



Warren H. Victor, Chairman
Robert Briant Jr., Vice Chairman
Roger Ellis, Treasurer
Mark Longo, Secretary
Andrew P. Sidamon-Eristoff, State Treasurer
Bob Martin, DEP Commissioner
Richard E. Constable, III, DCA Commissioner

David E. Zimmer, CFA, Executive Director

January 16, 2015

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



Dear Governor Christie:

In accordance with the provisions of the New Jersey Environmental Infrastructure Trust Act, I hereby transmit for your review and consideration the minutes of the January 15, 2015 meeting of the New Jersey Environmental Infrastructure Trust. The New Jersey Environmental Infrastructure Trust Act provides that the Governor has ten days from the delivery of the minutes, excluding weekends and holidays, to review and accept such minutes. In the event that the minutes are not acted upon within the statutory time frame by you, the minutes become effective automatically.

Sincerely,


Mark Longo
Secretary

Enclosure

Cc: Honorable Stephen Sweeney, President of the Senate
Honorable Vincent Prieto, Speaker of the General Assembly



Warren H. Victor, Chairman
Robert A. Briant, Jr., Vice Chairman
Roger Ellis, Treasurer
Mark Longo, Secretary
Andrew P. Sidamon-Eristoff, State Treasurer
Bob Martin, DEP Commissioner
Richard E. Constable, III, DCA Commissioner

David E. Zimmer, CFA, Executive Director

January 15, 2015

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

OPEN PUBLIC MEETING

MINUTES – January 15, 2015

1. CALL TO ORDER:

A meeting of the New Jersey Environmental Infrastructure Trust was convened on Thursday, January 15, 2015 in the conference room of 3131 Princeton Pike, Building 4, Suite 216, Lawrenceville, New Jersey. Chairman Victor called the meeting to order at 10:00 a.m.

2. OPEN PUBLIC MEETING ACT STATEMENT:

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

3. ROLL CALL:

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

DIRECTORS

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

OTHERS

David E. Zimmer, Executive Director
Frank Scangarella, Assistant Director
Lauren Seidman Kaltman, Chief Financial Officer
John Hansbury, Chief Budget Officer
Chris Howard, Governor’s Authorities Unit
Clifford T. Rones, Deputy Attorney General
Adam Wendell, McCarter & English LLP
Dan Berger, Public Financial Management
Eugene Chebra, Municipal Finance & Construction

4. APPROVAL OF THE MINUTES:

Chairman Victor opened discussion of the minutes of the Thursday, December 11, 2014 Trust Board meeting.

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

Mr. Requa moved for the approval of the minutes. Mr. Briant seconded the motion.

The motion was carried 6 to 0 with 1 abstention (Mr. Patella was not present for the meeting and abstained).

5. ANNOUNCEMENTS:

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

- January 13, 2015 – Board member and DEP Assistant Commissioner, Dan Kennedy, Assistant Director Scangarella and senior staff members from the DEP, met with Cumberland County Freeholder Director Derella, County Administrator Mecouch, Cumberland County Utility Authority Director Errickson, and Deputy Director Fernandez, Downe Township Mayor Campbell, and a number of engineering consultants to discuss a clean water project for the Township.
- January 12, 2015 – Board Treasurer Roger Ellis, Executive Director Zimmer and Assistant Director Scangarella met with Assemblyman Schaer, Assemblywoman Spencer, municipal representatives from the Borough of Little Ferry and City of Passaic and NJ Laborers' Union's Director of Government Relations Ciro Scalera to discuss pending legislation that will affect the Trust.
- January 7, 2015 – Executive Director Zimmer and Assistant Director Scangarella met with representatives from the NJ League of Municipal and NJ Association of Counties to discuss pending legislation that will affect the Trust.
- The next Trust Board meeting is scheduled for Thursday, February 12, 2015 at 10:00 am at the Trust's offices.

In keeping with the Trust's green initiative, a copy of the full list of announcements is available on the Trust's webpage in a format that allows for copying under the General Information tab at:

<http://www.njeit.org/general-information/miscellaneous/board-meeting-agendas>

There were no comments or questions.

6. PUBLIC COMMENTS:

Chairman Victor invited comments from the public. There were no comments.

7. UNFINISHED BUSINESS:

- A. Mr. Chebra, of the NJDEP’s Municipal Finance and Construction Element, reported that there are 201 active projects totaling \$995,736,475 and 984 closed projects with loans outstanding totaling \$4,782,365,909 for a grand total of 1,185 projects at \$5,778,102,384.
- B. Mr. Chebra discussed the SFY2015 Combined Financing Loan Programs:

SFY2015 Clean Water Financing Program:

| | | |
|---------------------------------------|------------------------------|----------------------|
| Traditional and Supplemental Program: | 6 Projects Totaling | \$30,744,000 |
| Supplemental Program: | 112 Projects Totaling | \$847,732,000 |
| Track II Projects: | 15 Projects Totaling | \$57,629,000 |
| Barneget Bay Projects: | 10 Projects Totaling | \$12,936,000 |
| Total Clean Water Projects | 143 Projects Totaling | \$949,041,000 |

SFY2015 Drinking Water Financing Program:

| | | |
|---------------------------------------|-----------------------------|----------------------|
| Traditional and Supplemental Program: | 76 Projects Totaling | \$289,019,000 |
| Supplemental Program: | 2 Projects Totaling | \$3,912,000 |
| Track II Projects | 10 Projects Totaling | \$40,367,000 |
| Total Drinking Water Projects | 88 Projects Totaling | \$333,298,000 |

SFY2015 Grand Totals:

| | | |
|---|---------------------|------------------------|
| Clean & Drinking Water Program Totals: | 231 Projects | \$1,282,339,000 |
|---|---------------------|------------------------|

Mr. Chebra announced the Clean Water and Drinking Water programs have been reopened to applicants for the up-coming fiscal year under the Track 2 initiative. Borrowers who missed the October 2014 deadline for the SFY 2016 Financial Program may now submit projects for funding under Track 2.

Mr. Chebra mentioned the passing of a DEP member last week, Phil Royer. He served at the DEP for 35 years and was instrumental in the establishment and successful operation to the drinking water SRF program.

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

RFP for Internal Control Auditing Services (Resolution 14-48)

The Trust redistributed an RFP for Internal Control Auditing Services (Resolution 14-48), which was passed by the Board in August 2014. The Trust is scheduled to receive proposals by January 30, 2015 and expects to have a recommendation for award at the next Board meeting.

Bond Counsel

The Trust, in conjunction with Deputy Attorney General Clifford Rones and Assistant Attorney General Susan Fischer, expects an RFP for Bond Counsel Services to be distributed within the next 4-6 weeks.

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

- The Trust received 3 new applications for Interim Financing Loans since the previous month, one each for a clean water loan and one for a drinking water loan from Ocean Township and one application for a drinking water loan from Berkeley Township, totaling \$1.87M. The Trust currently has a total of 17 IFP loan applications totaling \$81,713,039.
- The Trust has closed on 9 IFP loans applications totaling \$55,915,259.
- 8 projects have received IFP loan disbursements from the Trust to-date totaling \$23,618,235.

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

There were no comments or questions.

8. NEW BUSINESS:

A. Executive Director Zimmer requested that the Trust’s Chief Budget Officer, John Hansbury, introduce Resolution No. 15-01 accepting the December 2014 Treasurer’s Reports.

Mr. Hansbury presented the Report announcing that in December, the Trust received revenues from fees of \$15,907.50, paid bills totaling \$113,157.67 and is reviewing bills for payment totaling \$69,248.63.

Mr. Hansbury asked if there were any comments or questions regarding the report as presented. Mr. Zimmer asked why expenses were so low to-date relative to revenues. Mr. Hansbury explained that the bulk of expenses are related to salaries half of which will be paid in February of 2015 and the remainder in July. Also the Trust realizes a large part of its expenses for its bond issuance which typically occurs at fiscal year-end.

Chairman Victor requested a motion for approval.

The resolution was moved for adoption by Mr. Longo and seconded by Mr. Ellis. The motion was carried 7 to 0 with 0 abstentions.

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

| | |
|--|-------------------|
| Princeton Pike Office Park, LLC | \$9,235.97 |
|--|-------------------|

| | |
|---|--------------------|
| Rent - February 2015 | |
| J&J Staffing Resources Part-Time Salaries - Inv#'s: 336953, 337274, 337603, 337934, 338240 | \$23,980.37 |
| PFM Asset Management LLC Investment Advisor - November 2014 | \$7,058.28 |
| Bowman & Company LLP Financial Auditor NJEIT Audit SFYE 6/30/2014 | \$9,950.00 |
| Harleysville Insurance Property and General Liability Insurance (1/15/2015 - 1/15/2016) | \$4,964.00 |
| Council of Infrastructure Financing Authorities (CIFA) 2015 CIFA Membership Dues | \$5,000.00 |
| U.S. Bank Master Program Trust (11/1/2014 - 10/31/2015) | \$5,000.00 |
| Bank of America Business Card Credit Card Payment #0766 | \$4,060.01 |
| TOTAL | \$69,248.63 |

- B. Executive Director Zimmer requested Mr. Scangarella introduce Resolution No. 15-02 approving Policy No. 3.05 (Leave of Absence). Given the Trust's broad scope of responsibilities and its limited staff size, it is recommended that the Trust adopt its own Unpaid Leave Policy. Leaves including voluntary furlough, education, vacation, conventions, pursuit of employment, other personal purposes would be prohibited.

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

The resolution was moved for adoption by Mr. Briant and seconded by Mr. Longo. The motion was carried 7 to 0 with 0 abstentions.

- C. Executive Director Zimmer requested Mr. Scangarella introduce Resolution No. 15-03 approving Various Short-Term Finance Programs for SFY2016. This Resolution authorizes the implementation of the SFY2016 Construction Financing Program (formerly the Interim Financing Program), Emergency Financing, Planning & Design Financing, Supplemental Loan Programs and Equipment Loans to which the Trust will make short-term loans to qualifying Borrowers. Without additional Board action, Loans

are authorized in the following; the maximum principal loan amount; Construction Loan, \$10MM; Emergency Loan, \$600K; Planning & Design Loan \$500K; Supplemental Loan, \$300K; and Equipment Loan \$1MM. All loans will bare interest at the Trust's short term rate on only the portion funded by the Trust. All loans are expected to be re-financed into long-term loans through future Financing Programs.

Mr. Scangarella asked if there were any comments or questions. Mr. Victor asked for examples of equipment that would be eligible to receive a loan. Mr. Scangarella and Mr. Chebra commented that eligible equipment are stand alone pieces not requiring environmental or design review and which are owned and not leased, as required by the Program.

Chairman Victor requested a motion for approval.

The resolution was moved for adoption by Mr. Ellis and seconded by Mr. Requa.
The motion was carried 7 to 0 with 0 abstentions.

- D. Executive Director Zimmer requested Ms. Kaltman to introduce Resolution No. 15-04 approving the Amended and Restated Small System Loan (Nano Loan) Program. The resolution provides for 100% Principal Forgiveness Loans to very Small Water Systems serving populations of 500 or less. Remaining Small System Loans continue to be funded at 50% Principal Forgiveness, 25% from the DEP, and 25% from the Trust. The overall program limit remains at \$4M and the per borrower limit is \$1M.

Ms. Kaltman asked if there were any comments or questions. Mr. Victor inquired as to how a recipient of a very Small System Loan was determined. Ms. Kaltman responded that Borrowers are qualified based on the DEP's priority rankings. Very Small System Loans are only available to locations with 500 users or less. Mr. Patella inquired about the funding for the Principle Forgiveness Loans? Ms. Kaltman responded that very Small System Principal Forgiveness loans are funded by the DEP.

Chairman Victor requested a motion for approval.

The resolution was moved for adoption by Mr. Briant and seconded by Mr. Kennedy.
The motion was carried 7 to 0 with 0 abstentions.

- E. Executive Director Mr. Zimmer introduced Resolution No. 15-05 approving the Amended and Restated Credit Policy. Modifications to the Trust Credit Policy include the addition of the SAIL Loan Program, a time requirement for de-minimis loan borrowers to delivery credit material to the Trust, the expansion of the term "Material Event" to include applicants who are placed under State supervision, eligibility exceptions for unrated borrowers and altering the requirements related to the QBA .

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

The resolution was moved for adoption by Mr. Requa and seconded by Mr. Longo.
The motion was carried 7 to 0 with 0 abstentions.

9. EXECUTIVE SESSION:

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

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

Chairman Victor then asked for a motion for an adjournment.

Mr. Briant moved to adjourn the meeting. The motion was seconded by Mr. Longo. The motion was carried 7 to 0 with 0 abstentions.

The meeting was adjourned at 10:30 a.m.

RESOLUTION NO. 15 - 01

**RESOLUTION AUTHORIZING APPROVAL OF THE
DECEMBER 2014 TREASURER'S REPORT**

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust") has reviewed the Treasurer's Report for December 2014; and

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

NOW THEREFORE BE IT RESOLVED, that the Trust hereby accepts the Treasurer's Report for December 2014 and request that the same be entered into the record.

Adopted Date: January 15, 2015

Motion Made By: Mark Longo

Motion Seconded By: Roger Ellis

Ayes: 6

Nays: 0

Abstentions: 1

RESOLUTION NO. 15 - 02

**RESOLUTION ADOPTING TRUST POLICY AND PROCEDURE NO. 3.05
“UNPAID LEAVE OF ABSENCE POLICY”**

WHEREAS, the New Jersey Environmental Infrastructure Trust (the “Trust”) has the authority to enact and amend Policies and Procedures pursuant to Section IX of its By-Laws; and

WHEREAS, it is the Trust’s desire to provide clear direction to full-time employees as to the circumstances in which to an employee will be permitted leave without pay (Unpaid Leave of Absence); and

NOW THEREFORE BE IT RESOLVED, the Trust hereby adopts Policy and Procedure No. 3.05 “Unpaid Leave of Absence.”

Adopted Date: January 15, 2015

Motion Made By: Robert Briant Jr.

Motion Seconded By: Mark Longo

Ayes: 7

Nays: 0

Abstentions: 0

**NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
POLICY AND PROCEDURE**

SUBJECT: Unpaid Leave of Absence

EFFECTIVE DATE: February 3, 2015

NO. 3.05 (January 15, 2015)

REVISION HISTORY: None

Background

The New Jersey Environmental Infrastructure Trust is an independent State Financing Authority which works in partnership with the New Jersey Department of Environmental Protection. The Trust “is established in, but not of,” the DEP and has the power to appoint and employ an executive director and any other officers or employees as it may require for the performance of its duties. N.J.S.A. 58:11B-4; NJSA 58:11B-5(h). The Trust has elected to have the Department provide administrative support for the Trust including the area of human resources. Although the Trust frequently looks to the DEP for policies regarding various human resources matters, the Trust possesses the statutory flexibility to enact its own policies pursuant to N.J.S.A. 58:11B-5(A).

POLICY

Given the Trust’s broad statutory mission and its limited staff, the unpaid absence of an employee is prohibited unless otherwise provided for herein.

