee hereunder, the Trust shall reasonably compensate the Trustee for such materially increased duties and responsibilities.

**SECTION 11.02. Supplemental Resolutions Effective Upon Consent of Trustee.** For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Trust, (ii) the filing with the Trust of an instrument in writing made by the Trustee consenting thereto, and (iii) the filing with the Trust and the Trustee of an opinion of Bond Counsel to the effect that such Supplemental Resolution will not adversely affect the exclusion from gross income of the interest on the Series 2012A or the Series 2012B Bonds, as the case may be, for federal income tax purposes, shall be fully effective in accordance with its terms:

(a) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provisions in this Bond Resolution;

(b) To insert such provisions clarifying matters or questions arising under this Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with this Bond Resolution as theretofore in effect; or

(c) To make any other modification or amendment of this Bond Resolution which will not have a material adverse effect on the interests of Bondholders.

In making any determination under this Section 11.02, the Trustee may conclusively rely upon an opinion of Counsel.

**SECTION 11.03. Supplemental Resolutions Effective With Consent of Bondholders.** At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by the Bondholders in accordance with and subject to the provisions of Sections 11.06 and 11.07, which Supplemental Resolution, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Trust, (ii) compliance with the provisions of said Sections 11.06 and 11.07, (iii) the filing with the Trust and the Trustee of an opinion of Bond Counsel to the effect that such Supplemental Resolution will not adversely affect the exclusion from gross income of the interest on the Series 2012A

Bonds or the Series 2012B Bonds, as the case may be, for federal income tax purposes, shall become fully effective in accordance with its terms as provided in said Section 11.07. Provided, however, that, any Supplemental Resolution which by its terms only affects one or more Series of Bonds may be adopted subject to the consent of the Bondholders of the Series or Series of Bonds so affected.

**SECTION 11.06. Powers of Amendment by Supplemental Resolution.** Unless otherwise permitted under Section 11.01 or Section 11.02, any modification or amendment of this 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 only by a Supplemental Resolution with the written consent (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 under this Section. 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 their written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this 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 this 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 Section, the Holders of any Bonds may include the initial Holders thereof, regardless of whether such Bonds are being held for resale.

**SECTION 11.08. Modifications or Amendments by Unanimous Consent.** The terms and provisions of this Bond Resolution and the rights and obligations of the Trust and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Trust of a Supplemental Resolution and the consent thereto of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 11.07 except that no notice to Holders of Bonds either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Holders of Bonds.

**SECTION 11.12. 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 Article VI of this 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, such written consent being obtained by the Trustee at the sole expense of the Borrower which is a party to the Loan Agreement which is the subject of the supplement, amendment, modification or termination and (b) in the case of the Series 2012A Bond Resolution and the Series 2012B Bond Resolution, the Trustee first obtains an opinion of Bond Counsel to the effect that such supplement, amendment, modification or termination will not adversely affect the exclusion from gross income of the interest on the Series 2012A Bonds or the Series 2012B Bonds as the case may be, for federal income tax purposes. In making any determination under this Section 11.12, the Trustee may conclusively rely upon an opinion of Counsel.

Notwithstanding any other provision in this Section, the Trust may supplement, amend or modify any Loan Agreement without the consent of the Trustee or any Bondholder (i) for the purposes set forth in Section 5.02(5) hereof, (ii) for the purpose of amending, supplementing or modifying Section 2.02(p) of the Loan Agreement and (iii) for the purpose of amending, supplementing or modifying Exhibit H to the Loan Agreement prior to the execution and delivery thereof.

#### **SECTION 12.01. Defeasance of Bonds.**

1. 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 this 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. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Trust to be prepared and filed with the Trust and, upon the request of the Trust, shall execute and deliver to the Trust all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Trust all moneys or securities held by it pursuant to this Bond Resolution which are not required for the payment of principal or Redemption Price, if applicable, and interest due or to become due on Bonds of any Series not theretofore surrendered for such payment or redemption and any amounts owed to any Fiduciary. If the Trust shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding 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 therein and in this Bond Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under this Bond Resolution, and all duties, covenants, agreements and obligations of the Trust to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Notwithstanding any other provision in this Article XII, in the case of the Series 2012A Bond Resolution and the Series 2012B 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.

2. Bonds (which can be an entire series or 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 Agents (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 subsection (1) of this Section. Subject to the provisions of subsections (3) through (5) of this Section, Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section 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 of 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 in accordance with this Section 12.01 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection (5) of this Section 12.01, to be available for the payment of the principal or Redemption Price, if applicable, of such Series of Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Trust or purchased or otherwise acquired by the Trust and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (a) hereof). Any notice of redemption mailed pursuant to the preceding sentence with respect to any Series of Bonds which constitutes less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, as and to the extent necessary, apply moneys held by it pursuant to this Section 12.01 to the retirement of said Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in this Bond Resolution.

The Trustee shall, if so directed by the Trust (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 12.01 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) above with respect to any Bonds deemed to have been paid in accordance with this Section 12.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Investment Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Investment Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due or to become due on all Bonds in respect of which such moneys and Investment Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with Section 12.01 which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any Bonds deemed to have been paid in accordance with this Section 12.01 which are to be redeemed on any date prior to their maturity, the Trust shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Trust to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 12.01. The directions given by the Trust to the Trustee referred to in the preceding sentence shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 12.01 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance

with this Section 12.01 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 12.01 the total amount of moneys and Investment Securities remaining on deposit with the Trustee under this Section 12.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds of such Series in order to satisfy clause (b) of this subsection 2 of Section 12.01, the Trustee shall, if requested by the Trust, pay the amount of such excess to the Trust free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Bond Resolution. Except as otherwise provided in this subsection 2 and in subsection 3 through subsection 5 of this Section 12.01, neither Investment Securities nor moneys deposited with the Trustee pursuant to this Section 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 this 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 this Bond Resolution.

For the purposes of this Section, Investment Securities shall mean and include only (y) such securities as are described in clause (a) of the definition of "Investment Securities" in Section 1.01 which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or (z) upon compliance with the provisions of subsection 3 of this Section 12.01, such securities as are described in clause (a) 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.

3. Investment Securities described in clause (z) of subsection 2 of Section 12.01 may be included in the Investment Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of subsection 2 of Section 12.01 only if, in making the determination as to whether the moneys and Investment Securities to be deposited with the Trustee would be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on the Bonds which will be deemed to have been paid as provided in subsection 2 of Section 12.01, such determination is made both (i) on the assumption that the Investment Securities described in clause (z) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Investment Securities were redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Investment Securities and that the proceeds of such redemption were not reinvested by the Trustee.

4. In the event that after compliance with the provisions of subsection 3 of Section 12.01 the Investment Securities described in clause (z) of subsection 2 of Section 12.01 are included in the Investment Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of subsection 2 of Section 12.01 and any such Investment Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the written direction of the Trust shall reinvest the proceeds of such redemption in Investment Securities, provided that the aggregate of the moneys and Investment Securities to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the Trust in accordance with subsection

5 of Section 12.01, shall at all times be sufficient to satisfy the requirements of clause (b) of subsection 2 of Section 12.01.

5. In the event that after compliance with the provisions of subsection 3 of Section 12.01 the Investment Securities described in clause (z) of subsection 2 of Section 12.01 are included in the Investment Securities deposited with the Trustee in order to satisfy the requirements of clause (b) of subsection 2 of Section 12.01, then any notice of redemption to be published by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Trust, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the Trust be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 12.01 upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of any Investment Securities described in clause (z) of subsection 2 of this Section 12.01 have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless, taking into account such changed redemption date or dates or newly established redemption date or dates, the moneys and Investment Securities on deposit with the Trustee (including any Investment Securities deposited with the Trustee in connection with any reinvestment of redemption proceeds in accordance with subsection 5 of Section 12.01) pursuant to clause (b) of subsection 2 of Section 12.01 would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Bonds deemed to have been paid in accordance with subsection 2 of Section 12.01.

6. Anything in this Bond Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the later of (i) the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption or (ii) the date of deposit of such moneys, shall at the written request of the Trust be repaid by the Fiduciary to the Trust as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Trust for the payment of such Bonds; provided, however, that before being required to make any such payment to the Trust, the Fiduciary shall, at the expense of the Trust, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Trust.

Notwithstanding any other provision in Article XII of the Series 2012A Bond Resolution and the Series 2012B 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 the Series 2012A Bonds or the Series 2012B Bonds, as the case may be, for federal income tax purposes shall survive the defeasance of the Series 2012A Bonds or the Series 2012B Bonds, as the case may be.

## 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).

**“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 Resolution 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.

**“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 Resolution 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 Resolution 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.

**“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 Resolution 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 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 Resolution 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.

“**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 Resolution 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 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 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)

### **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 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.

(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 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 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 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, *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 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.

(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 Resolution 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 Resolution 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 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 AGREEMENTS

The following are certain excerpts of certain provisions of the Trust Continuing Disclosure Agreement (each a “Continuing Disclosure Agreement”) by and among the Trust, the Trustee and the Master Program Trustee, to be entered into in connection with the issuance of each Series of the Series 2012 Bonds. These excerpts are not to be considered a full statement of the terms of each 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 each Continuing Disclosure Agreement shall, unless the context clearly requires otherwise, have the same meanings as such terms are given in the “SUMMARY OF THE SERIES 2012 BOND RESOLUTIONS”. Copies of each executed Continuing Disclosure Agreement may be obtained from the Trust or the Trustee 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.

“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.

“Obligated Person” means, collectively, (i) the Program and (ii) all Borrowers (and, if applicable, related local government units) determined by the Trust to be material "obligated persons" in connection with the issuance of the Bonds, as the term "obligated person" is defined in Rule 15c2-12, which determination has been made pursuant to the objective criteria set forth in the Continuing Disclosure Agreement.

“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 is currently scheduled to end 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 Trustee 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 Trustee (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;
- (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 Trustee or the Master Program Trustee, appointment of an additional Trustee or Master Program Trustee, or the change of name of the Trustee 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 Trustee has not received a copy of the Annual Report, complete to the extent required in Section 2.1(a) hereof, the Trustee shall contact the Trust to provide notice of the Trust's obligations pursuant to Sections 2.1(a), 2.1(b) and 2.4(d)(ii) hereof.

(b) If the Trustee, 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 Trustee 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 the occurrence of a Bond Disclosure Event would be material, the Trust shall file promptly a notice of such occurrence with each National Repository or with

the MSRB and the State 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 Trustee 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 Trustee (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:

(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 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 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 Trustee 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 Trustee 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 Trustee 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 Trustee 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 Trustee 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 Trustee 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 Trustee 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 Trustee 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.