1. **Permitted Leave:** Upon the expiration of earned and accumulated paid leave balances (Vacation Leave, Sick Leave, and Administrative Leave), employees for reasons satisfactory to the Executive Director, may be granted a personal leave of absence for a period of up to six (6) months without pay or credit for service (except as is provided in Military Leave DEP Policy 2.09(E)) only in the following circumstances:
 - a. **Sick Leave** (DEP Policy 2.10, 2.16 and 2.26);
 - b. **Military Leave** (DEP Policy 2.09(E), Uniformed Services Employment and Reemployment Rights Act of 1994 (P.L. 103-353) 5 CFR 353.106);
 - c. **Family Leave**, (DEP Policy 2.13, (The Family and Medical Leave Act of 1993 (FMLA) (P.L. 103-3, February 5, 1993) 5 CFR part 630, subpart L), N.J. Family Leave Act and Family and Medical Leave Act of 1993, N.J.S.A. 34:11B-1 et seq.;
 - d. **Child Care Leave**, (DEP Policy 2.09(B));
 - e. **Jury Duty**, (DEP Policy 2.09(D));
 - f. **Leave upon Appointment of the Governor**, (DEP Policy 2.09(G));
 - g. **Leave to Appear as a Witness**; (DEP Policy 2.09(I));
 - h. **Emergency Civilian Duty Leave**, (DEP Policy 2.09(J));
 - i. **Leave for Disaster Relief Assistance**, (DEP Policy 2.09(K)); and
 - j. **School Volunteer Leave**, (DEP Policy 2.09(L)).

In addition, leave may be granted as required by law under the Americans with Disabilities Act, the "New Jersey Security and Financial Empowerment Act," (NJ SAFE Act), P.L. 2013, c.82 or any other applicable state or federal law. Nothing in this policy shall serve to impede providing an employee with additional leave as may be necessary to make a reasonable accommodation for persons with disabilities.

In exceptional circumstances, such leave may be extended by the Executive Director for an additional six (6) months, provided it is considered to be in the best interest of the NJEIT. No such leaves will be granted beyond one year unless otherwise provided by statute.

2. Prohibited Non-Paid Leave: The following unpaid leave of absence is expressly prohibited:
- a. Voluntary Furlough (N.J.S.A. 4A6:1.23, DEP Policy 2.64);
 - b. Educational purposes (DEP Policy 2.09(F));
 - c. Administrative purposes (DEP Policy 2.12);
 - d. Vacation purposes (DEP Policy 2.11);
 - e. Convention Leave (DEP Policy 2.09(H));
 - f. Pursuit or Acceptance of employment with another employer; and
 - g. Other personal purposes.

Personal leaves of absence shall be granted with the understanding that the employee intends to return to duty. Upon completion of an approved leave of absence, the NJEIT will make every reasonable effort to return the employee to the same work location and schedule. However, this cannot be assured in advance.

Employees on an approved leave without pay for more than two weeks in any month shall **not receive or accrue holiday pay, earned sick leave, vacation time, or personal leave**, during or for that period. Employees absent due to a prohibited unpaid leave purpose above may be subject to disciplinary action. Further, employees that are absent for five or more consecutive days of prohibited unpaid leave; or a failure to return within five working days after the expiration of a leave or excused absence, will be considered to have resigned not in good standing.

RESOLUTION NO. 15 - 03

RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST AUTHORIZING VARIOUS SHORT-TERM FINANCING PROGRAMS OF THE TRUST FOR STATE FISCAL YEAR 2016

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust"), pursuant to and in accordance with (i) the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State (codified at N.J.S.A. 58:11B-1 *et seq.*), as the same has been, and in the future may from time to time be, amended and supplemented (the "Act"), and (ii) the regulations promulgated pursuant to the Act (N.J.A.C. 7:22-2.1 *et seq.*), as the same have been, and in the future may from time to time be, amended and supplemented (the "Regulations"), is authorized, pursuant to an interim financing program (the "Construction Financing Program"), to make loans (each, a "Construction Loan") to eligible project sponsors (each, a "Borrower") for the purpose of financing the allowable costs of environmental infrastructure projects (each, a "Project"), provided that each such Construction Loan made by the Trust satisfies the requirements of the Act, including, without limitation, N.J.S.A. 58:11B-9(d), and the Regulations, including, without limitation, N.J.A.C. 7:22-4.47; and

WHEREAS, pursuant to the provisions of N.J.A.C. 7:22-4.47, a proposed project sponsor is eligible to be a Borrower for an Construction Loan for purposes of financing the allowable costs of the Project of such Borrower pursuant to the Construction Financing Program, provided each of the following conditions is satisfied in full: (i) the Project is listed on the project priority lists for the ensuing fiscal year that has been submitted to the State Legislature pursuant to N.J.S.A. 58:11B-20 or N.J.S.A. 58:11B-20.1 (collectively, the "Priority List"); (ii) the proposed Borrower has submitted a complete application for the Project in accordance with N.J.A.C. 7:22-4.11; (iii) the Project has been certified for funding by the Trust in accordance with N.J.A.C. 7:22-4.13; (iv) the Project is in the fundable range in the forthcoming funding cycle given the Project's rank and the anticipated availability of New Jersey Department of Environmental Protection ("NJDEP") and Trust monies; and (v) the proposed Borrower has not previously received an Construction Loan through the Construction Financing Program for the same project scope (collectively, the "Construction Financing Program Conditions Precedent"); and

WHEREAS, the Trust, pursuant to and in accordance with (i) the Act, and (ii) the Regulations, is authorized, pursuant to an emergency financing program (the "Emergency Financing Program"), to make loans (each an "Emergency Loan") to eligible Borrowers for the purpose of financing the allowable costs of the emergency repair of Projects, provided that each such Emergency Loan made by the Trust to a Borrower for a Project satisfies the requirements of the Act, including, without limitation, N.J.S.A. 58:11B-9.1, and any applicable Regulations; and

WHEREAS, it is the desire of the Trust, subject to the terms and provisions of the Act, the Regulations and this Resolution, to establish the following conditions precedent that must be satisfied in full in connection any Emergency Loan made by the Trust to a qualifying Borrower for its Project: (i) the Borrower is a local government unit (as defined in the Act); (ii) the Commissioner (the "Commissioner") of the NJDEP has determined and certified, in writing, that

the Project constitutes an emergency because of an imminent threat to the environment or the public health, safety or welfare caused by structural or mechanical failure, sabotage or act of God, all in accordance with N.J.S.A. 58:11B-9.1; (iii) the Project has been certified for funding by the Trust in accordance with N.J.A.C. 7:22-4.13; and (iv) the Project is included in neither a financial plan (as described in N.J.S.A. 58:11B-21 and 21.1) nor an appropriations act of the New Jersey State Legislature for the ensuing fiscal year (items (i) through (iv) hereof shall be referred to collectively herein as the “Emergency Financing Program Conditions Precedent”); and

WHEREAS, the Trust, pursuant to and in accordance with (i) the Act, and (ii) the Regulations, is authorized, pursuant to a planning and design financing program (the “Planning and Design Financing Program”), to make loans (each, a “Planning Loan”) to eligible Borrowers for the purpose of financing the allowable environmental planning and engineering design costs of Projects, provided that each such Planning Loan made by the Trust to a Borrower for a Project satisfies the requirements of the Act, including, without limitation, N.J.S.A. 58:11B-9.2, and any applicable Regulations; and

WHEREAS, the Act, specifically N.J.S.A. 58:11B-9.2, provides for the making of Planning Loans to Borrowers with respect to Projects that are included on the Priority List, as well as Projects that are not included on the Priority List; and

WHEREAS, it is the desire of the Trust, subject to the terms and provisions of the Act, the Regulations and this Resolution, to establish the following conditions precedent that must be satisfied in full in connection with any Planning Loan made by the Trust to a qualifying Borrower for its Project: (i) the proposed scope of the Project has been certified for funding by the Trust through the Planning and Design Financing Program in accordance with N.J.A.C. 7:22-4.13; (ii) if the Project is on the Priority List for State Fiscal Year 2016, the Project is in the fundable range in the forthcoming funding cycle given the Project's rank and the anticipated availability of NJDEP and Trust monies; and (iii) the proposed Borrower has not previously received financing from the Trust or the NJDEP, through the Planning and Design Financing Program or otherwise, for the same project scope (items (i) through (iii) hereof shall be referred to collectively herein as the “Planning and Design Financing Program Conditions Precedent”); and

WHEREAS, the Trust, pursuant to and in accordance with (i) the Act, and (ii) the Regulations, is authorized, pursuant to a supplemental financing program (the “Supplemental Financing Program”), to make short-term or temporary loans (each, a “Supplemental Loan”) to eligible Borrowers for the purpose of financing, with respect to a Project (each, an “Existing Project”) for which a loan previously has been made to such Borrower by the Trust pursuant to N.J.S.A. 58:11B-9(a) (each, an “Existing Loan”), to pay for additional eligible costs of such Existing Project (the “Additional Costs”), that have been incurred by such Borrower in connection with the completion of such Existing Project and in excess of (i) the principal amount of the Existing Loan, plus (ii) the principal amount of the companion loan made to the Borrower by the State, acting by and through the NJDEP, provided that each such Supplemental Loan made by the Trust to a Borrower satisfies the requirements of the Act, including, without limitation, N.J.S.A. 58:11B-9.4, and any applicable Regulations; and

WHEREAS, the Act, specifically N.J.S.A. 58:11B-9.4, provides for the making of Supplemental Loans to Borrowers with respect to Existing Projects that are not included on the Priority List; and

WHEREAS, it is the desire of the Trust, subject to the terms and provisions of the Act, the Regulations and this Resolution, to establish the following conditions precedent that must be satisfied in full in connection with any Supplemental Loan made by the Trust to a qualifying Borrower for the Additional Costs of its Existing Project: (i) the proposed scope of the Additional Costs of the Existing Project have been certified for funding by the Trust through the Supplemental Financing Program in accordance with N.J.A.C. 7:22-4.13; and (ii) the Borrower has not previously received financing from the Trust or the NJDEP, through the Supplemental Financing Program or otherwise, for the Additional Costs of the Existing Project proposed to be financed through the Supplemental Financing Program (items (i) and (ii) hereof shall be referred to collectively herein as the “Supplemental Financing Program Conditions Precedent”); and

WHEREAS, the Trust, pursuant to and in accordance with (i) the Act, and (ii) the Regulations, is authorized, pursuant to an equipment financing program (the “Equipment Financing Program”), to make short-term or temporary loans (each, an “Equipment Loan”) to eligible Borrowers for the purpose of financing the allowable costs of certain Projects consisting of the purchase or other acquisition of equipment, provided that each such Equipment Loan made by the Trust to a Borrower for a Project satisfies the requirements of the Act, including, without limitation, N.J.S.A. 58:11B-9.6, and any applicable Regulations; and

WHEREAS, the Act, specifically N.J.S.A. 58:11B-9.6, provides for the making of Equipment Loans to Borrowers with respect to Projects that are not included on the Priority List; and

WHEREAS, it is the desire of the Trust, subject to the terms and provisions of the Act, the Regulations and this Resolution, to establish the following conditions precedent that must be satisfied in full in connection with any Equipment Loan made by the Trust to a qualifying Borrower for its Project: (i) the proposed scope of the Project has been certified for funding by the Trust through the Equipment Financing Program in accordance with N.J.A.C. 7:22-4.13; and (ii) the Borrower has not previously received financing from the Trust or the NJDEP, for the costs of the Project proposed to be financed through the Equipment Financing Program (items (i) and (ii) hereof shall be referred to collectively herein as the “Equipment Financing Program Conditions Precedent”); the Construction Financing Program Conditions Precedent, the Emergency Financing Program Conditions Precedent, the Planning and Design Financing Program Conditions Precedent, the Supplemental Financing Program Conditions Precedent and the Equipment Financing Program Conditions Precedent shall be referred to collectively herein as the “Financing Program Conditions Precedent”); and

WHEREAS, it is the desire of the Trust, subject to the terms and provisions of the Act, the Regulations and this Resolution, to authorize the implementation of the Construction Financing Program, the Emergency Financing Program, the Planning and Design Financing Program, the

Supplemental Financing Program and the Equipment Financing Program for the State Fiscal Year 2016 (“SFY 2016”) Environmental Infrastructure Financing Program of the Trust (collectively, the “SFY 2016 Short-Term Financing Program”); and

WHEREAS, in order to provide a source of funding for the implementation of the Construction Financing Program for SFY 2016, the New Jersey State Legislature and the Governor of the State have enacted into law an appropriation act (the “Appropriation”) that has appropriated to the Trust, from repayments of loans deposited in any account, including the Clean Water State Revolving Fund Accounts contained within the “Wastewater Treatment Fund”, the “1992 Wastewater Treatment Fund”, the “Water Supply Fund”, the “Stormwater Management and Combined Sewer Overflow Abatement Fund”, or the Drinking Water State Revolving Fund, as appropriate, and from any net earnings received from the investment and reinvestment of such deposits, the sum of \$200,000,000, such sum having been deposited, or to be deposited, in the segregated fund created by the Trust for the purpose of funding the Construction Financing Program; and

WHEREAS, in addition to the funds made available to the Trust pursuant to the Appropriation for purposes of the Construction Financing Program for SFY 2016, it is the desire of the Trust to provide, as additional sources of funding for the Construction Financing Program for SFY 2016, (i) net earnings with respect to funds held by the Trust and (ii) operating funds of the Trust that are not required for, or committed to, the operations of the Trust for fiscal years 2016 and 2017 (collectively, the “Available Trust Revenues”; the Appropriation and the Available Trust Revenues shall be referred to collectively herein as the “Available CFP Funds”), which Available Trust Revenues may be made available by the Trust to (i) Borrowers participating in the Construction Financing Program for SFY 2016 that do not qualify for funding from the Appropriation, as well as (ii) at the election of the Trust, any other Borrowers participating in the Construction Financing Program for SFY 2016; and

WHEREAS, pursuant to the Act, the source of funding for the Emergency Financing Program authorized hereby shall be the Emergency Loan Fund created by N.J.S.A. 58:11B-9.1 (the “Available EFP Funds”); and

WHEREAS, pursuant to the Act, the sources of funding for the Planning and Design Financing Program authorized hereby shall be (i) the Planning and Design Fund created by N.J.S.A. 58:11B-9.2(a) and (ii) the Interim Financing Program Fund created by N.J.S.A. 58:11B-9(d) (collectively, the “Available PDFP Funds”), provided that a Planning Loan made from moneys on deposit in the Interim Financing Program Fund may be made only with respect to a Project that is included on the Priority List; and

WHEREAS, pursuant to the Act, the source of funding for the Supplemental Financing Program authorized hereby shall be amounts on deposit in the Supplemental Loan Fund created by N.J.S.A. 58:11B-9.4(a) (the “Available SFP Funds”); and

WHEREAS, pursuant to the Act, the source of funding for the Equipment Financing Program authorized hereby shall be amounts on deposit in the Equipment Loan Fund created by N.J.S.A. 58:11B-9.6(a) (the “Available QFP Funds”; the Available CFP Funds, the Available EFP Funds, the Available PDFP Funds, the Available SFP Funds and the Available QFP Funds shall be referred to collectively herein as the “Available Funds”); and

WHEREAS, with respect to the SFY 2016 Short Term Financing Program of the Trust and other future short-term financing programs of the Trust (collectively, the “Current and Future Short-Term Financing Programs”), it is the desire of the Trust to explore, as an additional source of funding for the Current and Future Short-Term Financing Trust Loan Programs, the procurement of a line of credit or other similar financial instrument procured by the Trust from a commercial bank (the “Credit Instrument”), and in furtherance of such exploration, the Trust desires to prepare and distribute a Request for Proposals seeking proposals from qualified providers of a Credit Instrument; and

WHEREAS, it is the desire of the Trust that, if a Borrower is eligible to receive financing from one or more of the Construction Financing Program, the Emergency Financing Program, the Planning & Design Financing Program, the Supplemental Financing Program and the Equipment Financing Program, the Borrower may receive a single combined loan (each, a “Short-Term Loan”), provided that (i) there shall exist sufficient Available Funds from the applicable source for the making of each component of the Short-Term Loan, (ii) the Borrower has submitted to the Trust and the NJDEP a complete application with respect to the Project and each applicable component of the SFY 2016 Short-Term Financing Program, and (iii) the Trust shall not disburse funds with respect to any component of the Short-Term Loan until such components and the Project costs applicable thereto shall have been certified by the NJDEP.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the New Jersey Environmental Infrastructure Trust (the “Board”), as follows:

Section 1. The Board hereby authorizes the establishment of the SFY 2016 Short-Term Financing Program, provided (i) each component of such SFY 2016 Short-Term Financing Program shall be funded solely from the Available Funds applicable thereto; and (ii) each component of such SFY 2016 Short-Term Financing Program shall comply fully with the provisions of the Act and the Regulations applicable thereto and the applicable terms of this Resolution.

Section 2. Any Short-Term Loan made by the Trust as part of the SFY 2016 Short-Term Financing Program shall be evidenced by (i) a note or other appropriate obligation of the Borrower to be issued to the Trust (the “Obligation”), and (ii) any other documentation as shall be deemed necessary and appropriate by the Executive Director of the Trust, or any other person or persons designated by the Board by resolution to act on behalf of the Trust (each, an “Authorized Officer”), after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State (collectively, the “Loan Instruments”). Each Obligation shall be in substantially the applicable form attached hereto as Exhibit A, with such revisions and modifications thereto as shall be approved by an Authorized Officer after consultation with Bond Counsel to the Trust and the

Office of the Attorney General of the State. The Loan Instruments shall include such terms and provisions relating to the SFY 2016 Short-Term Financing Program as shall be determined by an Authorized Officer, after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, as being necessary in connection with (a) the satisfaction of the requirements of the Act and the Regulations applicable thereto and (b) the implementation of the applicable terms of this Resolution, including, without limitation, the enumeration of the components of such Short-Term Loan and the respective principal amounts thereof. Any Short-Term Loan made by the Trust to a Borrower as part of the SFY 2016 Short-Term Financing Program (1) shall bear interest at a rate determined in accordance with the Interest Rate Calculation (as hereinafter defined), (2) shall have a maturity date to be determined by an Authorized Officer, in consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, which shall be no later than the applicable date set forth in Section 4 hereof; and (3) shall not be subject to the imposition of an administrative fee.

Section 3. The rate of interest to be paid by a Borrower to the Trust with respect to the repayment of a Short-Term Loan shall be calculated in the following manner (the "Interest Rate Calculation"), so as to achieve an objectively determined rate of interest that is reflective of the policy goals as set forth in this Resolution and the market as of the date on which the Short-Term Loan is made by the Trust:

(a) with respect to any portion of a Short Term Loan that is expected to be refinanced with the proceeds of a long term zero-interest or principal forgiveness loan from the NJDEP, other than an Short-Term Loan made from amounts made available to the Trust pursuant to a Credit Instrument, 0.00%;

(b) with respect to any portion of a Short Term Loan made to a local government unit (as such term is defined in the Act), that is expected to be refinanced with the proceeds of a long term loan from the Trust, other than a Short-Term Loan made from amounts made available to the Trust pursuant to a Credit Instrument, the interest rate as defined by the Thompson Financial TM3 "AAA" Municipal Market Data General Obligation Index (Tax Exempt) for the number of years that corresponds to the term of the Short-Term Loan;

(c) with respect to any portion of a Short Term Loan made to a public water utility (as such term is defined in the Act), a small water company (as such term is defined in the Act), any other private person, or a local government unit on behalf of any private person, that is expected to be refinanced with the proceeds of a long term loan from the Trust, other than an Short-Term Loan made from amounts made available to the Trust pursuant to a Credit Instrument, the interest rate as defined by the Thompson Financial TM3 "AAA" Municipal Market Data General Obligation Index (AMT) for the number of years that corresponds to the term of the Short-Term Loan; and

(d) with respect any portion of a Short-Term Loan made from amounts made available to the Trust pursuant to a Credit Instrument, a rate to be determined by the Trust

in connection with its approval of any such Credit Instrument as required by Section 13 hereof, which rate shall be commensurate with the cost to the Trust of obtaining funds pursuant to such Credit Instrument for the purpose of making such Short-Term Loan or portion thereof.

For purposes of determining the term of an Short-Term Loan in order to perform the Interest Rate Calculation as set forth above, the Authorized Officers shall calculate from the date such Short-Term Loan is made to, but not including, the maturity date of such Short-Term Loan, rounding up to the nearest year.

Section 4. The maturity date with respect to any Short-Term Loan or component thereof shall not exceed:

(a) with respect to any Construction Loan or component thereof, the last day of the third succeeding State Fiscal Year following the closing date with respect to such Construction Loan;

(b) with respect to any Emergency Loan or component thereof, twenty four months following the date of such Emergency Loan;

(c) with respect to any Planning Loan or component thereof, (i) included on the SFY 2016 Priority List, the date of closing with respect to the State Fiscal Year 2017 New Jersey Environmental Infrastructure Financing Program as administered by the Trust and the NJDEP (the "Financing Program"), which closing date shall be no later than June 30, 2017, and (b) with respect to a Project not included on the SFY 2016 Priority List, the date of closing with respect to the applicable long-term financing within the State Fiscal Year 2018 Financing Program, which closing date shall be no later than June 30, 2018;

(d) with respect to any Supplemental Loan or component thereof, the date of closing with respect to the applicable long-term financing within the State Fiscal Year 2017 Financing Program, which closing date shall be no later than June 30, 2017; and

(e) with respect to any Equipment Loan or component thereof, the last day of the third succeeding State Fiscal Year following the closing date with respect to such Equipment Loan.

Section 5. The principal amount of each Short-Term Loan or component thereof shall not exceed: (a) with respect to any Construction Loan, \$10,000,000; (b) with respect to any Emergency Loan, \$600,000; (c) with respect to any Planning Loan, \$500,000; (d) with respect to any Supplemental Loan, \$300,000, and (e) with respect to any Equipment Loan, \$1,000,000.

Section 6. The Authorized Officers are each hereby severally authorized and directed, after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, to approve the participation of a Borrower in the FY 2016 Short-Term Financing Program,

provided that (i) such Borrower qualifies for such participation pursuant to the provisions of the Act and the Regulations applicable thereto and the applicable terms of this Resolution, and (ii) such Borrower has satisfied all of the applicable Financing Program Conditions Precedent.

Section 7. Prior to the making of any Short-Term Loan pursuant to the SFY 2016 Short-Term Financing Program with respect to any Project, an Authorized Officer shall certify the Project for funding through the SFY 2016 Short-Term Financing Program in accordance with the provisions of N.J.A.C. 7:22-4.13; provided, however, that (i) the proposed Project, or a component thereof (as provided pursuant to the provisions of Section 8 hereof), previously has been certified for funding by the Commissioner of the NJDEP, and (ii) such Project shall otherwise qualify for funding through the applicable component(s) of the SFY 2016 Short-Term Financing Program pursuant to the terms and provisions of the Act and the Regulations applicable thereto and the applicable terms and provisions of this Resolution.

Section 8. In the event that a portion, but not all, of a Project that is to be the subject of a Short-Term Loan has been certified for funding by the Commissioner of the NJDEP, the Authorized Officers are hereby severally authorized to extend a Short-Term Loan to such Borrower in a stated principal amount not exceeding the total estimated allowable costs of the Project (subject to the further limitations set forth in the Act, the applicable Regulations and this Resolution, including, without limitation, Section 5 of this Resolution); provided, however, that the Loan Instruments relating to such Short-Term shall provide that the Trust may not disburse to the Borrower any proceeds of the Short Term Loan with respect to costs that have not been certified by the Commissioner of the NJDEP on or prior to the applicable date of disbursement thereof.

Section 9. No Planning Loan, with respect to a Project that does not appear on the then-current Priority List, Emergency Loan, Supplemental Loan or Equipment Loan, with respect to a Project that does not appear on the then-current Priority List, shall be made by the Trust to a Borrower with respect to a Project without the prior approval of the Board in the form of a resolution duly adopted pursuant to and in satisfaction of the requirements of the Act.

Section 10. Each Authorized Officer is hereby severally authorized and directed to execute (i) any Loan Instrument to which the Trust is a party (the "Trust Loan Instruments") and (ii) any certificates, instruments or documents contemplated therein or otherwise related to the participation of any Borrower in the SFY 2016 Short-Term Financing Program.

Section 11. Upon execution of the Trust Loan Instruments by an Authorized Officer, the Secretary and the Assistant Secretary of the Trust are each hereby severally authorized and directed, where required, to affix the corporate seal of the Trust, and to attest to the signature of such Authorized Officer, thereon and on any certificates, instruments or documents contemplated therein or related thereto.

Section 12. At the meeting of the Board immediately following the execution and delivery of any Loan Instruments relating to any Short-Term Loan made to any Borrower pursuant

to the FY 2016 Short-Term Financing Program, the Executive Director of the Trust shall provide a report to the Board concerning the details of such transaction.

Section 13. Each Authorized Officer is hereby severally authorized to prepare and distribute, in consultation with Bond Counsel to the Trust, the Office of the Attorney General of the State and the Financial Advisor to the Trust (collectively, the “Professional Advisors”), a Request for Proposals (the “RFP”), to banking corporations having membership in the federal depository insurance corporation, for a Credit Instrument for the purpose of funding all or a portion of one or more of the Current and Future Short-Term Financing Programs, in such amount as is determined by such Authorized Officer to be necessary and appropriate for such purpose. Such RFP shall be prepared and distributed pursuant to and in compliance with Trust Policy and Procedure No. 4.00, entitled “Procurement of Goods and Services”. The award of any contract to a banking corporation that has submitted to the Trust a response to RFP for the provision of a Credit Instrument for the purpose of funding all or a portion of one or more of the Current and Future Short-Term Financing Programs shall be made only upon authorization by official action of the Board at a future meeting thereof. The Authorized Officers are each hereby severally authorized and directed to take such other actions as any Authorized Officer, in his respective sole discretion, after consultation with the Professional Advisors, deems necessary, convenient or desirable in order to prepare and distribute the RFP and to receive proposals for the provision of a Credit Instrument, in a manner consistent herewith.

Section 14. Any Authorized Officer is hereby authorized and directed to take such other actions that such Authorized Officer, in his respective sole discretion after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, deems necessary, convenient or desirable to effect the transactions contemplated hereby.

Adopted Date: January 15, 2015

Motion Made By: Roger Ellis

Motion Seconded By: James Requa

Ayes: 7

Nays: 0

Abstentions: 0

EXHIBIT A
FORMS OF OBLIGATION

[NAME OF MUNICIPALITY]

NOTE

RELATING TO:

THE _____ FINANCING TRUST LOAN PROGRAM
OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

\$ _____, 201____
_FP-16-__

FOR VALUE RECEIVED, _____, a municipal corporation duly created and validly existing pursuant to the laws of the State (as hereinafter defined), and its successors and assigns (the "Borrower"), hereby promises to pay to the order of 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 (as hereinafter defined) (the "Trust"), the Principal (as hereinafter defined), together with all unpaid accrued Interest (as hereinafter defined), fees, late charges and other sums due hereunder, if any, in lawful money of the United States of America, on the Maturity Date (as hereinafter defined) or the date of any optional prepayment or acceleration in accordance with the provisions of this note (this "Note").

SECTION 1. Definitions. As used in this Note, unless the context requires otherwise, the following terms shall have the following meanings:

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

"Administrative Fee" means a fee of up to four-tenths of one percent (.40%) of that portion of the Principal identified in clause (i) of the definition thereof (as set forth in this Section 1), or such lesser amount, if any, as the Trust may determine from time to time.

"Anticipated Financing Program" means the financing program of the Trust, pursuant to which the Trust will issue its Trust Bonds for the purpose of financing, on a long term basis, the Project and other projects of certain qualifying borrowers.

"Anticipated Long Term Loan" means the long term loan made by the Trust to the Borrower from the proceeds of its Trust Bonds, as part of the Anticipated Financing Program.

"Authorized Officer" means any person authorized by the Borrower or the Trust, as the case may be, to perform any act or execute any document relating to the Loan or this Note.

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

“Cost” means those costs that are allocable to the Project, as shall be determined on a project-specific basis in accordance with the Regulations, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an Authorized Officer of the Trust.

“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, for which the Borrower is receiving the Loan.

“Event of Default” means any occurrence or event specified in Section 6 hereof.

“Fund Portion” means, on any date, an amount equal to seventy-five percent (75%) of the Principal of the Loan on such date, which Fund Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Borrower by the State, acting by and through the New Jersey Department of Environmental Protection.

“Interest” means the interest charged on the Loan at a rate of (a) with respect to the Trust Portion of the Principal, _____%, and (b) with respect to the Fund Portion of the Principal, 0.00%, and payable by the Borrower to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Loan” means the loan of the Principal, made by the Trust to the Borrower to finance or refinance a portion of the Cost of the Project, as evidenced by this Note.

“Loan Disbursement Requisition” means the requisition, to be executed by an Authorized Officer of the Borrower and approved by the New Jersey Department of Environmental Protection, in a form to be determined by the Trust and the New Jersey Department of Environmental Protection.

“Maturity Date” means _____, 201_, or such earlier or later date to be determined by the Trust in its sole discretion, which date shall be determined by the Trust to be the date of the closing for the Anticipated Financing Program.

“Principal” means the principal amount of the Loan, at any time being the lesser of (i) _____ Dollars (\$_____), or (ii) the aggregate outstanding amount as shall actually be disbursed to the Borrower by the Trust pursuant to one or more Loan Disbursement Requisitions, which Principal shall be payable by the Borrower to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Project” means the Environmental Infrastructure Facilities of the Borrower which constitutes a project for which the Trust is making the Loan to the Borrower.

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

“State” means the State of New Jersey.

“Trust Bonds” means the revenue bonds of the Trust to be issued, as part of the Anticipated Financing Program.

“Trust Portion” means, on any date, an amount equal to twenty-five percent (25%) of the Principal of the Loan on such date, which Trust Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Borrower by the Trust.

SECTION 2. Representations of the Borrower. The Borrower represents and warrants to the Trust:

(a) Organization. The Borrower: (i) is a municipal corporation duly created and validly existing under and pursuant to the Constitution and laws of the State; (ii) has full legal right and authority to execute, attest and deliver this Note, to sell this Note to the Trust, and to perform its obligations hereunder, and (iii) has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the issuance of this Note, the sale thereof to the Trust and the due performance of its obligations hereunder and (B) the execution, delivery and due performance of all certificates and other instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out and give effect to this Note.

(b) Authority. This Note has been duly authorized by the Borrower and duly executed, attested and delivered by Authorized Officers of the Borrower. This Note has been duly sold by the Borrower to the Trust and duly issued by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower that, if adversely determined, would adversely affect (i) the condition (financial or otherwise) of the Borrower, (ii) the ability of the Borrower to satisfy all of its Loan repayment obligations hereunder, (iii) the authorization, execution, attestation or delivery of this Note, (iv) the issuance of this Note and the sale thereof to the Trust, and (v) the Borrower's ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Note.