**APPENDIX F**

**SUMMARY OF THE SERIES 2012 TRUST LOAN AGREEMENTS (INCLUDING THE CONTINUING DISCLOSURE AGREEMENTS FOR THE SERIES 2012 BORROWERS), THE SERIES 2012 FUND LOAN AGREEMENTS AND THE OTHER COVERAGE PROVIDING FUND LOAN AGREEMENTS**

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## SUMMARY OF THE SERIES 2012 TRUST LOAN AGREEMENTS

The following are excerpts of certain provisions of the Trust Loan Agreements executed in connection with the Loans awarded to (i) those Borrowers that are municipalities (the "General Obligation Trust Loan Agreements"), (ii) those Borrowers that are municipal, county or regional sewerage, utilities or improvement authorities (the "Special Obligation Trust Loan Agreements"), and (iii) those Borrowers that are private water companies (the "Private Obligation Trust Loan Agreements"). Unless otherwise indicated by the bracketed language set forth below (which highlights the variations between certain corresponding provisions of the General Obligation Trust Loan Agreements, the Special Obligation Trust Loan Agreements and the Private Obligation Trust Loan Agreements), these excerpts apply equally in all other respects to all three forms of the Trust Loan Agreements. 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}. For Special Obligation Trust Loan Agreements, sections contained in the following brackets ("[ ]") reflect language that may not be applicable to certain local units. These excerpts are 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, are qualified by reference thereto and are subject to the full text thereof. In addition to the terms defined in Section 1.01 below, 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 BOND RESOLUTION" contained in Appendix E hereto. 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 at the beginning of each excerpt 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.

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

<["**Authority Underlying Government Unit**" means any Underlying Government Unit that is an authority.]>

"**Authorized Officer**" means, in the case of the Borrower, any person or persons authorized pursuant to a resolution <{or ordinance}> of the <{governing body}> {board of directors} of the Borrower to perform any act or execute any document relating to the Loan, the Borrower Bond or this Loan Agreement.

"**Borrower**" means the {New Jersey county or municipality}<[municipal/county utilities authority] [sewerage authority] [political subdivision]> {corporation} that is a party to and is described in the first paragraph of this Loan Agreement, and its successors and assigns.

"**Borrower Bond**" means the {general obligation bond} <revenue bond> {general obligation bond, note, debenture or other evidence of indebtedness} authorized, executed, attested and delivered by the Borrower to the Trust <{and authenticated on behalf of the Borrower}> to evidence the Loan, a specimen of which is attached hereto as Exhibit D and made a part hereof.

<{ "**Borrower Bond Resolution**" means the <resolution> { [resolution] [indenture] } of the Borrower entitled "[TITLE OF GENERAL RESOLUTION]", <adopted on> { [adopted on] [dated] } [DATE], as amended and supplemented from time to time, in particular by a supplemental <resolution> { [resolution] [indenture] } detailing the terms of the Borrower Bond <adopted on> { [adopted on] [dated] } [DATE] and entitled "[TITLE OF SUPPLEMENTAL RESOLUTION]", pursuant to which the Borrower Bond has been issued. }>

<["**Borrower Enabling Act**" means the "[TITLE OF ACT]", constituting Chapter \_\_ of the Pamphlet Laws of \_\_\_\_ of the State (codified at N.J.S.A. \_\_\_\_\_ *et seq.*), as the same may from time to time be amended and supplemented.]>

"**Borrowers**" means any other New Jersey counties, municipalities, municipal, county or regional sewerage or utilities authorities or any other local political subdivisions authorized to construct, operate and maintain Environmental Infrastructure Systems that have entered into Loan Agreements with the Trust pursuant to which the Trust will make Loans to such Borrowers from moneys on deposit in the Project Fund, excluding the Project Loan Account.

{ "**Business Corporation Law**" means the "New Jersey Business Corporation Act," constituting Chapter 263 of the Pamphlet Laws of 1968 of the State (codified at N.J.S.A. 14A:1-1 *et seq.*) as the same may from time to time be amended and supplemented. }

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

"**Department**" means the New Jersey Department of Environmental Protection.

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

"**Environmental Infrastructure System**" means the Environmental Infrastructure Facilities of the Borrower, including the Project, described in Exhibit A-1 attached to the applicable Loan Agreement and made a part thereof for which the Borrower is borrowing the Loan under the Loan Agreement.

"**Event of Default**" means any occurrence or event specified in Section 5.01 of the applicable Loan Agreement.

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

<["**Indirect Underlying Government Unit**" means the \_\_\_\_\_ of \_\_\_\_\_, in the County of \_\_\_\_\_, New Jersey, that has entered into a service agreement with [one of] the Authority Underlying Government Unit[s].]>

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

**"Loan"** means the loan made by the Trust to the Borrower to finance or refinance a portion of the Cost of the Project pursuant to this Loan Agreement. For all purposes of this Loan Agreement, the amount of the Loan at any time shall be the initial aggregate principal amount of the Borrower Bond (which amount equals the amount actually deposited in the Project Loan Account at the Loan Closing plus the Borrower's allocable share of [(i) certain costs of issuance[, bond insurance premium] and underwriter's discount for all Trust Bonds issued to finance the Loan [and (ii) capitalized interest during the Project construction period]) less any amount of such principal amount that has been repaid by the Borrower under this Loan Agreement and less any adjustment made pursuant to the provisions of the Bond Resolution, including, without limitation, Section 5.02(4) thereof, N.J.A.C. 7:22-4.26 and the appropriations act of the State Legislature authorizing the expenditure of Trust Bond proceeds to finance a portion of the Cost of the Project.

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

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

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

**"Local {Bond} <Authorities Fiscal Control> Law"** means the "Local {Bond} <Authorities Fiscal Control> Law", constituting Chapter {169} <313> of the Pamphlet Laws of {1960} <1983> of the State (codified at N.J.S.A. 40A: {2} <5A>-1 *et seq.*), as the same may from time to time be amended and supplemented.

**"Official Statement"** means the Official Statement relating to the issuance of the Trust Bonds.

**"Preliminary Official Statement"** means the Preliminary Official Statement relating to the issuance of the Trust Bonds.

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

**"Project"** means the Environmental Infrastructure Facilities of the Borrower described in Exhibit A-1 attached hereto and made a part hereof, which constitutes a project for which the Trust is permitted to make a loan to the Borrower pursuant to the Act, the Regulations and the Bond Resolution, all or a portion of the Cost of which is financed or refinanced by the Trust through the making of the Loan under this Loan Agreement.

**<"Revenues"** means "[\_\_\_\_\_] Revenues" as defined in the Borrower Bond Resolution.>

**<["Service Agreement]"** means the written contractual arrangement entered into by and between the Borrower and the Underlying Government Unit dated [DATE], as amended and supplemented, a copy of which is attached hereto as Exhibit F-2.>

<["**Service Agreement**" means, collectively, the written contractual arrangements entered into by and between the Borrower and each Underlying Government Unit dated [DATE] and [DATE], respectively, as amended and supplemented, a copy of each of which is attached hereto as Exhibit F-2.]>

<["**Service Agreement**" means, collectively, the written contractual arrangements entered into by and between the Borrower and each Underlying Government Unit, a list of which is attached hereto as Exhibit F-2.]>

<["**Sewerage Authorities Law**" means the "Sewerage Authorities Law", constituting Chapter 138 of the Pamphlet Laws of 1946 of the State (codified at N.J.S.A. 40:14A-1 *et seq.*), as the same may from time to time be amended and supplemented.]>

"**State**" means the State of New Jersey.

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

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

<["**Underlying Government Unit**" means the \_\_\_\_\_ of \_\_\_\_\_, in the County of \_\_\_\_\_, New Jersey, which has entered into the Service Agreement with the Borrower.]>

<["**Underlying Government Unit**" means the County of \_\_\_\_\_, New Jersey, which has entered into the Service Agreement with the Borrower.]>

<["**Underlying Government Unit**" means the \_\_\_\_\_ Joint Meeting, in the County of \_\_\_\_\_, New Jersey, which has entered into the Service Agreement with the Borrower.]>

<["**Underlying Government Unit**" means, collectively, the \_\_\_\_\_ of \_\_\_\_\_, in the County of \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_, in the County of \_\_\_\_\_, and the \_\_\_\_\_ Authority, all located in the State, each of which has entered into a Service Agreement with the Borrower.]>

<["**Utilities Authorities Law**" means the "Municipal and County Utilities Authorities Law", constituting Chapter 183 of the Pamphlet Laws of 1957 of the State (codified at N.J.S.A. 40:14B-1 *et seq.*), as the same may from time to time be amended and supplemented.]>

## SECTION 2.02. Particular Covenants of Borrower.

(a) {Full Faith and Credit Pledge} <Revenue Pledge > {Promise to Pay}. The Borrower {unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the} <irrevocably pledges the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution[, including, without limitation, moneys payable pursuant to the Service Agreement in respect of debt service on the Borrower Bond,] for the> {unconditionally promises to make} punctual payment of the principal and redemption premium, if any, of the Loan and the Borrower Bond, the Interest on the Loan, the Interest on the Borrower Bond and all other amounts due under this Loan Agreement and the Borrower Bond according to their respective terms. <{<[> The Borrower acknowledges that to assure the continued operation and solvency of the Trust, the Trust may, pursuant to and in accordance with Section 12a of the Act, require that if the Borrower fails or is unable to pay promptly to the Trust in full any Loan Repayments, an amount sufficient to satisfy such deficiency shall be paid by the New Jersey State Treasurer to the Trust from State-aid payable to the {Borrower.} <Underlying Government Unit [(other than an Authority Underlying Government Unit)].>}>

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

{c} <{(c)} Revenue Obligation; No Prior Pledges. The Borrower shall not be required to make payments under this Loan Agreement except from the Revenues of its Environmental Infrastructure System and from such other funds of such Environmental Infrastructure System legally available therefor and from any other sources pledged to such payment pursuant to subsection (a) of this Section 2.02. In no event shall the Borrower be required to make payments under this Loan Agreement from any revenues or receipts not derived from its Environmental Infrastructure System or pledged pursuant to subsection (a) of this Section 2.02. Except for (i) loan repayments required with respect to the Fund Loan, (ii) the debt service on any future bonds of the Borrower issued at parity with the Borrower Bond under the Borrower Bond Resolution, and (iii) the debt service on any bonds, notes or evidences of indebtedness of the Borrower at parity with the Borrower Bond under the Borrower Bond Resolution and currently outstanding or issued on the date hereof, the Revenues derived by the Borrower from its Environmental Infrastructure System, after the payment of all costs of operating and maintaining the Environmental Infrastructure System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the obligation of the Borrower to make Loan

Repayments under this Loan Agreement and the Borrower Bond, and all corporate or other action on the part of the Borrower to that end has been and will be duly and validly taken.