(d) Compliance with Existing Laws and Agreements; Governmental Consent. (i) The due authorization, execution, attestation and delivery of this Note by the Borrower and the sale of this Note to the Trust, (ii) the observation and performance by the Borrower of its duties, covenants, obligations and agreements hereunder, including, without limitation, the repayment of

the Loan and all other amount due hereunder, and (iii) the undertaking and completion of the Project, will not (A) other than the lien, charge or encumbrance created by this Note and by any other outstanding debt obligations of the Borrower that are at parity with this Note as to lien on, and source and security for payment thereon from, the general tax revenues of the Borrower, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations are subject. The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation and delivery of this Note, for the sale of this Note to the Trust, for the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Note, and for the undertaking and completion of the Project.

(e) Reliance. The Borrower hereby acknowledges that the Trust is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the representations of the Borrower set forth in this Section 2.

SECTION 3. Covenants of the Borrower.

(a) Participation in the Anticipated Financing Program. The Borrower covenants and agrees that it shall undertake and complete in a timely manner all conditions precedent identified by the Trust relating to (i) the participation by the Borrower in the Anticipated Financing Program and (ii) the qualification by the Borrower for receipt of the Anticipated Long Term Loan.

(b) Full Faith and Credit Pledge. To secure the repayment obligation of the Borrower with respect to this Note, and all other amounts due under this Note, the Borrower unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of any and all obligations and amounts due under this Note. 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, any Interest or any other amounts due pursuant to this Note, an amount sufficient to satisfy such deficiency shall be paid by the State Treasurer to the Trust from State-aid otherwise payable to the Borrower.

(c) Disposition of Environmental Infrastructure System. The Borrower covenants and agrees that it shall not sell, lease, abandon or otherwise dispose of all or substantially all of

its Environmental Infrastructure System without the express written consent of the Trust, which consent may or may not be granted by the Trust in its sole discretion.

(d) Financing With Tax Exempt Bonds. The Borrower acknowledges, covenants and agrees that it is the intention of the Borrower to finance the Project on a long term basis with proceeds of Trust Bonds now or hereinafter issued, the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103(a) of the Code (“tax exempt bonds”). In furtherance of such long term financing with tax exempt bonds, the Borrower covenants that, except to the extent expressly permitted in writing by the Trust, the Borrower will not take any action or permit any action to be taken which would result in any of the proceeds of the Loan being used (directly or indirectly) (i) in any “private business use” within the meaning of Section 151(b)(6) of the Code, (ii) to make or finance loans to persons other than the Borrower, or (iii) to acquire any “nongovernmental output property” within the meaning of Section 151(d)(2) of the Code. In addition, the Borrower covenants and agrees that no portion of the Project will be investment property, within the meaning of Section 158(b) of the Code. The Borrower covenants and agrees that any Costs of the Borrower’s Project to be paid or reimbursed with proceeds of the Loan will result in the expenditure of proceeds under Treasury Regulations §1.158-6(d) and Treasury Regulations §1.150-2.

(e) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall maintain its Environmental Infrastructure System in good repair, working order and operating condition, and make all necessary and proper repairs and improvements with respect thereto.

(f) Records and Accounts; Inspections. The Borrower covenants and agrees that it shall keep accurate records and accounts for its Environmental Infrastructure System (the “System Records”), separate and distinct from its other records and accounts (the “General Records”), which shall be audited annually by an independent registered municipal accountant and shall be made available for inspection by the Trust upon prior written notice. The Borrower shall permit the Trust to inspect the Environmental Infrastructure System.

(g) Insurance. The Borrower covenants and agrees that it shall maintain insurance policies providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System, in an amount that will satisfy all applicable regulatory requirements. The Borrower covenants and agrees that it shall include, or cause to be included, the Trust as an additional “named insured” on any certificate of liability insurance procured by the Borrower and by any contractor or subcontractor for the Project.

(h) Reliance. The Borrower hereby acknowledges that the Trust is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the covenants of the Borrower set forth in this Section 3.

SECTION 4. Disbursement of the Loan Proceeds; Amounts Payable; Prepayment; and Late Fee. The Trust shall effectuate the Loan to the Borrower by making one or more disbursements to the Borrower promptly after receipt by the Trust of a Loan Disbursement Requisition, each such disbursement and the date thereof to be recorded by an Authorized

Officer of the Trust on the table attached as Exhibit A hereto. The latest date upon which the Borrower may submit to the Trust a Loan Disbursement Requisition is the business day immediately preceding the date fixed by the Trust for the sale of its bonds in connection with the Anticipated Financing Program. On the Maturity Date, the Borrower shall repay the Loan to the Trust in an amount equal to: (i) the Principal; (ii) the Interest; (iii) the Administrative Fee, if any; and (iv) any other amounts due and owing pursuant to the provisions of this Note. Any earnings accrued on the undrawn Trust Portion of the Principal of the Loan shall be credited against the Borrower's repayment obligations hereunder. The Borrower may prepay the Loan the Loan obligations hereunder, in whole or in part, upon receipt of the prior written consent of an Authorized Officer of the Trust. Each payment made to the Trust shall be applied to the payment of, first, the Interest then due and payable, second, the Principal, third, the Administrative Fee, if obligations hereunder, in whole or in part, upon receipt of the prior written consent of an any, fourth, any late charges, and, finally, any other amount due pursuant to the provisions of this Note. In the event that the repayment obligation set forth in this Note is received by the Trust later than the Maturity Date, a late fee shall be payable to the Trust in an amount equal to the greater of twelve percent (12%) per annum or the prime rate as published in the Wall Street Journal on the Maturity Date plus one half of one percent per annum on such late payment from the Maturity Date to the date it is actually paid; provided, however, that any late payment charges incurred hereunder shall not exceed the maximum interest rate permitted by law.

SECTION 5. 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 whatsoever while any Loan repayments, or any other payments due hereunder, remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust to perform and observe any agreement or any duty, liability or obligation arising out of this Note, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might have against the Trust or any other party; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

SECTION 6. Events of Default. The following events shall constitute an "Event of Default" hereunder: (i) failure by the Borrower to pay, when due, any and all of its Loan repayment obligations hereunder, and any other payment obligations due hereunder; (ii) failure by the Borrower to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed pursuant to the terms of this Note; (iii) any representation made by the Borrower contained in this Note or in any instrument furnished in compliance with or with reference to this Note is false or misleading in any material respect; and (iv) 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 Note 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 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.

SECTION 7. Remedies upon Event of Default. Whenever an Event of Default shall have occurred and be continuing pursuant to the terms hereof, the Borrower hereby acknowledges and agrees to the rights of the Trust to take any action permitted or required at law or in equity 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. If an Event of Default shall have occurred, the Borrower hereby acknowledges and agrees that the Trust shall have the right to declare all Loan repayments and all other amounts due hereunder to be due and payable immediately without further notice or demand. The Borrower hereby acknowledges and agrees that no remedy herein is intended to be exclusive, and every remedy shall be cumulative and in addition to every other remedy given under this Note or now or hereafter existing at law or in equity. The Borrower hereby further acknowledges and agrees that no delay or omission by the Trust to exercise any remedy or right accruing upon any Event of Default shall impair any such remedy or right or shall be construed to be a waiver thereof, but any such remedy or right may be exercised as often as may be deemed expedient. The Borrower hereby agrees that upon demand it shall pay to the Trust the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred in the collection of Loan repayments or any sum due hereunder or in the enforcement of the observation or performance of any obligations or agreements of the Borrower upon an Event of Default. Any moneys collected by the Trust pursuant to this Section 7 shall be applied first to pay any attorneys' fees or other fees and expenses owed by the Borrower.

SECTION 8. Certain Miscellaneous Provisions. The Borrower hereby acknowledges and agrees as follows: (a) all notices hereunder shall be deemed given when hand delivered or when mailed by registered or certified mail, postage prepaid, to the Borrower at the following address: [Name and Address of Borrower, Attention: Name of Authorized Officer]; and to the Trust at the following address: New Jersey Environmental Infrastructure Trust, P.O. Box 440, Trenton, New Jersey 08625, Attention: Executive Director; (b) this Note shall be binding upon the Borrower and its successors and assigns; (c) in the event any provision of this Note is held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof; (d) the obligations of the Borrower pursuant to the terms of this Note may not be assigned by the Borrower for any reason, unless the Trust shall have approved said assignment in writing; (e) this Note may not be amended, supplemented or modified without the prior written consent of the Trust; (f) this Note shall be governed by and construed in accordance with the laws of the State; (g) the Borrower shall, at the request of the Trust, execute and deliver such further instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Note; and

(h) whenever the Borrower is required to obtain the determination, approval or consent of the Trust pursuant to the terms hereof, such determination, approval or consent may be either granted or withheld by the Trust in its sole and absolute discretion.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed, sealed and delivered on the date first above written.

[NAME OF BORROWER]

[SEAL]

ATTEST:

By: _____
Mayor

Clerk

By: _____
Chief Financial Officer

EXHIBIT A

Loan Disbursements

| Date of Loan Disbursement | Amount of Loan Disbursement |
|----------------------------------|------------------------------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |

[NAME OF AUTHORITY]

NOTE

RELATING TO:

THE _____ FINANCING TRUST LOAN PROGRAM
OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

\$ _____, 201____
_FP-16-__

FOR VALUE RECEIVED, _____, a [municipal][county] [utilities][sewerage] authority, acting as a public body corporate and politic with corporate succession duly created and validly existing pursuant to the laws of the State (as hereinafter defined), including, without limitation, the Borrower Enabling Act (as hereinafter defined), and its successors and assigns (the "Borrower"), hereby promises to pay to the order of 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 (as hereinafter defined) (the "Trust"), the Principal (as hereinafter defined), together with all unpaid accrued Interest (as hereinafter defined), fees, late charges and other sums due hereunder, if any, in lawful money of the United States of America, on the Maturity Date (as hereinafter defined) or the date of any optional prepayment or acceleration in accordance with the provisions of this note (this "Note").

SECTION 1. Definitions. As used in this Note, unless the context requires otherwise, the following terms shall have the following meanings:

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

"Administrative Fee" means a fee of up to four-tenths of one percent (.40%) of that portion of the Principal identified in clause (i) of the definition thereof (as set forth in this Section 1), or such lesser amount, if any, as the Trust may determine from time to time.

"Anticipated Financing Program" means the financing program of the Trust, pursuant to which the Trust will issue its Trust Bonds for the purpose of financing, on a long term basis, the Project and other projects of certain qualifying borrowers.

"Anticipated Long Term Loan" means the long term loan made by the Trust to the Borrower from the proceeds of its Trust Bonds, as part of the Anticipated Financing Program.

"Authorized Officer" means any person authorized by the Borrower or the Trust, as the case may be, to perform any act or execute any document relating to the Loan or this Note.

"Borrower Note Resolution" means the [resolution][indenture] of the Borrower entitled "[_____]", adopted on [_____], as amended and supplemented from time to time, pursuant to which this Note has been issued.

“Borrower Enabling Act” means the [“Sewerage Authorities Law”, constituting Chapter 138 of the Pamphlet Laws of 1946 of the State (codified at N.J.S.A. 40:15A-1 *et seq.*), as the same may from time to time be amended and supplemented,][the “Municipal and County Utilities Authority Law”, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State (codified at N.J.S.A. 40:15B-1 *et seq.*, as the same may from time to time be amended and supplemented).]

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

“Cost” means those costs that are allocable to the Project, as shall be determined on a project-specific basis in accordance with the Regulations, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an Authorized Officer of the Trust.

“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, for which the Borrower is receiving the Loan.

“Event of Default” means any occurrence or event specified in Section 6 hereof.

“Fund Portion” means, on any date, an amount equal to seventy-five percent (75%) of the Principal of the Loan on such date, which Fund Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Borrower by the State, acting by and through the New Jersey Department of Environmental Protection.

“Interest” means the interest charged on the Loan at a rate of (a) with respect to the Trust Portion of the Principal, ____%, and (b) with respect to the Fund Portion of the Principal, 0.00%, and payable by the Borrower to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Loan” means the loan of the Principal, made by the Trust to the Borrower to finance or refinance a portion of the Cost of the Project, as evidenced by this Note.

“Loan Disbursement Requisition” means the requisition, to be executed by an Authorized Officer of the Borrower and approved by the New Jersey Department of Environmental Protection, in a form to be determined by the Trust and the New Jersey Department of Environmental Protection.

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

“Maturity Date” means _____, 201_, or such earlier or later date to be determined by the Trust in its sole discretion, which date shall be determined by the Trust to be the date of the closing for the Anticipated Financing Program.

“Principal” means the principal amount of the Loan, at any time being the lesser of (i) _____ Dollars (\$_____), or (ii) the aggregate outstanding amount as shall actually be disbursed to the Borrower by the Trust pursuant to one or more Loan Disbursement Requisitions, which Principal shall be payable by the Borrower to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Project” means the Environmental Infrastructure Facilities of the Borrower which constitutes a project for which the Trust is making the Loan to the Borrower.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated pursuant to 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.

“Revenues” means “[_____] Revenues” as defined in the Borrower Note Resolution.

“State” means the State of New Jersey.

“Trust Bonds” means the revenue bonds of the Trust to be issued, as part of the Anticipated Financing Program.

“Trust Portion” means, on any date, an amount equal to twenty-five percent (25%) of the Principal of the Loan on such date, which Trust Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Borrower by the Trust.

SECTION 2. Representations of the Borrower. The Borrower represents and warrants to the Trust:

(a) Organization. The Borrower: (i) is a [municipal][county] [utilities][sewerage] authority, acting as a public body corporate and politic with corporate succession, duly created and validly existing under and pursuant to the Constitution and laws of the State, including, without limitation, the Borrower Enabling Act, and is subject to the Local Authorities Fiscal Control Law; (ii) has full legal right and authority to execute, attest and deliver this Note, to authorize the authentication of this Note, to sell this Note to the Trust, and to perform its obligations hereunder, and (iii) has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the issuance of this Note, the authentication of this

Note, the sale thereof to the Trust and the due performance of its obligations hereunder and (B) the execution, delivery and due performance of all certificates and other instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out and give effect to this Note.

(b) Authority. This Note has been duly authorized by the Borrower, duly executed, attested and delivered by Authorized Officers of the Borrower, and duly authenticated by the trustee or the paying agent pursuant to the Borrower Note Resolution. This Note has been duly sold by the Borrower to the Trust and duly issued by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower that, if adversely determined, would adversely affect (i) the condition (financial or otherwise) of the Borrower, (ii) the adoption of the Borrower Note Resolution, (iii) the ability of the Borrower to satisfy all of its Loan repayment obligations hereunder, (iv) the authorization, execution, attestation, authentication or delivery of this Note, (v) the issuance of this Note and the sale thereof to the Trust, and (vi) the Borrower's ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Note.

(d) Compliance with Existing Laws and Agreements; Governmental Consent. (i) The authorization, execution, attestation and delivery of this Note by the Borrower, (ii) the authentication of this Note by the trustee or paying agent pursuant to the Borrower Note Resolution, (iii) the adoption of the Borrower Note Resolution, (iv) the sale of this Note to the Trust, (v) the observation and performance by the Borrower of its duties, covenants, obligations and agreements hereunder, including, without limitation, the repayment of the Loan and all other amounts due hereunder, and (vi) the undertaking and completion of the Project, will not (A) other than the lien, charge or encumbrance created by this Note and by any other outstanding debt obligations of the Borrower that are at parity with this Note as to lien on, and source and security for payment thereon from, the Revenues of the Borrower's Environmental Infrastructure System, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations are subject. The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation, authentication and delivery of this Note, for the sale of this Note to the Trust, for the making, observance and performance by the Borrower of its duties, covenants,

obligations and agreements under this Note, and for the undertaking and completion of the Project.

(e) Reliance. The Borrower hereby acknowledges that the Trust is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the representations of the Borrower set forth in this Section 2.

SECTION 3. Covenants of the Borrower.

(a) Participation in the Anticipated Financing Program. The Borrower covenants and agrees that it shall undertake and complete in a timely manner all conditions precedent identified by the Trust relating to (i) the participation by the Borrower in the Anticipated Financing Program and (ii) the qualification by the Borrower for receipt of the Anticipated Long Term Loan.

(b) Full Faith and Credit Pledge. The Borrower irrevocably pledges the Revenues in accordance with the terms of, and to the extent provided in, the Borrower Note Resolution, for the punctual payment of any and all obligations and amounts due under this Note. 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, any Interest or any other amounts due pursuant to this Note, an amount sufficient to satisfy such deficiency shall be paid by the State Treasurer to the Trust from State-aid otherwise payable to any municipality or county to which the Borrower provides services pursuant to a contractual arrangement.

(c) Disposition of Environmental Infrastructure System. The Borrower covenants and agrees that it shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System without the express written consent of the Trust, which consent may or may not be granted by the Trust in its sole discretion.

(d) Financing With Tax-Exempt Bonds. The Borrower acknowledges, covenants and agrees that it is the intention of the Borrower to finance the Project on a long term basis with proceeds of Trust Bonds now or hereinafter issued, the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103(a) of the Code (“tax-exempt bonds”). In furtherance of such long term financing with tax-exempt bonds, the Borrower covenants that, except to the extent expressly permitted in writing by the Trust, the Borrower will not take any action or permit any action to be taken which would result in any of the proceeds of the Loan being used (directly or indirectly) (i) in any “private business use” within the meaning of Section 151(b)(6) of the Code, (ii) to make or finance loans to persons other than the Borrower, or (iii) to acquire any “nongovernmental output property” within the meaning of Section 151(d)(2) of the Code. In addition, the Borrower covenants and agrees that no portion of the Project will be investment property, within the meaning of Section 158(b) of the Code. The Borrower covenants and agrees that any Costs of the Borrower’s Project to be paid or reimbursed with proceeds of the Loan will result in the expenditure of proceeds under Treasury Regulations §1.158-6(d) and Treasury Regulations §1.150-2.

(e) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall maintain its Environmental Infrastructure System in good repair, working order and operating condition, and make all necessary and proper repairs and improvements with respect thereto.

(f) Records and Accounts; Inspections. The Borrower covenants and agrees that it shall keep accurate records and accounts for its Environmental Infrastructure System, separate and distinct from its other records and accounts, which shall be audited annually by an independent registered municipal accountant and shall be made available for inspection by the Trust upon prior written notice. The Borrower shall permit the Trust to inspect the Environmental Infrastructure System.

(g) Insurance. The Borrower covenants and agrees that it shall maintain insurance policies providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System, in an amount that will satisfy all applicable regulatory requirements. The Borrower covenants and agrees that it shall include, or cause to be included, the Trust as an additional "named insured" on any certificate of liability insurance procured by the Borrower and by any contractor or subcontractor for the Project.

(h) Reliance. The Borrower hereby acknowledges that the Trust is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the covenants of the Borrower set forth in this Section 3.

SECTION 4. Disbursement of the Loan Proceeds; Amounts Payable; Prepayment; and Late Fee. The Trust shall effectuate the Loan to the Borrower by making one or more disbursements to the Borrower promptly after receipt by the Trust of a Loan Disbursement Requisition, each such disbursement and the date thereof to be recorded by an Authorized Officer of the Trust on the table attached as Exhibit A hereto. The latest date upon which the Borrower may submit to the Trust a Loan Disbursement Requisition is the business day immediately preceding the date fixed by the Trust for the sale of its bonds in connection with the Anticipated Financing Program. On the Maturity Date, the Borrower shall repay the Loan to the Trust in an amount equal to: (i) the Principal; (ii) the Interest; (iii) the Administrative Fee, if any; and (iv) any other amounts due and owing pursuant to the provisions of this Note. Any earnings accrued on the undrawn Trust Portion of the Principal of the Loan shall be credited against the Borrower's repayment obligations hereunder. The Borrower may prepay the Loan the Loan obligations hereunder, in whole or in part, upon receipt of the prior written consent of an Authorized Officer of the Trust. Each payment made to the Trust shall be applied to the payment of, first, the Interest then due and payable, second, the Principal, third, the Administrative Fee, if obligations hereunder, in whole or in part, upon receipt of the prior written consent of an any, fourth, any late charges, and, finally, any other amount due pursuant to the provisions of this Note. In the event that the repayment obligation set forth in this Note is received by the Trust later than the Maturity Date, a late fee shall be payable to the Trust in an amount equal to the greater of twelve percent (12%) per annum or the prime rate as published in the Wall Street Journal on the Maturity Date plus one half of one percent per annum on such late payment from the Maturity Date to the date it is actually paid; provided, however, that any late

payment charges incurred hereunder shall not exceed the maximum interest rate permitted by law.

SECTION 5. Unconditional Obligations. The obligation of the Borrower to make the Loan repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner whatsoever while any Loan repayments, or any other payments due hereunder, remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust to perform and observe any agreement or any duty, liability or obligation arising out of this Note, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might have against the Trust or any other party; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

SECTION 6. Events of Default. The following events shall constitute an “Event of Default” hereunder: (i) failure by the Borrower to pay, when due, any and all of its Loan repayment obligations hereunder, and any other payment obligations due hereunder; (ii) failure by the Borrower to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed pursuant to the terms of this Note; (iii) any representation made by the Borrower contained in this Note or in any instrument furnished in compliance with or with reference to this Note is false or misleading in any material respect; and (iv) 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 Note 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 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.

SECTION 7. Remedies upon Event of Default. Whenever an Event of Default shall have occurred and be continuing pursuant to the terms hereof, the Borrower hereby acknowledges and agrees to the rights of the Trust to take any action permitted or required at law or in equity 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. If an Event of Default shall have occurred, the Borrower hereby acknowledges and agrees that the Trust shall have the right to declare all Loan repayments and all other amounts due hereunder to be due and payable immediately without further notice or demand. The Borrower hereby acknowledges and agrees that no remedy herein is intended to be exclusive, and every remedy shall be cumulative and in addition to every other remedy given under this

Note or now or hereafter existing at law or in equity. The Borrower hereby further acknowledges and agrees that no delay or omission by the Trust to exercise any remedy or right accruing upon any Event of Default shall impair any such remedy or right or shall be construed to be a waiver thereof, but any such remedy or right may be exercised as often as may be deemed expedient. The Borrower hereby agrees that upon demand it shall pay to the Trust the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred in the collection of Loan repayments or any sum due hereunder or in the enforcement of the observation or performance of any obligations or agreements of the Borrower upon an Event of Default. Any moneys collected by the Trust pursuant to this Section 7 shall be applied first to pay any attorneys' fees or other fees and expenses owed by the Borrower.

SECTION 8. Certain Miscellaneous Provisions. The Borrower hereby agrees as follows: (a) all notices hereunder shall be deemed given when hand delivered or when mailed by registered or certified mail, postage prepaid, to the Borrower at the following address: [Name and Address of Borrower, Attention: Name of Authorized Officer]; and to the Trust at the following address: New Jersey Environmental Infrastructure Trust, P.O. Box 440, Trenton, New Jersey 08625, Attention: Executive Director; (b) this Note shall be binding upon the Borrower and its successors and assigns; (c) in the event any provision of this Note is held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof; (d) the obligations of the Borrower pursuant to the terms of this Note may not be assigned by the Borrower for any reason, unless the Trust shall have approved said assignment in writing; (e) this Note may not be amended, supplemented or modified without the prior written consent of the Trust; (f) this Note shall be governed by and construed in accordance with the laws of the State; (g) the Borrower shall, at the request of the Trust, execute and deliver such further instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Note; and (h) whenever the Borrower is required to obtain the determination, approval or consent of the Trust pursuant to the terms hereof, such determination, approval or consent may be either granted or withheld by the Trust in its sole and absolute discretion.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed, sealed and delivered on the date first above written.

[NAME OF BORROWER]

[SEAL]

ATTEST:

By: _____
Authorized Officer

Authorized Officer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Note is delivered pursuant to the within-mentioned Borrower Note Resolution.

_____,
as Trustee

By: _____
Authorized Signatory

EXHIBIT A

Loan Disbursements

| Date of Loan Disbursement | Amount of Loan Disbursement |
|----------------------------------|------------------------------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |

[NAME OF PRIVATE BORROWER]

NOTE

RELATING TO:

THE _____ FINANCING TRUST LOAN PROGRAM
OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

\$ _____, 201____
_FP-16-__

FOR VALUE RECEIVED, _____, a corporation duly created and validly existing pursuant to the laws of the State (as hereinafter defined), and its successors and assigns (the "Borrower"), hereby promises to pay to the order of 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 (as hereinafter defined) (the "Trust"), the Principal (as hereinafter defined), together with all unpaid accrued Interest (as hereinafter defined), fees, late charges and other sums due hereunder, if any, in lawful money of the United States of America, on the Maturity Date (as hereinafter defined) or the date of any optional prepayment or acceleration in accordance with the provisions of this note (this "Note").

SECTION 1. Definitions. As used in this Note, unless the context requires otherwise, the following terms shall have the following meanings:

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

"Administrative Fee" means a fee of up to four-tenths of one percent (.40%) of that portion of the Principal identified in clause (i) of the definition thereof (as set forth in this Section 1), or such lesser amount, if any, as the Trust may determine from time to time.

"Anticipated Financing Program" means the financing program of the Trust, pursuant to which the Trust will issue its Trust Bonds for the purpose of financing, on a long term basis, the Project and other projects of certain qualifying borrowers.

"Anticipated Long Term Loan" means the long term loan made by the Trust to the Borrower from the proceeds of its Trust Bonds, as part of the Anticipated Financing Program.

"Authorized Officer" means any person authorized by the Borrower or the Trust, as the case may be, to perform any act or execute any document relating to the Loan or this Note.

"Borrower Note Resolution" means the [resolution][indenture] of the Borrower entitled "[_____]", [adopted on][dated] [_____], as amended and supplemented from time to time, pursuant to which this Note has been issued.

“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.

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

“Cost” means those costs that are allocable to the Project, as shall be determined on a project-specific basis in accordance with the Regulations, as the same may be amended by subsequent eligible costs as evidenced by a certificate of an Authorized Officer of the Trust.

“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, for which the Borrower is receiving the Loan.

“Event of Default” means any occurrence or event specified in Section 6 hereof.

“Fund Portion” means, on any date, an amount equal to seventy-five percent (75%) of the Principal of the Loan on such date, which Fund Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Borrower by the State, acting by and through the New Jersey Department of Environmental Protection.

“Interest” means the interest charged on the Loan at a rate of (a) with respect to the Trust Portion of the Principal, ____%, and (b) with respect to the Fund Portion of the Principal, 0.00%, and payable by the Borrower to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Loan” means the loan of the Principal, made by the Trust to the Borrower to finance or refinance a portion of the Cost of the Project, as evidenced by this Note.

“Loan Disbursement Requisition” means the requisition, to be executed by an Authorized Officer of the Borrower and approved by the New Jersey Department of Environmental Protection, in a form to be determined by the Trust and the New Jersey Department of Environmental Protection.

“Maturity Date” means _____, 201_, or such earlier or later date to be determined by the Trust in its sole discretion, which date shall be determined by the Trust to be the date of the closing for the Anticipated Financing Program.

“Principal” means the principal amount of the Loan, at any time being the lesser of (i) _____ Dollars (\$_____), or (ii) the aggregate

outstanding amount as shall actually be disbursed to the Borrower by the Trust pursuant to one or more Loan Disbursement Requisitions, which Principal shall be payable by the Borrower to the Trust (i) on the Maturity Date or (ii) with respect to any optional prepayment or acceleration of the Loan, on the date of such optional prepayment or acceleration, as the case may be.

“Project” means the Environmental Infrastructure Facilities of the Borrower which constitutes a project for which the Trust is making the Loan to the Borrower.

“Regulations” means the rules and regulations, as applicable, now or hereafter promulgated pursuant to 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.

“Revenues” means “[_____] Revenues” as defined in the Borrower Note Resolution.

“State” means the State of New Jersey.

“Trust Bonds” means the revenue bonds of the Trust to be issued, as part of the Anticipated Financing Program.

“Trust Portion” means, on any date, an amount equal to twenty-five percent (25%) of the Principal of the Loan on such date, which Trust Portion is expected to be refinanced on the Maturity Date from proceeds of a loan to be made to the Borrower by the Trust.

SECTION 2. Representations of the Borrower. The Borrower represents and warrants to the Trust:

(a) **Organization.** The Borrower: (i) is a corporation duly created and validly existing under and pursuant to the Constitution and laws of the State, including the Business Corporation Law; (ii) has full legal right and authority to execute, attest and deliver this Note, to authorize the authentication of this Note, to sell this Note to the Trust, and to perform its obligations hereunder, and (iii) has duly authorized, approved and consented to all necessary action to be taken by the Borrower for: (A) the issuance of this Note, the authentication of this Note, the sale thereof to the Trust and the due performance of its obligations hereunder and (B) the execution, delivery and due performance of all certificates and other instruments that may be required to be executed, delivered and performed by the Borrower in order to carry out and give effect to this Note.

(b) **Authority.** This Note has been duly authorized by the Borrower, duly executed, attested and delivered by Authorized Officers of the Borrower, and duly authenticated by the trustee or the paying agent pursuant to the Borrower Note Resolution. This Note has been duly sold by the Borrower to the Trust and duly issued by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as the enforcement thereof may be affected by bankruptcy, insolvency or other laws or the application by a court of legal or equitable principles affecting creditors' rights.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower that, if adversely determined, would adversely affect (i) the condition (financial or otherwise) of the Borrower, (ii) the adoption of the Borrower Note Resolution, (iii) the ability of the Borrower to satisfy all of its Loan repayment obligations hereunder, (iv) the authorization, execution, attestation, authentication or delivery of this Note, (v) the issuance of this Note and the sale thereof to the Trust, and (vi) the Borrower's ability otherwise to observe and perform its duties, covenants, obligations and agreements under this Note.