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

{(d)}<(e)> Disposition of Environmental Infrastructure System. } The Borrower shall not permit the disposition of all or substantially all of the Borrower's Environmental Infrastructure System, directly or indirectly, including, without limitation, by means of sale, lease, abandonment, sale of stock, statutory merger or otherwise (collectively, a "Disposition"), except on ninety (90) days' prior written notice to the Trust, and in any event, shall not permit a Disposition unless the following conditions are met: } <{The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System except on ninety (90) days' prior written notice to the Trust, and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless the following conditions are met: }> (i) the Borrower shall, in accordance with Section 4.02 hereof, assign this Loan Agreement and the Borrower Bond and its rights and interests hereunder and thereunder to the purchaser or lessee of the Environmental Infrastructure System, and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under this Loan Agreement and the Borrower Bond; and (ii) the Trust shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not adversely affect (A) the Trust's ability to meet its duties, covenants, obligations and agreements under the Bond Resolution, (B) the value of this Loan Agreement or the Borrower Bond as security for the payment of Trust Bonds and the interest thereon, or (C) the excludability from gross income for federal income tax purposes of the interest on Series 2012 Bonds then outstanding or that could be issued in the future.

{(e)}<(f)> Exclusion of Interest from Federal Gross Income and Compliance with Code.  
[Not applicable to the Series 2012C Borrower]

(i) The Series 2012 Borrower covenants and agrees that it shall not take any action or omit to take any action that would result in the loss of the exclusion of the interest on any Trust Bonds now or 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 that would cause its Borrower Bond or the Trust Bonds (assuming solely for this purpose that the proceeds of the Trust Bonds loaned to the Borrower represent all of the proceeds of the Trust Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, unless the Borrower receives the prior written approval of the Trust, the Borrower shall not (A) permit any of the proceeds of the Trust Bonds loaned to the Borrower or the Project financed or refinanced with the proceeds of the Trust Bonds loaned to the Borrower to be used (directly or indirectly) in any manner that would constitute "private business use" within the meaning of Section 141(b)(6) of the Code, (B) use (directly or indirectly) any of the proceeds of the Trust Bonds loaned to the Borrower to make or finance loans to persons other than "governmental units" (as such term is used in Section 141(c) of the Code), or (C) use (directly or indirectly) any of the proceeds of the Trust Bonds loaned to the Borrower to acquire any "nongovernmental output property" within the meaning of Section 141(d)(2) of the Code. }>

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

<{(iv)}> \{(iii)\} The Series 2012 Borrower shall not directly or indirectly use or permit the use of any proceeds of the Trust Bonds to pay the principal of or the interest or redemption premium on or any other amount in connection with the retirement or redemption of any issue of state or local governmental obligations ("refinancing of indebtedness"), unless the Borrower shall (A) establish to the satisfaction of the Trust, prior to the issuance of the Trust Bonds, that such refinancing of indebtedness will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds, and (B) provide to the Trust an opinion of Bond Counsel to that effect in form and substance satisfactory to the Trust.

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

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

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

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

<{(ix)}> }{(viii)} Neither the Borrower nor any "related party" (within the meaning of Treasury Regulations §1.150-1) shall purchase Trust Bonds in an amount related to the amount of the Loan.

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

<[ }> <{(xi)}> }{(x)} The Series 2012 Borrower will not {invest amounts held in any} <[ have a }> reserve or replacement fund {of the Borrower}(within the meaning of Section 148(d)(1) of the Code) {that are} allocable to the Borrower Bond evidencing the Loan {at a yield in excess of the yield on the Trust Bonds, all in accordance with the instructions of the Trust, except for any period such amounts constitute proceeds of indebtedness of the Borrower the interest on which is excluded from gross income for purposes of federal income taxation and such amounts have not been reallocated to the Trust Bonds as "gross proceeds" of the Trust Bonds (in accordance with Treasury Regulation §1.148-6(b) or successor Treasury Regulations applicable to the Trust Bonds}.<[ ] }>

<[ <{(xi)}> }{(x)} The Series 2012 Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) that 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, amounts held in the reserve or replacement fund allocable to the Borrower Bond evidencing the Loan shall be invested by the Borrower at a yield not in excess of the yield on the Trust Bonds throughout the term of the Loan, unless the Borrower receives prior written approval of the Trust. 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 moneys so that such amounts will not be held in a "commingled fund" (within the meaning of Treasury Regulations §1.148-1(b)). The investment restrictions contained in this subsection shall not apply in the event the Trust receives an opinion of Bond Counsel to the effect that non-compliance with such restrictions will not affect the exclusion from gross income of the interest on the Trust Bonds.]>

<[ <{(xi)}> }{(x)} The Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) that is allocable to the Borrower Bond evidencing the Loan, and such reserve or replacement fund 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 at a yield not in excess of the yield on the Trust Bonds throughout the term of the Loan, unless the Borrower receives prior written approval of the Trust. 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 moneys so that such amounts will not be held in a "commingled fund" (within the meaning of Treasury Regulations §1.148-1(b)). The investment restrictions contained in this subsection shall not apply in the event the Trust receives an opinion of Bond Counsel to the effect that non-compliance with such restrictions will not affect the exclusion from gross income of the interest on the Trust Bonds.]>

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

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

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

<{(xv)} The Borrower shall only enter into service contracts (including management contracts), with respect to any portion of the Project financed by the Trust Bonds, with a "governmental unit" (within the meaning of Section 141 of the Code) or only when such contract complies with Rev. Proc. 97-13, 1997-1 I.R.B. 18, or successor provisions applicable to the Trust Bonds; *provided*, that the Borrower delivers an opinion of Bond Counsel, in form and substance satisfactory to the Trust, to the effect that the entering into of such contracts by the Borrower will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Trust Bonds.}>

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

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

{(f)}<{(g)}> Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall, in accordance with prudent environmental infrastructure utility practice, (i) at all times operate the properties of its Environmental Infrastructure System and any

business in connection therewith in an efficient manner, (ii) maintain its Environmental Infrastructure System in good repair, working order and operating condition, and (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its Environmental Infrastructure System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted.

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

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

**SECTION 3.01. Loan; Loan Term.** The Trust hereby agrees to make the Loan as described in Exhibit A-2 hereof and to disburse proceeds of the Loan to the Borrower in accordance with Section 3.02 and Exhibit C hereof, and the Borrower hereby agrees to borrow and accept the Loan from the Trust upon the terms set forth in Exhibit A-2 attached hereto and made a part hereof; provided, however, that the Trust shall be under no obligation to make the Loan if (a) at the Loan Closing, the Borrower does not deliver to the Trust a Borrower Bond and such other documents required under Section {2.02(k)} <{2.02(l)}> hereof, or (b) an Event of Default has occurred and is continuing under the Bond Resolution or this Loan Agreement. Although the Trust intends to disburse proceeds of the Loan to the Borrower at the times and up to the amounts set forth in Exhibit C to pay a portion of the Cost of the Project, due to unforeseen circumstances there may not be a sufficient amount on deposit in the Project Fund on any date to make the disbursement in such amount. Nevertheless, the Borrower agrees that the amount actually deposited in the Project Loan Account at the Loan Closing plus the Borrower's allocable share of [(i)] certain costs of issuance and underwriter's discount for all Trust Bonds issued to finance the Loan [and]

[(ii) capitalized interest during the Project construction period] shall constitute the initial principal amount of the Loan (as the same may be adjusted downward in accordance with the definition thereof), and neither the Trust nor the Trustee shall have any obligation thereafter to loan any additional amounts to the Borrower.

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

The payment obligations created under this Loan Agreement and the obligations to pay the principal of the Borrower Bond, Interest on the Borrower Bond and other amounts due under the Borrower Bond are each {direct, general, irrevocable and unconditional} <special> obligations of the Borrower payable {from any source legally available to the Borrower} <solely from the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution <[> <{, 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.} <moneys payable pursuant to the Service Agreement in respect of debt service on the Borrower Bond]>.

**SECTION 3.02. Disbursement of Loan Proceeds.** (a) The Trustee, as the agent of the Trust, shall disburse the amounts on deposit in the Project Loan Account to the Borrower upon receipt of a requisition executed by an Authorized Officer of the Borrower, and approved by the Trust, in a form meeting the requirements of Section 5.02(3) of the Bond Resolution.

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

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

(ii) in accordance with the "New Jersey Environmental Trust Act", P.L. 1985, c. 329, as amended (N.J.S.A. 58:11B-1 *et seq.*), and the Regulations, the Borrower shall have timely applied for, shall have been awarded and, prior to or simultaneously with the Loan Closing, shall have closed a Fund Loan for a portion of the Allowable Costs (as defined in such Regulations) of the Project in an amount not in excess of the amount of Allowable Costs of the Project financed by the Loan from the Trust;

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

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

**SECTION 3.03. Amounts Payable.** (a) The Borrower shall repay the Loan in installments payable to the Trustee as follows:

(i) the principal of the Loan shall be repaid annually on August 1, commencing August 1, 200\_, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part

hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution;

(ii) the Interest Portion described in clause (i) of the definition thereof shall be paid semiannually on February 1 and August 1, commencing August 1, 200\_, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by any credits applicable to the Borrower as set forth in the Bond Resolution; and

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

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

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

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

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

(e) The Interest on the Loan described in clause (ii) of the definition thereof shall be paid by the Borrower in the amount of one-half of the Administrative Fee, if any, to the Trustee semiannually on each February 1 and August 1, commencing August 1, 2012, during the term of the Loan.

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

<(g) In the event that the Borrower fails or is unable to pay promptly to the Trust in full any Loan Repayment or any other payment required under this Loan Agreement when due and the Underlying Government Unit [(other than an Authority Underlying Government Unit)], which has entered into the Service Agreement with the Borrower, fails to satisfy the resulting payment deficiency when due, the Borrower hereby acknowledges that the Trust may exercise its right under and in accordance with Section 12a of the Act to satisfy such deficiency from State-aid payable to the Underlying Government Unit [(other than an Authority Underlying Government Unit)]. The amount of State-aid so paid to the Trustee 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 Trustee shall fulfill the Borrower's obligation to pay such amount under this Loan Agreement and the Borrower Bond. Each such payment of State-aid so made to the Trustee shall be applied *first* to the Interest Portion then due and payable, *second*, to the extent available, to the principal of the Loan then due and payable, *third*, to the extent available, to the Administrative Fee, *fourth*, to the extent available, to the payment of any late charges incurred hereunder, and, *finally*, to the extent available, to any other payment required under this Loan Agreement.]>

**SECTION 3.03A. Amounts on Deposit in Project Loan Account after Completion of Project Draws.** (a) If, on the date which is one hundred eighty (180) days following the final date 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.

(b) 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 Section 3.03A(a) of 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.

(c) If the Borrower fails to provide the certificate described in paragraphs (a) or (b) of this Section 3.03A, 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 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:

(i) 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

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

**SECTION 3.05. Loan Agreement to Survive Bond Resolution and Trust Bonds.** The Series 2012 Borrower acknowledges that its duties, covenants, obligations and agreements hereunder shall survive the discharge of the Bond Resolution applicable to the Trust Bonds and shall survive the payment of the principal and redemption premium, if any, of and the interest on the Trust Bonds until the Borrower can take no action or fail to take any action that could adversely affect the exclusion from gross income of the interest on the Trust Bonds for purposes of federal income taxation, at which time such duties, covenants, obligations and agreements hereunder shall, except for those set forth in Sections 3.06(a) and (b) hereof, terminate.