(d) Compliance with Existing Laws and Agreements; Governmental Consent. (i) The authorization, execution, attestation and delivery of this Note by the Borrower, (ii) the authentication of this Note by the trustee or paying pursuant to the Borrower Note Resolution, (iii) the adoption of the Borrower Note Resolution, (iv) the sale of this Note to the Trust, (v) the observation and performance by the Borrower of its duties, covenants, obligations and agreements hereunder, including, without limitation, the repayment of the Loan and all other amounts due hereunder, and (vi) the undertaking and completion of the Project, will not (A) other than the lien, charge or encumbrance created by this Note and by any other outstanding debt obligations of the Borrower that are at parity with this Note as to lien on, and source and security for payment thereon from, the Revenues of the Borrower's Environmental Infrastructure System, result in the creation or imposition of any lien, charge or encumbrance upon any properties or assets of the Borrower pursuant to, (B) result in any breach of any of the terms, conditions or provisions of, or (C) constitute a default under, any existing ordinance or resolution, outstanding debt or lease obligation, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument to which the Borrower is a party or by which the Borrower, its Environmental Infrastructure System or any of its properties or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, injunctions, judgments, decrees, rules, regulations or existing orders of any court or governmental or administrative agency, authority or person to which the Borrower, its Environmental Infrastructure System or its properties or operations are subject. The Borrower has obtained all permits and approvals required to date by any governmental body or officer for the authorization, execution, attestation, authentication and delivery of this Note, for the sale of this Note to the Trust, for the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Note, and for the undertaking and completion of the Project.

(e) Reliance. The Borrower hereby acknowledges that the Trust is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the representations of the Borrower set forth in this Section 2.

SECTION 3. Covenants of the Borrower.

(a) Participation in the Anticipated Financing Program. The Borrower covenants and agrees that it shall undertake and complete in a timely manner all conditions precedent identified by the Trust relating to (i) the participation by the Borrower in the Anticipated Financing

Program and (ii) the qualification by the Borrower for receipt of the Anticipated Long Term Loan.

(b) Pledge. The Borrower irrevocably pledges the Revenues in accordance with the terms of, and to the extent provided in, the Borrower Note Resolution, for the punctual payment of any and all obligations and amounts due under this Note.

(c) Disposition of Environmental Infrastructure System. The Borrower covenants and agrees that it shall not sell, lease, abandon or otherwise dispose of all or substantially all of its Environmental Infrastructure System without the express written consent of the Trust, which consent may or may not be granted by the Trust in its sole discretion.

(d) Financing With Tax Exempt Bonds. The Borrower acknowledges, covenants and agrees that it is the intention of the Borrower to finance the Project on a long term basis with proceeds of Trust Bonds now or hereinafter issued, the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103(a) of the Code (“tax-exempt bonds”). In furtherance of such long term financing with tax-exempt bonds, the Borrower covenants that, except to the extent expressly permitted in writing by the Trust, the Borrower will not take any action or permit any action to be taken which would result in any of the proceeds of the Loan being used (directly or indirectly) to make or finance loans to persons other than the Borrower. In addition, the Borrower covenants and agrees that (i) all of the proceeds of the Loan will be used to pay costs of an exempt facility, within the meaning of Section 142 of the Code, which were paid and incurred by the Borrower no more than 60 days before the date on which the Trust adopted a declaration of intent with respect to the Project, and (ii) no portion of the Project will be investment property, within the meaning of Section 148(b) of the Code. The Borrower covenants and agrees that any Costs of the Borrower’s Project to be paid or reimbursed with proceeds of the Loan will result in the expenditure of proceeds under Treasury Regulations §1.148-6(d) and Treasury Regulations §1.150-2.

(e) Operation and Maintenance of Environmental Infrastructure System. The Borrower covenants and agrees that it shall maintain its Environmental Infrastructure System in good repair, working order and operating condition, and make all necessary and proper repairs and improvements with respect thereto.

(f) Records and Accounts; Inspections. The Borrower covenants and agrees that it shall keep accurate records and accounts for its Environmental Infrastructure System, separate and distinct from its other records and accounts, which shall be audited annually by an independent registered certified public accountant and shall be made available for inspection by the Trust upon prior written notice. The Borrower shall permit the Trust to inspect the Environmental Infrastructure System.

(g) Insurance. The Borrower covenants and agrees that it shall maintain insurance policies providing against risk of direct physical loss, damage or destruction of its Environmental Infrastructure System, in an amount that will satisfy all applicable regulatory requirements. The Borrower covenants and agrees that it shall include, or cause to be included, the Trust as an

additional “named insured” on any certificate of liability insurance procured by the Borrower and by any contractor or subcontractor for the Project.

(h) Reliance. The Borrower hereby acknowledges that the Trust is making the Loan to the Borrower pursuant to the terms hereof in reliance upon each of the covenants of the Borrower set forth in this Section 3.

SECTION 4. Disbursement of the Loan Proceeds; Amounts Payable; Prepayment; and Late Fee. The Trust shall effectuate the Loan to the Borrower by making one or more disbursements to the Borrower promptly after receipt by the Trust of a Loan Disbursement Requisition, each such disbursement and the date thereof to be recorded by an Authorized Officer of the Trust on the table attached as Exhibit A hereto. The latest date upon which the Borrower may submit to the Trust a Loan Disbursement Requisition is the business day immediately preceding the date fixed by the Trust for the sale of its bonds in connection with the Anticipated Financing Program. On the Maturity Date, the Borrower shall repay the Loan to the Trust in an amount equal to: (i) the Principal; (ii) the Interest; (iii) the Administrative Fee, if any; and (iv) any other amounts due and owing pursuant to the provisions of this Note. Any earnings accrued on the undrawn Trust Portion of the Principal of the Loan shall be credited against the Borrower’s repayment obligations hereunder. The Borrower may prepay the Loan the Loan obligations hereunder, in whole or in part, upon receipt of the prior written consent of an Authorized Officer of the Trust. Each payment made to the Trust shall be applied to the payment of, first, the Interest then due and payable, second, the Principal, third, the Administrative Fee, if obligations hereunder, in whole or in part, upon receipt of the prior written consent of an any, fourth, any late charges, and, finally, any other amount due pursuant to the provisions of this Note. In the event that the repayment obligation set forth in this Note is received by the Trust later than the Maturity Date, a late fee shall be payable to the Trust in an amount equal to the greater of twelve percent (12%) per annum or the prime rate as published in the Wall Street Journal on the Maturity Date plus one half of one percent per annum on such late payment from the Maturity Date to the date it is actually paid; provided, however, that any late payment charges incurred hereunder shall not exceed the maximum interest rate permitted by law.

SECTION 5. Unconditional Obligations. The obligation of the Borrower to make the Loan repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner whatsoever while any Loan repayments, or any other payments due hereunder, remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or Environmental Infrastructure System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Trust to perform and observe any agreement or any duty, liability or obligation arising out of this Note, or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might have against the Trust or any

other party; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

SECTION 6. Events of Default. The following events shall constitute an “Event of Default” hereunder: (i) failure by the Borrower to pay, when due, any and all of its Loan repayment obligations hereunder, and any other payment obligations due hereunder; (ii) failure by the Borrower to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed pursuant to the terms of this Note; (iii) any representation made by the Borrower contained in this Note or in any instrument furnished in compliance with or with reference to this Note is false or misleading in any material respect; and (iv) 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 Note 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 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.

SECTION 7. Remedies upon Event of Default. Whenever an Event of Default shall have occurred and be continuing pursuant to the terms hereof, the Borrower hereby acknowledges and agrees to the rights of the Trust to take any action permitted or required at law or in equity 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. If an Event of Default shall have occurred, the Borrower hereby acknowledges and agrees that the Trust shall have the right to declare all Loan repayments and all other amounts due hereunder to be due and payable immediately without further notice or demand. The Borrower hereby acknowledges and agrees that no remedy herein is intended to be exclusive, and every remedy shall be cumulative and in addition to every other remedy given under this Note or now or hereafter existing at law or in equity. The Borrower hereby further acknowledges and agrees that no delay or omission by the Trust to exercise any remedy or right accruing upon any Event of Default shall impair any such remedy or right or shall be construed to be a waiver thereof, but any such remedy or right may be exercised as often as may be deemed expedient. The Borrower hereby agrees that upon demand it shall pay to the Trust the reasonable fees and expenses of attorneys and other reasonable expenses (including, without limitation, the reasonably allocated costs of in-house counsel and legal staff) incurred in the collection of Loan repayments or any sum due hereunder or in the enforcement of the observation or performance of any obligations or agreements of the Borrower upon an Event of Default. Any moneys collected by the Trust pursuant to this Section 7 shall be applied first to pay any attorneys’ fees or other fees and expenses owed by the Borrower.

SECTION 8. Certain Miscellaneous Provisions. The Borrower hereby agrees as follows: (a) all notices hereunder shall be deemed given when hand delivered or when mailed by registered or certified mail, postage prepaid, to the Borrower at the following address: [Name and Address of Borrower, Attention: Name of Authorized Officer]; and to the Trust at the following address: New Jersey Environmental Infrastructure Trust, P.O. Box 440, Trenton, New

Jersey 08625, Attention: Executive Director; (b) this Note shall be binding upon the Borrower and its successors and assigns; (c) in the event any provision of this Note is held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof; (d) the obligations of the Borrower pursuant to the terms of this Note may not be assigned by the Borrower for any reason, unless the Trust shall have approved said assignment in writing; (e) this Note may not be amended, supplemented or modified without the prior written consent of the Trust; (f) this Note shall be governed by and construed in accordance with the laws of the State; (g) the Borrower shall, at the request of the Trust, execute and deliver such further instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Note; and (h) whenever the Borrower is required to obtain the determination, approval or consent of the Trust pursuant to the terms hereof, such determination, approval or consent may be either granted or withheld by the Trust in its sole and absolute discretion.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed, sealed and delivered on the date first above written.

[NAME OF BORROWER]

[SEAL]

ATTEST:

By: _____
Authorized Officer

Authorized Officer

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Note is delivered pursuant to the within-mentioned Borrower Note Resolution.

_____,
as Trustee

By: _____
Authorized Signatory

EXHIBIT A

Loan Disbursements

| Date of Loan Disbursement | Amount of Loan Disbursement |
|----------------------------------|------------------------------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |

RESOLUTION NO. 15 - 04

AMENDED AND RESTATED RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST AUTHORIZING THE STATE FISCAL YEAR 2015 SMALL SYSTEM LOAN PROGRAM

WHEREAS, pursuant to (i) Section 5(m) and Section 9(a) of the New Jersey Environmental Infrastructure Trust Act, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (the "State"), as amended and supplemented (N.J.S.A. 58:11B-1 *et seq.*) (the "Act"), and (ii) the regulations promulgated pursuant to the Act (N.J.A.C. 7:22-2.1 *et seq.*), as the same have been, and in the future may from time to time be, amended and supplemented (the "Regulations"), the New Jersey Environmental Infrastructure Trust, a public body corporate and politic under the laws of the State, created pursuant to the Act (the "Trust"), is authorized to make and contract to make loans (each, a "Trust Loan") to project sponsors (each, a "Project Sponsor") to finance a portion of the costs of the respective environmental infrastructure system projects thereof (each, a "Project"), which Project Sponsors may lawfully undertake or acquire and for which they are authorized by law to borrow funds, subject to such terms and conditions as the Trust shall determine to be consistent with the Act and the purposes of the Trust; and

WHEREAS, the NJEIT has partnered with the New Jersey Department of Environmental Protection (the "NJDEP") to make loans to Project Sponsors for the financing of water supply projects pursuant to the New Jersey Environmental Infrastructure Financing Program (the "NJEIFP" or the "Financing Program"); and

WHEREAS, specifically, the Trust and the State, acting by and through the NJDEP, make loans pursuant to the NJEIFP to finance improvements to water supply systems serving populations of 10,000 or fewer ("Small Water Systems"), which loans are extended primarily to Project Sponsors consisting of small water companies; and

WHEREAS, Small Water Systems generally possess limited financial and professional resources and, therefore, generally require a significantly greater commitment by the Financing Program in order to evaluate such Small Water Systems and the Projects thereof, and to ensure that such Small Water Systems satisfy the conditions precedent to participation in the Financing Program, including, without limitation, creditworthiness standards of the Financing Program; and

WHEREAS, notwithstanding the challenges for the Financing Program in assessing the credit risk associated with Small Water System loans, the NJDEP has concluded that continued NJEIFP loans to Small Water Systems to finance drinking water improvements are necessary and appropriate to address important public health issues for the affected communities; and

WHEREAS, the Board of Directors of the Trust (the "Board") desires to establish the Small System Loan Program (formerly known as the Nano Infrastructure Loan Program (the "SSLP") For State Fiscal Year 2015 ("SFY 2015") to serve as the funding mechanism for improvements to Small Water Systems while also addressing the credit risks posed by such Financing Program applicants; and

WHEREAS, the Board, on April 10, 2014, adopted that certain “Resolution of the New Jersey Environmental Infrastructure Trust Authorizing the State Fiscal Year 2015 Nano Infrastructure Loan Program” (Resolution No. 14-17) (the “Original Resolution”), and now desires to amend and restate the Original Resolution in its entirety for the purpose of amending certain provisions of the Original Resolution in connection with the further development and implementation of the SSLP.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Trust, as follows.

Section 1. The Board hereby amends and restates the Original Resolution in its entirety pursuant to the terms and provisions hereof.

Section 2. The Board hereby authorizes the establishment of the SFY 2015 SSLP, provided that each of the following SSLP requirements is satisfied in full:

- (a) SSLP loans made to qualifying Project Sponsors by the Trust and the NJDEP during SFY 2015 pursuant to the SSLP shall not exceed \$4,000,000 in aggregate principal amount. In the event that less than \$4,000,000 in aggregate principal amount of SSLP Loans are made in SFY 2015, any remaining SSLP funds not utilized in SFY 2015 may be used by the Trust for the financing of other programs within the NJEIFP during State Fiscal Year 2015;
- (b) other than as set forth in paragraph (c) below, each SSLP loan shall consist of the following components: (i) an NJDEP principal forgiveness loan in the amount of fifty percent (50%) of the allowable costs of the applicable Project, (ii) an NJDEP zero interest loan in the amount of twenty-five percent (25%) of the allowable costs of the applicable Project, and (iii) a Trust Loan in the amount sufficient to finance twenty-five percent (25%) of the allowable costs of the applicable Project (the “Trust Loan Component”);
- (c) SSLP Loans in amount not to exceed \$500,000 (which amount shall be a portion of the total SSLP authorized amount of \$4,000,000 set forth in paragraph (a) above), may be made to Small Water Systems serving populations of 500 or fewer (“Very Small Water Systems”), and shall consist of an NJDEP principal forgiveness loan in the amount of one hundred percent (100%) of the allowable costs of the applicable Project;
- (c) the Trust Loan Component of all SSLP loans made to qualifying Project Sponsors by the Trust during SFY 2015 pursuant to the SSLP shall not exceed \$1,000,000 in aggregate principal amount;
- (d) the total of all SSLP loans for any given qualifying Project Sponsor for SFY2015 shall be no greater than \$1,000,000 and, other than with respect to a Project Sponsor that is a very Small Water System, no less than \$100,000 in aggregate principal amount, and the allowable costs of any Project that is financed through the SSLP that are in excess of \$1,000,000 shall be financed through the Financing Program in such matter as may be determined by an Authorized Officer (as hereinafter defined);
- (e) the source of funds for the Trust Loan Component of all SSLP loans made by the Trust during SFY 2015 pursuant to the SSLP shall consist of one or both of (i) operating funds

of the Trust that are not required for, or committed to, the operations of the Trust for State Fiscal Years 2015 and 2016 (“Available Funds”), and/or (ii) bonds to be issued by the Trust (“Trust Bonds”); provided, however, that the Trust may, in the future, issue Trust Bonds for the purpose of replacing the Available Funds used to finance the Trust Loan Component of SSLP loans made by the Trust during SFY 2015, which Trust Bonds shall be issued pursuant to a bond resolution to be adopted by the Board prior to the issuance thereof;

- (f) unless otherwise authorized or directed by the Board, the Trust Loan Component of each SSLP Loan shall bear interest at a rate per annum calculated pursuant to the “Interest Rate Calculation”, as set forth in that certain Resolution adopted by the Trust on February 9, 2012 and entitled “Amended and Restated Resolution of the New Jersey Environmental Infrastructure Trust Relating to the Direct Loan Program and Certain Policies Regarding the Administration Thereof and the Granting of Direct Loans”;
- (g) the Chairman, Vice Chairman and Executive Director of the Trust (each, an “Authorized Officer”) are each hereby authorized, at their respective discretion, (i) after consultation with Bond Counsel to the Trust, the Office of the Attorney General of the State and the Financial Advisor to the Trust, and (ii) if and to the extent that a credit assessment of the Project Sponsor in question so warrants, to require a Project Sponsor to establish a loan guarantee fund (the “Guarantee Fund”), in addition to the LLR Fund (as defined in and to the extent required by Section 4 hereof), in the event that (A) the principal amount of the SSLP loan for which such Project Sponsor currently is applying, together with (B) the aggregate principal amount of all other SSLP loans of such Project Sponsor then outstanding, exceed \$1,000,000 in aggregate principal amount, which Guarantee Fund shall serve as additional collateral for the repayment of the Trust Loan Component of each of the outstanding SSLP loans of such Project Sponsor; to the extent required by an Authorized Officer pursuant to the terms hereof, the Guarantee Fund shall be established in an amount deemed appropriate thereby, but shall not exceed maximum annual debt service for the aggregate then-outstanding principal amount of the Trust Loan Components of the SSLP loans of such Project Sponsor, multiplied by 2;
- (h) any applicant with respect to the SSLP (in addition to satisfying all other SFY 2015 NJEIFP loan conditions) shall demonstrate that its Small Water System is (and shall continue to be) managed in a professional manner that is consistent with the Federal Fiscal Year 2014 Drinking Water Intended Use Plan;
- (i) SSLP loan recipients shall not be subject to the imposition by the NJDEP of an administrative fee; and
- (j) SSLP loan recipients shall not be subject to the imposition by the Trust of an administrative fee to cover any portion of the financing costs of the SSLP loan, but (i) shall be subject to an annual Trust administrative fee for loan servicing in the annual amount of 0.30% of the original principal amount of the Trust Loan Component, and (ii) shall be assessed the annual fee required in connection with the LLR Fund, as defined in and to the extent required by Section 4 hereof.

Except as otherwise provided by this Resolution, as a condition precedent to the receipt by an applicant of an SSLP loan, such applicant shall comply fully with each eligibility requirement that shall apply to any applicant for participation in the SFY 2015 NJEIFP.

Section 3. Any SFY 2015 SSLP loan made by the Trust shall be evidenced by the following:

- (a) a bond, note or other appropriate obligation of the Project Sponsor to be issued to the Trust (the "Obligation"), with the following covenants (in addition to other SFY 2015 NJEIFP loan covenants): (i) a municipality shall provide to the Trust a general obligation ("GO") pledge of the unlimited *ad valorem* taxing power thereof; (ii) an authority that has entered into a service agreement containing one or more GO pledges from its municipal or county participants shall pledge to the Trust its right to receive payments pursuant to such service agreement; (iii) each authority shall provide to the Trust a pledge of its revenues and shall be subject to the various covenants and requirements of its general indenture or resolution, as applicable; (iv) a water company shall provide to the Trust a pledge of its revenues and shall be subject to the various covenants and requirements of its general indenture or resolution, including, without limitation, its obligation to raise and collect annual fees and charges to the extent necessary to cover all operating, capital and debt service expenses in order to manage and operate its water supply system in good working condition;
- (b) any other documentation as shall be deemed necessary and appropriate by the Authorized Officer, after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State (collectively, the requirements of (a) and (b) of this Section 3 shall be referred to herein as the "Loan Instruments").

Each Obligation and all other Loan Instruments shall be in such form as shall be approved by an Authorized Officer, after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State. The Loan Instruments shall include such terms and provisions relating to the SFY 2015 NJEIFP as shall be determined by the Authorized Officer, after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, as being necessary in connection with (i) the satisfaction of the requirements of the Act and the Regulations and (ii) the implementation of the terms of this Resolution.

Section 4. Each SSLP loan recipient that does not provide as security for its Obligation a direct or indirect municipal or county GO pledge shall be assessed an annual loan loss reserve fee consisting of 1% of the total outstanding principal amount of the Trust Loan Component of such recipient's SSLP loan as of the given calculation date. This fee shall be non-refundable and shall be deposited by the Trust upon receipt thereof into a loan loss reserve fund ("LLR Fund") that shall be established and held by the Trust or a fiduciary thereof. All monies deposited into the LLR Fund shall be applied by the Trust solely to provide additional security for SSLP loans. In addition, the Trust is hereby authorized and directed to accept any supplement to the LLR Fund that shall be paid by the NJDEP, initially from loan repayments of its Drinking Water annual capitalization grants, which supplement shall be in such amount as shall be necessary to secure any and all default risks with respect to the SSLP loans, as such default risks are assessed and determined by an Authorized

Officer, after consultation with Bond Counsel to the Trust, the Office of the Attorney General of the State and the Financial Advisor to the Trust. To the extent that, at any time, the amount on deposit in the LLR Fund, inclusive of any NJDEP contribution thereto, exceeds total outstanding SSLP loan amounts, the NJDEP contribution to the LLR Fund in an amount equal to the excess outstanding SSLP loan amount may, at the discretion of an Authorized Officer, be withdrawn from the LLR Fund and repaid to the NJDEP.

Section 5. The Authorized Officers are hereby severally authorized and directed to execute (i) any Loan Instrument to which the Trust is a party (the "Trust Loan Instruments") and (ii) any certificates, instruments or documents contemplated therein or otherwise related to the participation of any Project Sponsor in the SFY 2015 SSLP.

Section 6. Upon execution of the Trust Loan Instruments by an Authorized Officer, the Secretary and the Assistant Secretary of the Trust are each hereby severally authorized and directed, where required, to affix the corporate seal of the Trust, and to attest to the signature of such Authorized Officer, thereon and on any certificates, instruments or documents contemplated therein or related thereto.

Section 7. Any Authorized Officer is hereby authorized and directed to take such other actions that such Authorized Officer, in his respective sole discretion after consultation with Bond Counsel to the Trust and the Office of the Attorney General of the State, deems necessary, convenient or desirable in order to effect the establishment of the SFY 2015 SSLP and the transactions contemplated hereby.

Section 8. The SSLP shall fully comply with the provisions of the Act, the Regulations applicable thereto and the terms of this Resolution.

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

Adopted Date: January 15, 2015

Motion Made By: Robert Briant Jr.

Motion Seconded By: Dan Kennedy

Ayes: 7

Nays: 0

Abstentions: 0

RESOLUTION NO. 15 - 05

**RESOLUTION OF THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST
APPROVING THE TRUST'S AMENDED AND RESTATED CREDIT POLICY**

WHEREAS, the New Jersey Environmental Infrastructure Trust (the "Trust"), pursuant to and in accordance with the "New Jersey Environmental Infrastructure Trust Act", constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (codified at N.J.S.A. 58:11B-1 et seq.), as the same has been, and in the future may from time to time be, amended and supplemented (the "Act"), is authorized to make and contract to make loans to project sponsors to finance a portion of the costs of the respective environmental infrastructure system projects thereof, which project sponsors may lawfully undertake or acquire and for which they are authorized by law to borrow funds, subject to such terms and conditions as the Trust shall determine to be consistent with the Act and the purposes of the Trust; and

WHEREAS, prior to State Fiscal Year 2013, applicants for financing through the New Jersey Environmental Infrastructure Financing Program (the "NJEIFP") were required to comply with the creditworthiness standards set forth in a letter, dated October 29, 2001, from the State Treasurer to the Executive Director of the Trust;

WHEREAS, in recognition of possible enhanced credit risks posed by certain NJEIFP applicants, the staff of the Trust, commencing in November of 2011, undertook a comprehensive review of the credit risk as it related to all NJEIFP borrower classes;

WHEREAS, as a result of such comprehensive review, the Trust developed a new policy (the "2013 Creditworthiness Policy") intended (i) to ensure consistency and appropriate management of all credit risk on the part of the Trust with respect to all NJEIFP borrower classes on a programmatic basis, and (ii) to provide improved and consistent transparency to all NJEIFP applicants with respect to the creditworthiness standards of the NJEIFP;

WHEREAS, the Board of Directors of the Trust (the "Board"), passed Resolution No. 13-02 on January 10, 2013, wherein it adopted that certain "Resolution Approving a Credit Policy," pursuant to which the January 2013 Creditworthiness Policy was approved and implemented; and

WHEREAS, thereafter, the Board periodically adopted resolutions approving the Trust's amended and restated credit policy, the most recent of which was Resolution No. 14-31 approved on June 12, 2014 (hereafter "Amended Creditworthiness Policy"); and

WHEREAS, each project financed through the New Jersey Environmental Infrastructure Financing Program (NJEIFP) typically consists of a Trust loan and State (Fund) loan; and

WHEREAS, prior to the Trust's adoption of the January 2013 Creditworthiness Policy, a

single set of credit worthiness standards were applied to both Trust loans and Fund loans; and

WHEREAS, the Department of Environmental Protection recently advised the Trust as to the appropriateness of applying the Amended Trust Creditworthiness Policy to Fund loans; and

WHEREAS, the State Treasurer recently advised the Trust as to the appropriateness of applying the Amended Trust Creditworthiness Policy to Fund loans in correspondence dated January [*pending*], 2015; and

WHEREAS, it is the desire of the Board to amend and restate the Amended Credit Worthiness Policy in the form attached hereto as Exhibit A and made a part hereof to recognize the applicability of the Amended Credit Worthiness Policy to both Trust loans and Fund loans.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Trust, that the Board hereby authorizes and approves (i) the adoption by the Trust of the Amended Creditworthiness Policy, in the form attached hereto as Exhibit A and made a part hereof, with such immaterial modifications thereto as the Executive Director of the Trust shall approve, following consultation with Bond Counsel to the Trust, the Office of the Attorney General of the State and the Financial Advisor to the Trust, and (ii) the implementation by the Trust of such Amended Credit Policy pursuant to the terms thereof. This Resolution shall become effective in accordance with the terms of Section 4(i) of the Act (N.J.S.A. 58:11B-4(i));

BE IT FURTHER RESOLVED, that Trust staff shall provide the Board Representatives of the Department of Environmental Protection and State Treasurer with a copy of proposed amendments or restatements to the Credit Worthiness Policy a minimum of 30 days in advance of the Board's consideration of such proposed amendments or restatements for approval.

Adopted Date: January 15, 2015

Motion Made By: James Requa

Motion Seconded By: Mark Longo

Ayes: 7

Nays: 0

Abstentions: 0

EXHIBIT A

AMENDED CREDITWORTHINESS POLICY

NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST



CREDIT POLICY

Revised – January 2015

POLICY AND PROCEDURE

NO. 1.21

SUBJECT: Credit Policy

| | | | | |
|-------------------|----------|------------|------------|------------|
| REVISION HISTORY: | Adopted: | 1/10/2013 | Effective: | 1/29/2013 |
| | Revised: | 10/17/2013 | Effective: | 10/31/2013 |
| | Revised: | 2/20/2014 | Effective: | 3/7/2014 |
| | Revised: | 6/12/2014 | Effective: | 6/30/2014 |
| | Revised: | 1/15/2015 | Effective: | 2/2/2015 |

PURPOSE: To define and clarify the credit worthiness standards required for participation in the New Jersey Environmental Infrastructure Program (“NJEIFP”)

It is my pleasure to present the New Jersey Environmental Infrastructure Trust's:

**Credit Worthiness Policy for Trust Loans of the New Jersey Environmental
Infrastructure Financing Program**

Since the Financing Program's first loan in 1987, the Trust has prided itself on staying true to its core mission:

- Promoting and facilitating the construction of water-related infrastructure projects throughout the State by providing low cost funding to local government units and drinking water systems; and
- Fulfilling a fiduciary responsibility to ensure that the credit profile requirements of the Financing Program maintain the highest credit standards, thereby allowing future generations to borrow at the lowest and most efficient costs available.

In its simplest terms, the Financing Program is a pool of subsidized loans dedicated to financing improvements to New Jersey's environmental infrastructure. Since the Trust's inception, more than \$6 billion in zero and low interest rate loans have been provided to local communities through a combination of federal and State funds and Trust bond proceeds, resulting in an estimated interest cost savings of over \$2.3 billion to these local communities. New Jersey's rate payers and tax payers are the direct beneficiaries of the Financing Program's multiple cost savings subsidies and administrative benefits.

Central to the Financing Program's continued success is the dedication of infrastructure project funding in perpetuity. As Program Borrowers repay the State component of their total Program loan, these funds are re-lent to finance new projects through a revolving mechanism to next year's Program Borrowers - hence, the SRF (or State Revolving Fund) moniker.

In the event that a Borrower defaults on its repayment obligation to the Trust, any subsequent loss is absorbed by the Financing Program by reducing the total amount of revolving SRF loan funds available for future generations of Borrowers, thereby illustrating why the Financing Program has always maintained a credit worthiness requirement as a precondition to qualification by a Borrower for a loan. As such, the Financing Program is not now, nor ever was, a lender of last resort, and this Credit Policy is the mechanism that protects the Financing Program as a sustainable source of environmental infrastructure funding for future generations of Borrowers.

As you read through this Credit Policy, you will note that the Trust has addressed the requirement of credit worthiness through the analysis of risk that each Applicant

presents. This risk analysis considers the probability that a Borrower will not fulfill its annual debt service repayment obligation on its Trust loan on time and in full, as well as how each Trust Loan is secured to minimize any corresponding loss. This Credit Policy builds upon the previous policy by clearly articulating the Trust's credit requirements in order to address more effectively the complex range of projects and Applicants to which the Financing Program has been subject in recent years.

To apply this Credit Policy in a manner that is practical, transparent and fair to each Financing Program Applicant, the Credit Policy considers (i) each Applicant's ability to repay its Trust Loan as demonstrated (in almost all cases) by an independent, investment grade credit rating from either Fitch Ratings, Moody's Investors Service or Standard & Poor's, and (ii) the type of collateral that each Applicant will pledge as security for its Program Loan, defined by either (a) a General Obligation (G.O.) Bond that constitutes the full faith and credit secured by a pledge of the *ad valorem* taxing authority of the underlying county or municipalities being served by the project or (b) a Revenue Bond, that is an obligation secured by a pledge of the revenues generated by the underlying project. Accordingly, this Credit Policy segregates Financing Program Applicants by Borrower-type (Municipality, Authority, Private Water System) and collateral-type (G.O. Bond, Revenue Bond). In recognizing the value of an investment grade G.O. pledge, and in order to ensure that all future, qualified Applicants receive fair access to the Financing Program's subsidized zero and low interest loans (*a benefit that has saved the average Borrower more than 25% of their total Program Loans principal amount in interest costs savings*), this Credit Policy requires more collateral from certain, higher-risk Applicants - namely lower or non-rated Revenue Bond Applicants. In this way, the Financing Program is less prone to future default risks.