**SECTION 3.07. Option to Prepay Loan Repayments.** The Borrower may prepay the Trust Bond Loan Repayments, in whole or in part (but if in part, in the amount of \$100,000 or any integral multiple thereof), upon prior written notice to the Trust and the Trustee not less than ninety (90) days in addition to the number of days' advance notice to the Trustee required for any optional redemption of the Trust Bonds, and upon payment by the Borrower to the Trustee of amounts that, together with investment earnings thereon, will be sufficient to pay the principal amount of the Trust Bond Loan Repayments to be prepaid plus the Interest Portion described in clause (ii) of the definition thereof on any such date of redemption; provided, however, that any such full or partial prepayment may only be made (i) if the Borrower is not then in arrears on its Fund Loan, (ii) if the Borrower is contemporaneously making a full or partial prepayment of the Fund Loan such that, after the prepayment of the Loan and the Fund Loan, the Trust, in its sole discretion, determines that the interests of the owners of the Trust Bonds are not adversely affected by such prepayments, and (iii) upon the prior written approval of the Trust. In

addition, if at the time of such prepayment the Trust Bonds may only be redeemed at the option of the Trust upon payment of a premium, the Borrower shall add to its prepayment of Trust Bond Loan Repayments an amount, as determined by the Trust, equal to such premium allocable to the Trust Bonds to be redeemed as a result of the Borrower's prepayment. Prepayments shall be applied first to the Interest Portion that accrues on the portion of the Loan to be prepaid until such prepayment date as described in clause (ii) of the definition thereof and then to principal payments (including premium, if any) on the Loan in inverse order of their maturity.

**SECTION 3.08. Priority of Loan and Fund Loan.** (a) The Borrower hereby agrees that, to the extent allowed by law <or the Borrower Bond Resolution>, any Loan Repayments then due and payable on the Loan shall be satisfied by the Trustee before any loan repayments on the Borrower's Fund Loan shall be satisfied by the Trustee. The Borrower agrees not to interfere with any such action by the Trustee.

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

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

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

**SECTION 4.01. Assignment and Transfer by Trust.** (a) The Borrower hereby expressly acknowledges that, other than the provisions of Section {2.02(c)(ii)} <2.02(d)(ii)> hereof, the Trust's right, title and interest in, to and under this Loan Agreement and the Borrower Bond have been assigned to the Trustee as security for the Trust Bonds as provided in the Bond Resolution, and that if any Event of Default shall occur, the Trustee or any Bond Insurer (as such term may be defined in the Bond Resolution), if applicable, pursuant to the Bond Resolution, shall be entitled to act hereunder in the place and stead of the Trust. The Borrower hereby acknowledges the requirements of the Bond Resolution applicable to the Trust Bonds and consents to such assignment and appointment. This Loan Agreement and the Borrower Bond, including, without limitation, the right to receive payments required to be made by the Borrower hereunder and to compel or otherwise enforce observance and performance by the Borrower of its other duties, covenants, obligations and agreements hereunder, may be further transferred,

assigned and reassigned in whole or in part to one or more assignees or subassignees by the Trustee at any time subsequent to their execution without the necessity of obtaining the consent of, but after giving prior written notice to, the Borrower.

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

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

**SECTION 4.02. Assignment by Borrower.** Neither this Loan Agreement nor the Borrower Bond may be assigned by the Borrower for any reason, unless the following conditions shall be satisfied: (i) the Trust and the Trustee shall have approved said assignment in writing; (ii) the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower's duties, covenants, obligations and agreements under this Loan Agreement and, to the extent permitted under applicable law, the Borrower Bond; (iii) immediately after such assignment, the assignee shall not be in default in the observance or performance of any duties, covenants, obligations or agreements of the Borrower under this Loan Agreement or the Borrower Bond; and (iv) the Trust shall have received an opinion of Bond Counsel to the effect that such assignment will not adversely affect the security of the holders of the Series 2012 Bonds or the exclusion of the interest on the Trust Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code.

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

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

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

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

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

{(d)}<(e)> a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, 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 shall make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee, <{but not including a takeover by the Division of Local Government Services in the New Jersey Department of Community Affairs}>) of the Borrower or any of its property shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days;

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

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

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

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

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

**SECTION 6.04. Amendments, Supplements and Modifications.** Except as otherwise provided in this Section 6.04, this Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Trust and the Borrower and without the satisfaction of all

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

## **SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT**

The following are excerpts of certain provisions of the form of the Continuing Disclosure Agreement, which form is attached to each Series 2012 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 Series 2012 Borrowers and the corresponding provisions thereof relevant for the General Obligation Series 2012 Borrowers and Private Series 2012 Borrowers), this summary applies equally in all other respects to each of the Special Obligation Series 2012 Borrowers, the General Obligation Series 2012 Borrowers and the Private Series 2012 Borrowers. These excerpts are not to be considered a full statement of the terms of the form of the Continuing Disclosure Agreement and, accordingly, are qualified by reference thereto and are subject to the full text thereof. A copy of the Continuing Disclosure Agreement may be obtained from the Trust upon request. The section references listed below and the beginning of each excerpt reference 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 Local Unit [and the Underlying Government Unit].

**"Bond Disclosure Event"** means any event described in Section 2.6(a) of this Agreement.

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

**"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.

**"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 Local Unit that has filed a written acceptance of such designation.

**"Financial Statements"** means the audited financial statements of the Local Unit [and the Underlying Government Unit] for each Fiscal Year, including, without limitation, balance sheets, statements of changes in fund balances and statements of current funds, revenues, expenditures and other charges or statements that convey similar information.

**"Fiscal Year"** means the fiscal year of the Local Unit as determined by the Local Unit from time to time pursuant to State law. As of the date of this Agreement, the Fiscal Year of the Local Unit begins on [MONTH] of each calendar year and closes on the following [MONTH].

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

**"Local Unit Bond Disclosure Event"** means any event described in Section 2.1(c) of this Agreement.

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

**"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 Repositories are as designated by the SEC in accordance with Rule 15c2-12.

**"OCBOA"** means any other comprehensive basis of accounting as in effect from time to time in the State, consistently applied. This basis of accounting is designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds and is a comprehensive basis of accounting other than generally accepted accounting principles.

**"Operating Data"** means certain financial and statistical information of the Local Unit [and the Underlying Government Unit], which for purposes of this Agreement shall include the financial and statistical information, a copy of which is attached hereto as **Exhibit A**.

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

**"Rule 15c-2-12"** means 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 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].

**"Underlying Government Unit"** means [Name of Underlying Local Unit], which has entered into a service agreement with the Local Unit.]

**Section 2.1. Continuing Disclosure Covenants of Local Unit.** The Local Unit agrees that it will provide or, if the Local Unit has appointed or engaged a Dissemination Agent, shall cause the Dissemination Agent to provide:

(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 Local Unit ending after January 1, [YEAR] (which is currently scheduled to end on [DATE]), an Annual Report to each Repository and to the Trust; *provided*, that [with respect to] the Financial Statements[:

- (i) the audited financial statements] of the Local Unit may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the Annual Report if the [Financial Statements] [audited financial statements] of the Local Unit are not available by that date, but only if the unaudited financial statements of the Local Unit are included in the Annual Report[;
- (ii) the audited financial statements of the Underlying Government Unit may be submitted separately from the balance of the Annual Report and later than the date required 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 Local Unit; *provided*, that the audited financial statements of the Underlying Government Unit are submitted no later than two hundred twenty-five (225) days after the end of its fiscal year, except as provided in clause (iii) below; and
- (iii) the audited financial statements of the Underlying Government Unit may be submitted separately from the balance of the Annual Report and later than the date required herein for the filing of the audited financial statements of the Underlying Government Unit if the audited financial statements of the Underlying Government Unit are not available by that date, but only if the unaudited financial statements of the Underlying Government Unit are provided on the date required herein for the filing of the audited financial statements of the Underlying Government Unit].

(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 Trustee and the Dissemination Agent (if the Local Unit 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 "Local Unit Bond Disclosure Event"), if material:

- (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 Local Unit 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) Local Unit Bond calls, if material, and tender offers;
- (ix) Local Unit Bond Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Local Unit Bond, if material;
- (xi) Rating changes;
- (xiii) Bankruptcy, insolvency, receivership or similar event of the Local Unit or the Underlying Government Unit;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Local Unit or the Underlying Government Unit, or the sale of all or substantially all of the assets of the Local Unit 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 Local Unit's Trustee, appointment of an additional Local Unit Trustee, or the change of name of the Local Unit's Trustee, if material.

**Section 2.2. Continuing Disclosure Representations of Local Unit.** The Local Unit represents and warrants that:

- (a) Financial Statements shall be prepared according to GAAP or OCBOA, as the case may be.
- (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 GAAS or any other audit requirements prescribed by the Division of Local Government Services in the Department of Community Affairs of the State, as the case may be.

**Section 2.4. Responsibilities and Duties of Local Unit, Dissemination Agent and Trustee.**

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

(b) If the Trustee, by the date specified in Section 2.1(a) hereof, has not received a written report from the Local Unit, 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 and the Trust by the date specified in Section 2.1(a) hereof, the Trustee 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 and the Local Unit.

(c) If the Local Unit has determined that the occurrence of a Local Unit Bond Disclosure Event would be material, the Local Unit or the Dissemination Agent (if one has been appointed or engaged by the Local Unit) shall file promptly a notice of such occurrence with the Trust (the "Local Unit Bond Disclosure Event Notice") in a form determined by the Local Unit; *provided*, that the Local Unit Bond Disclosure Event Notice pertaining to the occurrence of a Local Unit Bond Disclosure Event described in Section 2.1(c)(viii) (Local Unit Bond calls) or 2.1(c)(ix) (defeasances) hereof need not be given under this Section 2.4(c) any earlier than the time when the notice (if any) of such Local Unit Bond Disclosure Event shall otherwise be required to be given to the holder of the Local Unit Bond as provided in any resolution, ordinance or agreement of the Local Unit.

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

(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 the Trust (and, if a Dissemination Agent has been appointed, to the Local Unit), 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 2.6. Responsibilities and Duties of Trust.** (a) The Trust agrees that it will provide, in a timely manner, to each National Repository or to the MSRB and the State Depository, if any, notice of any of the following events with respect to the Bonds (each a "Bond Disclosure Event"), if material, with a copy of such notice to the Trustee and the Local Unit (for informational purposes only):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Series 2012 Bonds;
- (vii) Modifications to the rights of the Holders of the Bonds;
- (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);
- (ix) Defeasances;

- (x) Release, substitution or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

(b) If the Trust has determined that the occurrence of a Bond Disclosure Event would be material, the Trust shall file promptly a notice of such occurrence with each National Repository or with the MSRB and the State 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 2.6(a)(viii) (Bond calls) or 2.6(a)(ix) (defeasances) hereof need not be given under this Section 2.6(b) 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 Trustee to provide notices of events of default to Holders under Article IX of the Resolution. The Trust shall file a copy of each Bond Disclosure Event Notice with the Trustee and the Local Unit (for informational purposes only).

**Section 3.1. Remedies.** (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, 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 Local Unit or the Trust or any of their respective officers, agents and employees necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Local Unit and the Trust under this Agreement, and may compel the Local Unit or the Trust or any of their respective officers, agents or employees (except for the Dissemination Agent with respect to the obligations, agreements and covenants of the Local Unit) to perform and carry out their duties under 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 Annual Reports, Local Unit Bond Disclosure Event Notices 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 Trustee 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 Local Unit, the Trust, the Trustee 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 Local Unit, the Trust, the Trustee and any Bondholder shall continue as though no such proceeding had been taken.

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

**Section 4.2. Trust and Bondholders.** (a) The Trust may enforce any such right, remedy or claim conferred, given or granted hereunder in favor of the Trustee or the Holders of the Bonds.

(b) 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 Local Unit, the Trustee and the Trust 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 Local Unit or the Trust hereunder for the benefit of the Bondholders or to surrender any right or power conferred upon the Local Unit or 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 Local Unit, to reflect changes in the identity, nature or status of the Local Unit or in the business, structure or operations of the Local Unit or to reflect any mergers, consolidations, acquisitions or dispositions made by or affecting the Local Unit; *provided*, that any such modification shall not be in contravention of Rule 15c2-12 as then in effect at the time of such modification; or

(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 determines, in reliance upon an opinion of Bond Counsel (as defined in the Resolution) to the Trust, 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 this Agreement that materially affects the interests of the Holders of the Bonds, the Trust shall deliver to each of the Repositories written notice of any such amendment or modification.

(d) The Local Unit, the Trustee and the Trust 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 Local Unit, the Trustee and the Trust 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, upon delivery of an opinion of Bond Counsel to the

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

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

## SUMMARY OF THE SERIES 2012 FUND LOAN AGREEMENTS

The following are excerpts of certain provisions of the Fund Loan Agreements executed in connection with the Fund Loans awarded to (i) those Borrowers that are municipalities (the "General Obligation Fund Loan Agreements"), (ii) those Borrowers that are municipal, county or regional sewerage, utilities or improvement authorities (the "Special Obligation Fund Loan Agreements"), and (iii) those Borrowers that are private water companies (the "Private Obligation Fund Loan Agreements"). Unless otherwise indicated by the bracketed language set forth below (which highlights the variations between certain corresponding provisions of the General Obligation Fund Loan Agreements, the Special Obligation Fund Loan Agreements and the Private Obligation Fund Loan Agreements), these excerpts apply equally in all other respects to all three forms of the Fund Loan Agreements relating to the Series 2012 Financing Program and other Coverage Providing Financing Programs. Exceptions to a specific Fund Loan Agreement are delineated as follows: {General Obligation Fund 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, and certain language herein is bracketed ("{ | }") if such language is applicable for Principal Forgiveness Fund Loans. These excerpts are not to be considered a full statement of the terms of the General Obligation Fund Loan Agreements, the Special Obligation Fund Loan Agreements or the Private Obligation Fund Loan Agreements and, accordingly, are qualified by reference thereto and are subject to the full text thereof. In addition to the terms defined in Section 1.01 below, 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 BOND RESOLUTIONS" and "SUMMARY OF THE SERIES 2012 TRUST LOAN AGREEMENTS". A copy of the General Obligation Fund Loan Agreements, the Special Obligation Fund Loan Agreements and the Private Obligation Fund Loan Agreements relating to the Series 2012 Financing Program and other Coverage Providing Financing Programs may be obtained from the Trust upon request. The section references listed below at the beginning of each excerpt reference particular sections of the General Obligation Fund Loan Agreements, which, unless otherwise noted, also correspond to the Special Obligation Fund Loan Agreements and the Private Obligation Fund Loan Agreements.

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

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

<{"**Bond Act**" means, 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.}>

<{"**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.}>

**"Department"** means the new Jersey Department of Environmental Protection.

<{"**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.}>

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

**"Federal Funds"** means those funds awarded to the State pursuant to the Clean Water Act (33 U.S.C. §1251 *et seq.*) or the Safe Drinking Water Act (42 U.S.C. §300f *et seq.*), as the same may from time to time be amended and supplemented.

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

**"Loan Agreement"** means this Loan Agreement, including the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.

**"Loans"** means the loans made by the State to the Borrowers under the Loan Agreements from <{ moneys on deposit in the State Fund }> { Federal Funds }.

<{"**State Bonds**" means State of New Jersey general obligation bonds authorized by the Bond Act and the related bond proceedings of the State of New Jersey, together with any refunding bonds executed and delivered pursuant thereto[, in each case in order to finance or refinance the State Fund from which the amounts loaned to the Borrower pursuant to this Loan Agreement are taken].}>

<{"**State Fund**" means, as applicable, the Wastewater Treatment Fund, the 1992 Wastewater Treatment Fund, the Stormwater Management and Combined Sewer Overflow Abatement Fund or the Water Supply Fund as defined in and as established pursuant to the applicable Bond Act.}>

**"Trust Loan"** means the loan made to the Borrower by the Trust pursuant to the Trust Loan Agreement.

**"Trust Loan Agreement"** means the loan agreement by and between the Borrower and the Trust dated as of May 1, 2012 to finance or refinance a portion of the Cost of the Project.

## **SECTION 2.02. Particular Covenants of Borrower.**

(a) { Full Faith and Credit } <Revenue> Pledge. The Borrower {unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers} <irrevocably pledges the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution[, including, without limitation, moneys payable pursuant to the Service

Agreement in respect of debt service on the Borrower Bond,] > } 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 the Loan and the Borrower Bond and all other amounts due under this Loan Agreement and the Borrower Bond according to their respective terms.

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

{ (c) } < } (c) Revenue Obligation; No Prior Pledges. The Borrower shall not be required to make payments under this Loan Agreement except from the Revenues of its Environmental Infrastructure System and from such other funds of such Environmental Infrastructure System legally available therefor and from any other sources pledged to such payment pursuant to subsection (a) of this Section 2.02. In no event shall the Borrower be required to make payments under this Loan Agreement from any revenues or receipts not derived from its Environmental Infrastructure System or pledged pursuant to subsection (a) of this Section 2.02. Except for (i) loan repayments required with respect to the Trust Loan, (ii) the debt service on any future bonds of the Borrower issued at parity with the Borrower Bond under the Borrower Bond Resolution, and (iii) the debt service on any bonds, notes or evidences of indebtedness of the Borrower at parity with the Borrower Bond under the Borrower Bond Resolution and currently outstanding or issued on the date hereof, the Revenues derived by the Borrower from its Environmental Infrastructure System, after the payment of all costs of operating and maintaining the Environmental Infrastructure System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the obligation of the Borrower to make Loan Repayments under this Loan Agreement and the Borrower Bond, and all corporate or other action on the part of the Borrower to that end has been and will be duly and validly taken.

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

~~(d)~~(e) Disposition of Environmental Infrastructure System. <{The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System except on ninety (90) days' prior written notice to the 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 not permit the disposition of all or substantially all of the Borrower's Environmental Infrastructure System, directly or indirectly, including, without limitation, by means of sale, lease, abandonment, sale of stock, statutory merger or otherwise (collectively, a "Disposition"), except ninety on (90) days' prior written notice to the State, and, in any event, shall not permit a Disposition unless} the Borrower shall, in accordance with Section 4.02 hereof, assign this Loan Agreement and the Borrower Bond and its rights and interests hereunder and thereunder to the purchaser or lessee of the Environmental Infrastructure System, and such purchaser or lessee shall assume all duties, covenants, obligations and agreements of the Borrower under this Loan Agreement and the Borrower Bond <{[; and (ii) if this Loan is funded from the proceeds of the 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 the interest on State Bonds then outstanding or that could be issued in the future]}>.

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

(i) The Series 2012 Borrower covenants and agrees that it shall not take any action or omit to take any action that would result in the loss of the exclusion of the interest on any 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 that would cause its Borrower 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 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 that would cause 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 "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(iv) The Series 2012 Borrower shall not directly or indirectly use or permit the use of any proceeds of the State Bonds to pay the principal of or the interest or redemption premium on or any other amount in connection with the retirement or redemption of any issue of state or local governmental obligations ("refinancing of indebtedness"), unless the Borrower shall (A) establish to the satisfaction of the State, prior to the issuance of the State Bonds, that such refinancing of indebtedness will not adversely affect the exclusion from gross income for federal income tax

purposes of the interest on the State Bonds, and (B) provide to the State an opinion of Bond Counsel to that effect in form and substance satisfactory to the State.

(v) The 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 the proceeds of the State Bonds to reimburse such expenditure complies with the requirements of Treasury Regulations §1.150-2 necessary to enable the reimbursement allocation to be treated as an expenditure of the proceeds of the State Bonds for purposes of applying Sections 103 and 141-150, inclusive, of the Code, or (B) such proceeds of the State Bonds will be used for refinancing of indebtedness that was used to pay Costs of the Borrower's Project or to reimburse the Borrower for expenditures with respect to Costs of the Borrower's Project paid by the Borrower prior to the issuance of such indebtedness in accordance with a reimbursement allocation for such expenditures that complies with the requirements of Treasury Regulations §1.150-2.

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

(vii) The Borrower shall not use the proceeds of the 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 that would cause the State Bonds to be considered "federally guaranteed" within the meaning of Section 149(b) of the Code or "hedge bonds" within the meaning of Section 149(g) of the Code.

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

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

(x) The Borrower will not issue or permit to be issued obligations that will constitute an "advance refunding" of the Borrower Bond within the meaning of Section 149(d)(5) of the Code without the express written consent of the 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) The Series 2012 Borrower will not {invest amounts held in any} <have > reserve or replacement fund {of the Borrower}(within the meaning of Section 148(d)(1) of the Code) {that are} allocable to the Borrower Bond evidencing the Loan {at a yield in excess of the yield on the State Bonds, all in accordance with the instructions of the State, except for any period such amounts constitute proceeds of indebtedness of the Borrower the interest on which is

excluded from gross income for purposes of federal income taxation and such amounts have not been reallocated to the State Bonds as "gross proceeds" of the State Bonds (in accordance with Treasury Regulations §1.148-6(b) or successor Treasury Regulations applicable to the State Bonds}.<]>

<[(xi) The Series 2012 Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) that 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, amounts held in the reserve or replacement fund allocable to the Borrower Bond evidencing the Loan shall be invested by the Borrower at a yield not in excess of the yield on the State Bonds throughout the term of the Loan, unless the Borrower receives prior written approval of the State. 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 moneys so that such amounts will not be held in a "commingled fund" (within the meaning of Treasury Regulations §1.148-1(b)). The investment restrictions contained in this subsection shall not apply in the event the State receives an opinion of Bond Counsel to the effect that non-compliance with such restrictions will not affect the exclusion from gross income of the interest on the State Bonds.]>

<[(xi) The Borrower has a reserve or replacement fund (within the meaning of Section 148(d)(1) of the Code) that is allocable to the Borrower Bond evidencing the Loan, and such reserve or replacement fund 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 at a yield not in excess of the yield on the State Bonds throughout the term of the Loan, unless the Borrower receives prior written approval of the State. 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 moneys so that such amounts will not be held in a "commingled fund" (within the meaning of Treasury Regulations §1.148-1(b)). The investment restrictions contained in this subsection shall not apply in the event the State receives an opinion of Bond Counsel to the effect that non-compliance with such restrictions will not affect the exclusion from gross income of the 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 §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 (as defined in the Trust Loan Agreement) used to finance the Project, (A) within six months of the date of issuance of the Trust Bonds used to finance the Project, the Borrower will incur a substantial binding obligation to a third party to expend on the Project at least five percent (5%) of the "net sale proceeds" (within the meaning of Treasury Regulations §1.148-1) of the Loan used to finance the Project (treating an obligation as not being binding if it is subject to contingencies within the control of the Borrower, the State or a "related party" (within the meaning of Treasury Regulations §1.150-1)), (B) completion of the Project and the allocation to expenditures of the "net sale proceeds" of the Loan used to finance the Project will proceed with due diligence, and (C) all of the proceeds of the Loan used to finance the Project and investment earnings thereon will be spent prior to the period ending three (3) years subsequent to the date of issuance of the Trust Bonds used to finance the Project. Accordingly, the proceeds of the Loan deposited in the Project Loan Account used to finance the Project will

be eligible for the 3-year arbitrage temporary period since the expenditure test, time test and due diligence test, as set forth in Treasury Regulations §1.148-2(e)(2), will be satisfied.

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

(xv) The Series 2012 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) or only when such contract complies with Rev. Proc. 97-13, 1997-1 I.R.B. 18, or successor provisions applicable to the State Bonds; *provided*, that the Borrower delivers an opinion of Bond Counsel, in form and substance satisfactory to the State, to the effect that the entering into of such contracts by the Series 2012 Borrower will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the State Bonds.

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

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

{(f) [Reserved.]}

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

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

**SECTION 3.01. Loan; Loan Term.** The State hereby agrees to make the Loan as described in Exhibit A-2 hereof and to disburse proceeds of the Loan to the Borrower in accordance with Section 3.02 and Exhibit C hereof, and the Borrower hereby agrees to borrow and accept the Loan from the State upon the terms set forth in Exhibit A-2 attached hereto and made a part hereof; provided, however, that the State shall be under no obligation to make the Loan if (a) at the Loan Closing, the Borrower does not

deliver to the State a Borrower Bond and such other documents required under Section {2.02(k)} <{2.02(1)}> hereof, or (b) an Event of Default has occurred and is continuing under this Loan Agreement. Although the State intends to disburse proceeds of the Loan to the Borrower at the times and up to the amounts set forth in Exhibit C to pay a portion of the Cost of the Project, due to unforeseen circumstances there may not be a sufficient {Federal Funds} <{amount}> on deposit in the <{State Fund}> on any date to make the disbursement in such amount. Nevertheless, the Borrower agrees that the aggregate principal amount set forth in Exhibit A-2 hereto shall constitute the initial principal amount of the Loan (as the same may be adjusted downward in accordance with the definition thereof), and the State shall have no obligation thereafter to loan any additional amounts to the Borrower.

The Borrower shall have no legal or equitable interest in <{[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<{[;]}> or in moneys from repayments of loans previously made from <{the State Fund}> {Federal Funds} by the State.

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

The payment obligations created under this Loan Agreement and the obligations to pay the principal of and other amounts due under the Borrower Bond are each {direct, general, irrevocable and unconditional}} <special> obligations of the Borrower payable {from any source legally available to the Borrower}} <solely from the Revenues in accordance with the terms of and to the extent provided in the Borrower Bond Resolution>, {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.} <[, including, without limitation, moneys payable pursuant to the Service Agreement in respect of debt service on the Borrower Bond] {in accordance with the terms of and to the extent provided in the Borrower Bond Resolution}.

**SECTION 3.02. Disbursement of Loan Proceeds.** (a) The State shall disburse <{ the amounts on deposit in the State Fund}> {Federal Funds} earmarked for the Loan to the Borrower in accordance with the terms hereof. Before each and every disbursement of the proceeds of the 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.

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

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

(ii) there shall be <{moneys}> {Federal Funds} available <{in the State Fund}> from time to time to fund the 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, the Borrower shall have timely applied for, shall have been awarded and, prior to or simultaneously with the Loan Closing, shall have closed a Trust Loan for a portion of the Allowable Costs (as defined in such Regulations) of the Project in an amount not in excess of the amount of Allowable Costs of the

Project financed by the Loan from the State, plus the amount of: (i) capitalized interest during the Project construction period, if any, (ii) 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 Trust Loan Agreement) attributable to the cost of funding such reserve capacity for the Project, and (iii) certain issuance expenses related thereto, including, if applicable, a municipal bond insurance policy premium;

(iv) the Borrower shall have {funds available} <{on hand moneys}> to pay for the greater of (A) that portion of the total cost of the Project that is not eligible to be funded from the Loan or the Trust Loan, or (B) that portion of the total cost of the Project that exceeds the actual amounts of the loan commitments made by the State and the Trust, respectively, for the Loan and the Trust Loan; and

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

**SECTION 3.03. Amounts Payable.** (a) The Borrower shall repay the Loan at zero-interest in principal installments payable to the Trustee semiannually on February 1 and August 1, commencing August 1, 200\_, in accordance with the schedule set forth in Exhibit A-2 attached hereto and made a part hereof, as the same may be amended or modified by the State, in particular, without limitation, †(i) as provided in paragraph (b) of this Section 3.03, and (ii) † to make any adjustments to the amount of the Loan in accordance with the definition thereof; provided, however, that the amount of any reduction in the principal amount of the Loan pursuant to N.J.A.C. 7:22-3.26 shall be credited to the principal payments set forth in Exhibit A-2 in inverse order of their maturity. The obligations of the Borrower under the Borrower Bond shall be deemed to be amounts payable under this Section 3.03. Each payment made to the Trustee pursuant to the Borrower Bond shall be deemed to be a credit against the corresponding obligation of the Borrower under this Section 3.03, and any such payment made to the Trustee shall fulfill the Borrower's obligation to pay such amount hereunder and under the Borrower Bond. Each payment made to the Trustee pursuant to this Section 3.03 shall be applied to the principal of the Loan.

†(b) Prior to the date on which the Borrower and the Trust execute and deliver the Trust Loan Agreement, the Loan shall be repaid in accordance with the schedule set forth in Exhibit A-2-1 hereto. On the date on which the Borrower and the Trust execute and deliver the Trust Loan Agreement, the State shall forgive a portion of the principal of the Loan, in the amount set forth in Exhibit B hereto. Subsequent to such date, the Loan shall be repaid in accordance with the schedule set forth in Exhibit A-2-2 hereto. †

[(b)] [(c)] In addition to the principal payments on the Loan required by subsection (a) of this Section 3.03, the Borrower shall pay a late charge for any such payment that is received by the Trustee later than the tenth (10th) day following its due date in an amount equal to the greater of twelve percent (12%) per annum or the Prime Rate plus one half of one percent per annum on such late payment from its due date to the date actually paid; provided, however, that such late charge payable on the Loan shall not be in excess of the maximum interest rate permitted by law.

<[(c)] [(d)] In the event that the Borrower fails or is unable to pay promptly to the State in full any 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 Trustee 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 Trustee shall fulfill the Borrower's obligation to pay such amount under this Loan Agreement and the Borrower Bond. Each such payment so made to the Trustee shall be applied to the principal of the Loan.]

{(c)} {(d)} {(e)}>{(c)} {(d)} In addition to the Loan Repayments payable under subsections (a) and (b) of this Section 3.03, the Borrower shall pay one-half of the Administrative Fee, if any, to the Trustee semiannually on each February 1 and August 1, commencing February 1, 200\_ or such later date as the State authorizes, during the term of the Loan.

**SECTION 3.03A. Amounts on Deposit in Project Loan Account after Completion of Draw Schedule.** (a) 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 Fund 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 to the Fund Loan Agreement and approved by the Department.

(b) 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 Section 3.03A(a) of the Fund 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 hereto and approved by the Department.

(c) If the Borrower fails to provide the certificate described in paragraphs (a) or (b) of this Section 3.03A, when due, or if such certificate, or another certificate provided pursuant to the Fund Loan Agreement, states that the Borrower does not require all or any portion of the amount on deposit in the Project Loan Account 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 by the State as a prepayment of the Borrower's Loan Repayments, and shall be applied to the principal payments on the Loan in inverse order of their maturity.

**SECTION 3.04. Unconditional Obligations.** The {direct, general} obligation of the Borrower to make the Loan Repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever while any 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 this Loan Agreement, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the State, the Trustee or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights. The

Borrower shall not be obligated to make any payments required to be made by any other Borrowers under separate Loan Agreements.

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

**SECTION 3.08. Priority of Loan and Trust Loan.** (a) The Borrower hereby agrees that, to the extent allowed by law, including, without limitation, the appropriations act of the New Jersey State Legislature authorizing the expenditure of Trust bond proceeds to finance a portion of the Cost of the Project, <{or the Borrower Bond Resolution,}> any loan repayments then due and payable on the Borrower's Trust Loan, including, without limitation, any administrative fees and any late payment charges then due and payable under the Trust Loan Agreement, shall be satisfied by the Trustee before any Loan Repayments then due and payable hereunder on the Loan shall be satisfied by the Trustee. The Borrower agrees not to interfere with any such action by the Trustee.

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

(c) The Borrower hereby further acknowledges that any Loan Repayments paid by the Borrower on the Loan under this Loan Agreement shall be applied (i) according to Section 3(c) of the Bond Resolution and (ii) according to the provisions of the Master Program Trust Agreement.

<{[(d) The Borrower hereby further acknowledges that, to the extent the Loan is comprised of a CWSRF Loan and a DWSRF Loan, any partial Loan Repayments paid by the Borrower on the Loan under this Loan Agreement shall be applied proportionately between the CWSRF Loan and the DWSRF Loan.]}>

**SECTION 3.09. Approval of the New Jersey State Treasurer.** The Borrower and the Trust hereby acknowledge that prior to or simultaneously with the Loan Closing, the New Jersey State Treasurer, in satisfaction of the requirements of Section 9a of the Act, issued the "Certificate of the New

Jersey State Treasurer Regarding the Approval of the Trust Loan and the Fund Loan” (the “Treasurer’s Certificate”). Pursuant to the terms of the Treasurer’s Certificate, the New Jersey State Treasurer approved the Loan and the terms and conditions thereof as established by the provisions of this Loan Agreement.

**SECTION 4.01. Assignment and Transfer by State.** The Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement and the Borrower Bond that the State deems to be necessary in connection with the environmental infrastructure loan program of the State under the <{Bond Act, including [any refunding of the State Bonds or] the issuance of additional State Bonds}> {Regulations}.

**SECTION 4.02. Assignment by Borrower.** Neither this Loan Agreement nor the Borrower Bond may be assigned by the Borrower for any reason, unless the following conditions shall be satisfied: (i) the 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 this Loan Agreement and, to the extent permitted under applicable law, the Borrower Bond; [and] (iii) immediately after such assignment, the assignee shall not be in default in the observance or performance of any duties, covenants, obligations or agreements of the Borrower under this Loan Agreement or the Borrower 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 of the interest on the State Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code]}>.

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

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

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

(c)> failure by the Borrower to pay, or cause to be paid, any late charges incurred hereunder or any portion thereof when due or to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in subsection (a) of this Section 5.01 or other than the obligations of the Borrower contained in Section {2.02(c)(ii)} <{2.02(d)(ii)}> hereof and in Exhibit F hereto, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the 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;

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

{\d}<(e)> a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, 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 shall make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee <{, but not including a takeover by the Division of Local Government Services in the New Jersey Department of Community Affairs}> of the Borrower or any of its property shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days;

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

{\f}<(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 in Exhibit F attached hereto and made a part hereof.

**SECTION 5.03. Remedies on Default.** Whenever an Event of Default referred to in Section 5.01 hereof shall have occurred and be continuing, the State shall have the right to take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the observance and performance of any duty, covenant, obligation or agreement of the Borrower hereunder.

In addition, if an Event of Default referred to in Section 5.01(a) hereof shall have occurred and be continuing, the State shall, to the extent allowed by applicable law, have the right to declare all Loan Repayments and all other amounts due hereunder (including, without limitation, payments under the Borrower Bond) 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 5.05. Application of Moneys.** Any moneys collected by the State pursuant to Section 5.03 hereof shall be applied (a) *first*, to pay any attorneys' fees or other fees and expenses owed by the Borrower pursuant to Section 5.04 hereof, (b) *second*, to the extent available, to pay principal due and payable on the Loan <{[to the extent permitted by Section 3.08(d) hereof]}>, (c) *third*, to the extent available, to pay any other amounts due and payable hereunder, and (d) *fourth*, to the extent available, to pay principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

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

**APPENDIX G-1**

**PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO  
THE TRUST, REGARDING THE SERIES 2012A 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 BONDS

[Letterhead of McCarter & English, LLP]

[Date of Closing]

Re: New Jersey Environmental Infrastructure Trust  
Environmental Infrastructure Bonds, Series 2012A

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 6, Suite 201  
Lawrenceville, New Jersey 08648

Dear Members:

We have acted as Bond Counsel to the New Jersey Environmental Infrastructure Trust (the "Trust"), a public body corporate and politic under the laws of the State of New Jersey (the "State"), created pursuant to the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State, as amended and supplemented (the "Act"), in connection with the issuance by the Trust of its \$\_\_\_\_\_ aggregate principal amount of "Environmental Infrastructure Bonds, Series 2012A" (the "Series 2012A Bonds"). The Series 2012A Bonds are being issued under and pursuant to (i) the Act, (ii) a bond resolution of the Trust adopted on March 15, 2012 and entitled "Environmental Infrastructure Bond Resolution, Series 2012A", as the same may be amended from time to time in accordance with the terms thereof (the "Series 2012A Resolution"), and (iii) other applicable law. Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Series 2012A Resolution.

The Series 2012A Bonds are being issued for the purpose of providing loan financing or refinancing for certain costs of environmental infrastructure projects undertaken by various New Jersey local government units (collectively, the "Series 2012A Borrowers"). Each Series 2012A Borrower has executed a loan agreement with the Trust, dated as of May 1, 2012, as the same may be amended from time to time in accordance with the terms thereof (each a "Series 2012A Loan Agreement"), and the loan repayments due thereunder are pledged as security for the Series 2012A Bonds. Additional security for the Series 2012A Bonds is provided by, *inter alia*, the Coverage Providing Financing Programs, as defined in and 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 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.

The Trust reserves the right to issue Additional Bonds, pursuant to the provisions of the Series 2012A Resolution, for the purpose of refunding Outstanding Bonds. As provided in the Series 2012A Resolution, any such Additional Bonds shall be secured equally as to security and payment with the Series 2012A Bonds.

Simultaneously with the issuance of the Series 2012A Bonds, the Trust, the Trustee (as hereinafter defined) and the Master Program Trustee have entered into that certain “Trust Continuing Disclosure Agreement”, dated as of May 1, 2012 (the “Continuing Disclosure Agreement”; the Series 2012A 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 Series 2012A Bonds.

The Series 2012A 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 Series 2012A Resolution.

Interest on the Series 2012A Bonds is payable on March 1 and September 1 in each year, commencing September 1, 2012, 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 Series 2012A Bonds, by wire sent by U.S. Bank National Association (the “Trustee”). Principal of the Series 2012A Bonds is payable upon the surrender thereof at the corporate trust office of the Trustee.

The Series 2012A 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 Series 2012A 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 Series 2012A Bonds, payments of the principal of and interest on the Series 2012A Bonds will be made by the Trustee 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 Series 2012A Bonds is the responsibility of the DTC participants.

The Series 2012A Bonds maturing on or before September 1, 2021 will not be subject to redemption prior to their respective stated maturity dates. The Series 2012A Bonds maturing on or after September 1, 2021 will be subject to redemption prior to their respective stated maturity dates, on or after September 1, 2021, at the option of the Trust, upon the terms set forth in the Series 2012A Resolution, either in whole on any date, or in part, by lot within a maturity or maturities determined by the Trust, on any Interest Payment Date, upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

[The Series 2012A Bonds are not subject to mandatory sinking fund redemption prior to their stated maturities.][The Series 2012A Bonds due September 1, 20\_\_ and September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to their stated maturity upon surrender thereof and through selection by lot by the Trustee upon the giving of notice as provided in the Series 2012A Resolution.]

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 Series 2012A Resolution, the Trust Documents, and the other documents, including, without limitation, certifications of the Trust, listed in the closing index relating to the Series 2012A Bonds filed with the Trustee. 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. 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 Series 2012A Bonds in order to assure that

interest on the Series 2012A Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. In their respective Series 2012A Loan Agreements, each of the Series 2012A Borrowers has made covenants with respect to its use and investment of proceeds of the Series 2012A Bonds, and its use of the Project (as defined in the respective Series 2012A Loan Agreements) financed or refinanced with proceeds of the Series 2012A 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” (the “Series 2012A Tax Certificate”), which is being delivered by the Trust on the date hereof in connection with the issuance of the Series 2012A Bonds (but which does not constitute a covenant under the Series 2012A Resolution), the Trust represents that it expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Series 2012A 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 Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. We have assumed, with your permission, continuing compliance (i) by the Trust with the provisions and procedures set forth in the Series 2012A Tax Certificate and (ii) by the Series 2012A Borrowers with their covenants as set forth in their respective Series 2012A Loan Agreements, in rendering our opinion with respect to the exclusion of interest on the Series 2012A 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 Series 2012A Resolution, to enter into the Trust Documents and to issue the Series 2012A Bonds.

2. The Series 2012A 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 Series 2012A Resolution is required. The Series 2012A Resolution creates the valid pledge that it purports to create of the Trust Estate, including, without limitation, payments made to the Trust pursuant to the Series 2012A 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 Series 2012A Loan Agreements and the Continuing Disclosure Agreement each have 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 Series 2012A Loan Agreements or the Continuing Disclosure Agreement is required.

5. The Trust is duly authorized and entitled to issue the Series 2012A Bonds. The Series 2012A 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 Series 2012A Resolution, are valid and binding obligations of the Trust enforceable against the Trust in accordance with their terms and the terms of the Series 2012A Resolution, and are entitled to the benefits of the Series 2012A Resolution and the Act. 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 premium, if any, of or interest on the Series 2012A 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 or redemption premium, if any, of or interest on the Series 2012A Bonds. The Trust has no taxing power.

6. Under existing law, interest on the Series 2012A 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 Series 2012A Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative

minimum tax and is not taken into account in the calculation of adjusted current earnings for purposes of the alternative minimum tax imposed on corporations. We express no opinion regarding any other federal income tax consequences arising with respect to the Series 2012A Bonds. Interest on the Series 2012A 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 Series 2012A Resolution, the Trust Documents and the Series 2012A 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, with your permission, 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, with your permission, upon the respective opinions, dated the date hereof, of independent counsel to each of the Series 2012A Borrowers with respect to (i) the due authorization, execution and delivery of the Series 2012A Loan Agreements by each of such respective Series 2012A Borrowers and (ii) certain legal consequences concerning the intended use by the Series 2012A Borrowers of the proceeds of the loan financing provided by the Trust to such respective Series 2012A 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 upon 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 persons without our prior written consent. This is an opinion letter only and not a warranty or guaranty of the matters discussed herein.

We have examined an executed Series 2012A Bond, and, in our opinion, the form of said Series 2012A 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 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 BONDS

[Letterhead of McCarter & English, LLP]

[Date of Closing]

Re: New Jersey Environmental Infrastructure Trust  
Environmental Infrastructure Bonds, Series 2012B (AMT)

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 6, Suite 201  
Lawrenceville, New Jersey 08648

Dear Members:

We have acted as Bond Counsel to the New Jersey Environmental Infrastructure Trust (the "Trust"), a public body corporate and politic under the laws of the State of New Jersey (the "State"), created pursuant to the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State, as amended and supplemented (the "Act"), in connection with the issuance by the Trust of its \$\_\_\_\_\_ aggregate principal amount of "Environmental Infrastructure Bonds, Series 2012B (AMT)" (the "Series 2012B Bonds"). The Series 2012B Bonds are being issued under and pursuant to (i) the Act, (ii) a bond resolution of the Trust adopted on March 15, 2012 and entitled "Environmental Infrastructure Bond Resolution, Series 2012B", as the same may be amended from time to time in accordance with the terms thereof (the "Series 2012B Resolution"), and (iii) other applicable law. Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Series 2012B Resolution.

The Series 2012B Bonds are being issued for the purpose of providing loan financing or refinancing for certain costs of environmental infrastructure projects undertaken by a New Jersey local government unit and various private water supply companies (collectively, the "Series 2012B Borrowers"). Each Series 2012B Borrower has executed a loan agreement with the Trust, dated as of May 1, 2012, as the same may be amended from time to time in accordance with the terms thereof (each a "Series 2012B Loan Agreement"), and the loan repayments due thereunder are pledged as security for the Series 2012B Bonds. Additional security for the Series 2012B Bonds is provided by, *inter alia*, the Coverage Providing Financing Programs, as defined in and 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 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.

The Trust reserves the right to issue Additional Bonds, pursuant to the provisions of the Series 2012B Resolution, for the purpose of refunding Outstanding Bonds. As provided in the Series 2012B Resolution, any such Additional Bonds shall be secured equally as to security and payment with the Series 2012B Bonds.

Simultaneously with the issuance of the Series 2012B Bonds, the Trust, the Trustee (as hereinafter defined) and the Master Program Trustee have entered into that certain “Trust Continuing Disclosure Agreement”, dated as of May 1, 2012 (the “Continuing Disclosure Agreement”); the Series 2012B 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 Series 2012B Bonds.

The Series 2012B 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 Series 2012B Resolution.

Interest on the Series 2012B Bonds is payable on March 1 and September 1 in each year, commencing September 1, 2012, 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 Series 2012B Bonds, by wire sent by U.S. Bank National Association (the “Trustee”). Principal of the Series 2012B Bonds is payable upon the surrender thereof at the corporate trust office of the Trustee.

The Series 2012B 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 Series 2012B 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 Series 2012B Bonds, payments of the principal of and interest on the Series 2012B Bonds will be made by the Trustee 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 Series 2012B Bonds is the responsibility of the DTC participants.

The Series 2012B Bonds maturing on or before September 1, 2021 will not be subject to redemption prior to their respective stated maturity dates. The Series 2012B Bonds maturing on or after September 1, 2021 will be subject to redemption prior to their respective stated maturity dates, on or after September 1, 2021, at the option of the Trust, upon the terms set forth in the Series 2012B Resolution, either in whole on any date, or in part, by lot within a maturity or maturities determined by the Trust, on any Interest Payment Date, upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

[The Series 2012B Bonds are not subject to mandatory sinking fund redemption prior to their stated maturities.][The Series 2012B Bonds due September 1, 20\_\_ and September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to their stated maturity upon surrender thereof and through selection by lot by the Trustee upon the giving of notice as provided in the Series 2012B Resolution.]

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 Series 2012B Resolution, the Trust Documents, and the other documents, including, without limitation, certifications of the Trust, listed in the closing index relating to the Series 2012B Bonds filed with the Trustee. 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. 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 Series 2012B Bonds in order to assure that interest on the Series 2012B Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. In their respective Series 2012B Loan Agreements, each of the Series 2012B Borrowers has made covenants with respect to its use and investment of proceeds of the Series 2012B Bonds, and its use of the

Project (as defined in the respective Series 2012B Loan Agreements) financed or refinanced with proceeds of the Series 2012B 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” (the “Series 2012B Tax Certificate”), which is being delivered by the Trust on the date hereof in connection with the issuance of the Series 2012B Bonds (but which does not constitute a covenant under the Series 2012B Resolution), the Trust represents that it expects and intends to be able to comply with and will, to the extent permitted by law, comply with the provisions and procedures set forth in the Series 2012B 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 2012B Bonds will, for purposes of federal income taxation, be excluded from gross income of the owners thereof. We have assumed, with your permission, continuing compliance (i) by the Trust with the provisions and procedures set forth in the Series 2012B Tax Certificate and (ii) by the Series 2012B Borrowers with their covenants as set forth in their respective Series 2012B Loan Agreements, in rendering our opinion with respect to the exclusion of interest on the Series 2012B 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 Series 2012B Resolution, to enter into the Trust Documents and to issue the Series 2012B Bonds.

2. The Series 2012B 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 Series 2012B Resolution is required. The Series 2012B Resolution creates the valid pledge that it purports to create of the Trust Estate, including, without limitation, payments made to the Trust pursuant to the Series 2012B 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 Series 2012B Loan Agreements and the Continuing Disclosure Agreement each have 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 Series 2012B Loan Agreements or the Continuing Disclosure Agreement is required.

5. The Trust is duly authorized and entitled to issue the Series 2012B Bonds. The Series 2012B 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 Series 2012B Resolution, are valid and binding obligations of the Trust enforceable against the Trust in accordance with their terms and the terms of the Series 2012B Resolution, and are entitled to the benefits of the Series 2012B Resolution and the Act. 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 premium, if any, of or interest on the Series 2012B 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 or redemption premium, if any, of or interest on the Series 2012B Bonds. The Trust has no taxing power.

6. Under existing law, interest on the Series 2012B Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, except as to interest on any Series 2012B Bond for any period during which such Series 2012B Bond is held by a person who is either a “substantial user” (within the meaning of Section 147(a) of the Code) of the facilities financed or refinanced with the proceeds of the Series 2012B Bonds or a “related person” of such “substantial user.” We express no opinion regarding any other federal income tax consequences arising with respect to the Series 2012B Bonds. Interest on the

Series 2012B 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 Series 2012B Resolution, the Trust Documents and the Series 2012B 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, with your permission, 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, with your permission, upon the respective opinions, dated the date hereof, of independent counsel to each of the Series 2012B Borrowers with respect to (i) the due authorization, execution and delivery of the Series 2012B Loan Agreements by each of such respective Series 2012B Borrowers and (ii) certain legal consequences concerning the intended use by the Series 2012B Borrowers of the proceeds of the loan financing provided by the Trust to such respective Series 2012B 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 upon 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 persons without our prior written consent. This is an opinion letter only and not a warranty or guaranty of the matters discussed herein.

We have examined an executed Series 2012B Bond, and, in our opinion, the form of said Series 2012B Bond and its execution are regular and proper.

Very truly yours,

**APPENDIX G-3**

**PROPOSED FORM OF APPROVING OPINION OF McCARTER & ENGLISH, LLP, BOND COUNSEL TO  
THE TRUST, REGARDING THE SERIES 2012C 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 BONDS

[Letterhead of McCarter & English, LLP]

[Date of Closing]

Re: New Jersey Environmental Infrastructure Trust  
Environmental Infrastructure Bonds, Series 2012C (Federally Taxable)

New Jersey Environmental Infrastructure Trust  
3131 Princeton Pike  
Building 6, Suite 201  
Lawrenceville, New Jersey 08648

Dear Members:

We have acted as Bond Counsel to the New Jersey Environmental Infrastructure Trust (the "Trust"), a public body corporate and politic under the laws of the State of New Jersey (the "State"), created pursuant to the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State, as amended and supplemented (the "Act"), in connection with the issuance by the Trust of its \$\_\_\_\_\_ aggregate principal amount of "Environmental Infrastructure Bonds, Series 2012C (Federally Taxable)" (the "Series 2012C Bonds"). The Series 2012C Bonds are being issued under and pursuant to (i) the Act, (ii) a bond resolution of the Trust adopted on March 15, 2012 and entitled "Environmental Infrastructure Bond Resolution, Series 2012C", as the same may be amended from time to time in accordance with the terms thereof (the "Series 2012C Resolution"), and (iii) other applicable law. Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Series 2012C Resolution.

The Series 2012C Bonds are being issued for the purpose of providing loan financing or refinancing for certain costs of an environmental infrastructure project undertaken by a New Jersey local government unit (the "Series 2012C Borrower"). The Series 2012C Borrower has executed a loan agreement with the Trust, dated as of May 1, 2012, as the same may be amended from time to time in accordance with the terms thereof (the "Series 2012C Loan Agreement"), and the loan repayments due thereunder are pledged as security for the Series 2012C Bonds. Additional security for the Series 2012C Bonds is provided by, *inter alia*, the Coverage Providing Financing Programs, as defined in and 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 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.

The Trust reserves the right to issue Additional Bonds, pursuant to the provisions of the Series 2012C Resolution, for the purpose of refunding Outstanding Bonds. As provided in the Series 2012C Resolution, any such Additional Bonds shall be secured equally as to security and payment with the Series 2012C Bonds.

Simultaneously with the issuance of the Series 2012C Bonds, the Trust, the Trustee (as hereinafter defined) and the Master Program Trustee have entered into that certain "Trust Continuing Disclosure Agreement", dated as of May 1, 2012 (the "Continuing Disclosure Agreement"; the Series 2012C Loan Agreement, the Master Program Trust Agreement and the Continuing Disclosure Agreement shall be referred to collectively herein as the "Trust Documents"), relating to the Series 2012C Bonds.

The Series 2012C 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 Series 2012C Resolution.

Interest on the Series 2012C Bonds is payable on March 1 and September 1 in each year, commencing September 1, 2012, 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 Series 2012C Bonds, by wire sent by U.S. Bank National Association (the "Trustee"). Principal of the Series 2012C Bonds is payable upon the surrender thereof at the corporate trust office of the Trustee.

The Series 2012C 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 Series 2012C 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 Series 2012C Bonds, payments of the principal of and interest on the Series 2012C Bonds will be made by the Trustee 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 Series 2012C Bonds is the responsibility of the DTC participants.

The Series 2012C Bonds maturing on or before September 1, 2021 will not be subject to redemption prior to their respective stated maturity dates. The Series 2012C Bonds maturing on or after September 1, 2021, will be subject to redemption prior to their respective stated maturity dates, on or after September 1, 2021, at the option of the Trust, upon the terms set forth in the Series 2012C Resolution, either in whole on any date, or in part, by lot within a maturity or maturities determined by the Trust, on any Interest Payment Date, upon the payment of 100% of the principal amount thereof and accrued interest thereon to the date fixed for redemption.

[The Series 2012C Bonds are not subject to mandatory sinking fund redemption prior to their stated maturities.][The Series 2012C Bonds due September 1, 20\_\_ and September 1, 20\_\_ are subject to mandatory sinking fund redemption prior to their stated maturity upon surrender thereof and through selection by lot by the Trustee upon the giving of notice as provided in the Series 2012C Resolution.]

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 Series 2012C Resolution, the Trust Documents, and the other documents, including, without limitation, certifications of the Trust, listed in the closing index relating to the Series 2012C Bonds filed with the Trustee. 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. 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 Series 2012C Resolution, to enter into the Trust Documents and to issue the Series 2012C Bonds.

2. The Series 2012C 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 Series 2012C Resolution is required. The Series 2012C Resolution creates the valid pledge that it purports to create of the Trust Estate, including, without limitation, payments made to the Trust pursuant to the Series 2012C Loan Agreement.

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 Series 2012C Loan Agreement and the Continuing Disclosure Agreement each have 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 Series 2012C Loan Agreement or the Continuing Disclosure Agreement is required.

5. The Trust is duly authorized and entitled to issue the Series 2012C Bonds. The Series 2012C 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 Series 2012C Resolution, are valid and binding obligations of the Trust enforceable against the Trust in accordance with their terms and the terms of the Series 2012C Resolution, and are entitled to the benefits of the Series 2012C Resolution and the Act. 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 premium, if any, of or interest on the Series 2012C 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 or redemption premium, if any, of or interest on the Series 2012C Bonds. The Trust has no taxing power.

6. Under existing law, interest on the Series 2012C 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 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 Series 2012C Resolution, the Trust Documents and the Series 2012C 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, with your permission, 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, with your permission, upon the respective opinions, dated the date hereof, of independent counsel to the Series 2012C Borrower with respect to the due authorization, execution and delivery of the Series 2012C Loan Agreement by the Series 2012C Borrower.

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 upon 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 persons without our prior written consent. This is an opinion letter only and not a warranty or guaranty of the matters discussed herein.

We have examined an executed Series 2012C Bond, and, in our opinion, the form of said Series 2012C Bond and its execution are regular and proper.

Very truly yours,

**APPENDIX H**  
**GLOSSARY OF TERMS**

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