If you have any questions regarding this Credit Policy, please do not hesitate to contact either the Trust or our legal or financial advisor. We look forward to providing you the top-rated and efficient service that has always been the hallmark of our Financing Program.

Respectfully,



David E. Zimmer, CFA
Executive Director

TABLE OF CONTENTS

- I. STATUTORY AUTHORITY 1
- II. OBJECTIVE 1
- III. RECENT HISTORY 2
- IV. RISK PARAMETERS 3
- V. DEFINITIONS 4
- VI. NJEIFP LOAN APPLICANTS 14
 - 1. GENERAL APPLICABILITY PROVISIONS 14
 - 2. CREDIT ELIGIBILITY REQUIREMENTS 17
 - A. PLEDGED G.O. 18
 - a) Municipality/County 18
 - i. Investment Grade Rated 18
 - ii. Non-Investment Grade Rated 18
 - iii. Non-Rated 18
 - b) Authority 18
 - i. Investment Grade Rated 18
 - ii. Non-Investment Grade Rated 18
 - iii. Non-Rated 19
 - c) Redevelopment Project 19
 - i. Investment Grade Rated LGU Sponsor 19
 - ii. Non-Investment Grade Rated LGU Sponsor 20
 - iii. Non-Rated LGU Sponsor 20
 - B. REVENUE BOND 20
 - a) Authority 20
 - i. Investment Grade Rated 20
 - ii. Non-Investment Grade Rated 21
 - iii. Non-Rated 22
 - b) Privately Owned Water System 22
 - i. Investment Grade Rated 22
 - ii. Non-Investment Grade Rated 22
 - iii. Non-Rated 23
 - C. *De-minimis* Loan Applicant 23
 - i. Investment Grade Rated 23

| | |
|--|-------------------------------------|
| ii. Non-Investment Grade Rated | 23 |
| iii. Non-Rated | 24 |
| D. <i>100% Principal Forgiveness Fund Loan</i> | Error! Bookmark not defined. |
| ATTACHMENT 1 | 25 |
| ATTACHMENT 2 | 28 |

New Jersey Environmental Infrastructure Financing Program
Credit Policy Statement for Trust Loans

Revised January 15, 2015

I. STATUTORY AUTHORITY

The New Jersey Environmental Infrastructure Trust (“NJEIT” or the “Trust”) is the State Authority charged with making low interest loans to New Jersey Local Government Units, nonprofit entities and private entities authorized to construct, operate, maintain and implement wastewater treatment systems and/or water supply systems, in order to finance all or a portion of the costs of certain Environmental Infrastructure Projects. The Trust was established in 1985 pursuant to N.J.S.A. 58:11B-1 et seq., as amended from time to time, (the “Trust Act”) to finance wastewater treatment system projects. The Trust Act was amended in 1997 in order to expand the statutory authority of the Trust to finance water supply system projects. In order to fulfill its statutory mandate pursuant to the Trust Act to finance wastewater treatment system projects and water supply system projects, the Trust oversees the New Jersey Environmental Infrastructure Financing Program (“NJEIFP” or “Financing Program”) and is responsible for ensuring that Trust Loans are administered efficiently and fairly to all *qualified* Applicants in a fiscally responsible manner that safeguards the Financing Program’s future ability to make environmental infrastructure loans in the most cost-efficient manner.¹ This Policy does not address the State of New Jersey’s credit standards utilized in issuing the State loan component of NJEIFP Loans.²

II. OBJECTIVE

The Trust has always maintained minimum credit worthiness standards, compliance with which is a pre-condition to an Applicant’s qualification to receive a Trust Loan. These credit worthiness standards help to ensure that publicly issued

¹ Note: Capitalized terms used herein shall have the meaning ascribed to such terms in Article V hereof, unless otherwise noted.

² The State’s current Credit Policy for each Fund Loan, was articulated most recently in the two page letter from former State Treasurer Peter Lawrance to then Executive Director of the Trust, Dirk Hoffman, on October 29th, 2001 (See Attachment 1).

Trust bonds maintain a AAA/AAA/Aaa Credit Rating from each of the three Nationally Recognized Rating Agencies and, as a result, the Trust is able to issue its bonds at the lowest absolute rate for the benefit of all current and future Borrowers. Currently, the Trust utilizes the credit worthiness standards set forth in the Trust's Credit Policy dated January 2013 (the "Current Policy"), which was adopted by the Trust's Board in recognition of the increasing number of non-traditional Borrowers and Environmental Infrastructure Projects applying for participation in the Financing Program.

While recognizing that one of the hallmarks of the Financing Program has always been equal and shared access for all qualified Applicants to the Trust's AAA/AAA/Aaa Credit Rating for its bonds and the corresponding lower financing costs offered by the Financing Program, the Financing Program was neither created nor intended to perform as the lender of last resort for every potential Applicant and Environmental Infrastructure Project in the State. Consequently, the purpose of this Credit Policy is to further define the financial conditions and requirements that must be satisfied by each Applicant so that all lending decisions and actions of the Trust continue to be consistent, transparent and, ultimately, fiscally prudent. Notwithstanding the existence of separate credit standards by the State and Trust, absent limited exception, all projects are required to receive funding through a combination of State and Trust funds, and as such, the Trust credit policy provisions will generally be applicable to such loans.

III. RECENT HISTORY

The Financing Program has been subject to a number of policy revisions and product innovations since its inception more than 28 years ago. These changes include: the introduction of a water supply system or drinking water ("DW") component (1998), the introduction of the Master Program Trust Account ("MPTA") which serves as a Trust Loan coverage or reserve fund that is capitalized with Fund Loan repayments owed to the State and that acts as additional collateral support for NJEIT's outstanding bonds (1995), the most recent clarification and revision of the State's credit policy (2001), the introduction of the Emergency Loan Program (2011), the Direct Loan Program (2001), the Small Systems (NANO) Infrastructure Loan Program (2012), the Supplemental Financing Program (2012), the Trust's Credit Policy (2013), the SAIL Program (2013) and the Very Small Systems (NANO-Light) Financing Program (2014).

Over 90% of the loans made by the Trust to date are secured either by (i) a general obligation (“G.O.”) bond issued by a taxing entity (a Municipality or county) and secured by a pledge of its full faith and credit or (ii) a Revenue Bond issued by an Authority and ultimately secured by a G.O. pledge of the full faith and credit of the municipal Participants served by that Authority. The Authority pledges to the Trust, through its indenture or bond resolution, all payments payable to the Authority by the Participants pursuant to the Service Agreement. When applicable, these G.O. pledges obligate the Municipalities and/or counties to raise *ad valorem* taxes “without limitation as to rate or amount” in order to either (i) satisfy their debt service obligation to the Trust or (ii) satisfy any payment obligations pursuant to the Service Agreement in order for the Authority to repay its debt service obligations to the Trust.

The remainder of the loans made by the Trust (i.e., less than 10%) and that remain outstanding are secured by a Revenue Bond. Revenue Bonds are not secured by a G.O. pledge of one or more Municipalities. As such, these Revenue Bonds may pose greater repayment default AND loss risk to the Financing Program. The fact that such Revenue Bonds continue to grow each year as part of the Financing Program’s overall portfolio exposure speaks to the changing nature of the Financing Program and the recognition from non-traditional parties of the cost of capital advantages that the Financing Program offers relative to market-based lending alternatives. While the NJEIT’s publicly held bonds have never suffered a payment default, it is critical to establish and maintain policies that safeguard the Financing Program against the risk of default in the future. It is precisely the greater risks posed by non-traditional, non-municipal and non-G.O. Service Agreement Authority Borrowers that this Credit Policy seeks to address.

IV. RISK PARAMETERS

This Credit Policy segregates default risk by Borrower-type and by credit pledge-type. In the event of a potential bankruptcy, the 90% of Financing Program Borrowers which are Municipalities, counties or local Authorities must make application to, and obtain the approval of, the Local Finance Board within the Department of Community Affairs (“DCA”) before they are legally able to commence bankruptcy proceedings. Given (i) the G.O. pledge that secures the Trust Loan, and (ii) the additional legal hurdle and corresponding oversight from the State associated with bankruptcy proceedings, these entities have a greater hurdle, and therefore, a lower likelihood of experiencing default than their non-

G.O. counterparts. In addition, the strength of a Borrower’s security for their respective loans has a limiting effect on both their probability of default as well as the magnitude of any principal or interest repayment loss should that Borrower default on its repayment obligation to the Financing Program. As such, any Borrower that can be compelled to raise, or compel a Participant to raise, *ad valorem* taxes through their pledge of either a direct or indirect G.O. will be less likely to default and, in the unlikely Event of Default, will be less likely to cause a loss on their repayment obligations to the Financing Program. With this in mind, the Credit Policy divides Financing Program Borrowers into the following categories:

1. G.O. Pledge:
 - a. Municipality/County
 - b. Authority
 - c. Redevelopment Project sponsored by an LGU
2. Revenue Pledge:
 - a. Authority
 - b. Corporate/Private
3. De-minimis Borrowers
4. SAIL Loans

(See Section VI for further discussion of risk categories and corresponding criteria.)

V. DEFINITIONS

“Aggregate Annual Debt Service” means, with respect to any given Applicant, the total of the annual debt service payments for both direct and indirect (i.e., as a result of such Applicant’s participation in an Authority) obligations of the Applicant to the NJEIFP due and payable each State Fiscal Year to either the Trust with respect to all outstanding Trust Loans when aggregated, or the State with respect to all outstanding Fund Loans when aggregated.

“Applicant” means an entity having submitted, pursuant to the Trust Act and applicable regulations, a Letter of Intent or an application for the financing of an Environmental Infrastructure Project through the Financing Program.

“Authority” means a State authority, a municipal, county or regional sewerage or utility authority, a municipal sewerage district, an improvement authority, or any

other political subdivision of the State, *other than* a Municipality or county, that is authorized to construct, operate and maintain a wastewater treatment system or a public water supply system, or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption.

“Borrower” means any entity that has any Financing Program loans outstanding with either the State and/or the Trust.

“Credit Eligibility Requirements” means those standards set forth in Section VI:2 below pursuant to an Applicant’s borrower-type and security pledge.

“Credit Rating” means an assessment by one or more of the three Nationally Recognized Rating Agencies of the credit worthiness (i) of an Applicant and the Applicant’s ability to repay principle and interest on its bonds, or (ii) of a Nationally Chartered Bank or a State Chartered Bank and its ability to satisfy its liabilities.

“De-minimis Loan Applicant” means an Applicant with respect to which the *Pro-forma* Aggregate Annual Debt Service owed separately to either the Trust or the State, as the case may be, is less than \$100,000 for Borrowers providing a pledged G.O. and less than \$50,000 for Revenue Bond Borrowers. De-minimis Applicants must provide the Trust with all information necessary for review at least 4 months prior to the date of loan closing.

“Direct Loan Closing” means the date on which a Borrower delivers to the Trust and State, and the Trust and State accepts from such Borrower, a note or other obligation evidencing a Trust Loan and Fund Loan to such Borrower pursuant to the direct loan program of the Trust, established pursuant to N.J.S.A. 58:11B-9 and one or more resolutions of the Trust.

“Escrow Closing” means the date on which the Trust, the State, a Borrower and an escrow agent appointed by the Trust each enter into an escrow agreement, pursuant to which (i) the Trust and the State each commit to make a loan to the Borrower with respect to a particular Environmental Infrastructure Project; (ii) the Borrower commits to accept a loan from each of the Trust and the State with respect to such Environmental Infrastructure Project; and (iii) the Trust Loan Agreement, the Fund Loan Agreement, the Trust Loan Bond and the Fund Loan Bond, together with certain other documents and legal opinions, are deposited into

escrow, to be released by the escrow agent upon the issuance by the Trust of its bonds.

“Environmental Infrastructure Project” means the acquisition, construction, improvement, repair or reconstruction of all or part of any structure, facility or equipment, or real or personal property necessary for or ancillary to any (i) wastewater treatment system project, including any stormwater management or combined sewer overflow abatement projects, or (ii) water supply project, as authorized pursuant to P.L.1985, c.334 (C.58:11B-1 et seq.) or P.L.1997, c.224 (C.58:11B-10.1 et al.), including any water resources project, as authorized pursuant to P.L.2003, c.162.

"Event of Default" means any occurrence or event defined as an Event of Default pursuant to a Trust Loan Agreement or a Fund Loan Agreement.

“Financial Due Diligence Meeting” means a meeting convened by the Trust to discuss elements of an Applicant’s financial health, including, without limitation, the sources of funding for an Applicant’s Environmental Infrastructure Project, the current Credit Rating, the potential impact of such an Environmental Infrastructure Project on the Applicant’s Credit Rating, and other matters deemed necessary or appropriate by the Trust to aid it in assessing (i) an Applicant’s compliance with this Credit Policy and (ii) its financial eligibility to receive and repay a Trust Loan and Fund Loan. Financial Due Diligence Meetings shall include the following representatives:

- Representatives of the Nationally Recognized Rating Agencies that rated the Applicant’s outstanding debt;
- The Applicant’s chief financial officer, highest elected official, and business administrator;
- One or more representatives of the developer of the Environmental Infrastructure Project, if applicable, possessing knowledge and authority to provide detailed information regarding the Environmental Infrastructure Project and its regulatory and financial details;
- A representative of each of the non-NJEIT entities, including other State Agencies, if any, providing funding for any aspect of the Environmental Infrastructure Project;
- A representative of each entity that may provide a guarantee for the financing of the Environmental Infrastructure Project, if applicable;

- Two representatives of the NJEIT’s senior management;
- A representative of any entity that may serve as signatory to a Trust Loan Agreement or Fund Loan Agreement, or another form of contractual obligation in connection with the financing of the Environmental Infrastructure Project; and
- Such other individuals deemed necessary or appropriate by the NJEIT to aid in conducting financial due diligence including, without limitation, representatives from the New Jersey Department of Community Affairs and/or the New Jersey Board of Public Utilities.

“Financing Program” or “NJEIFP” means the program implemented by the NJDEP and the NJEIT in partnership to provide loans to Borrowers for Environmental Infrastructure Projects pursuant to N.J.S.A. 58:11B-1 et seq., the Federal Clean Water Act and the Federal Drinking Water Act.

“Financing Program Principals” means the NJEIT and the State, collectively, as parties to the Financing Program.

“Finding of Unacceptable Credit Risk” means a written finding by the Trust (i) that the Applicant fails to meet the Credit Eligibility Requirements, (ii) that one or more Material Events has occurred within the immediately preceding sixty (60) months, or (iii) that the Trust otherwise identifies credit, liquidity or operational risks deemed by the Trust to constitute unacceptable risks to the Financing Program.

“Fund Loan” means a loan provided by the State, acting by and through the NJDEP, to a Borrower for the financing as part of the Financing Program of all or a portion of an Environmental Infrastructure Project pursuant to the Federal Clean Water Act or the Federal Drinking Water Act.

“Fund Loan Agreement” means an agreement, by and between the State, acting by and through the NJDEP, and a Borrower, pursuant to which the State extends a Fund Loan to a Borrower in connection with the financing of all or a portion of an Environmental Infrastructure Project, and the Borrower agrees to certain terms and conditions, including, without limitation, the construction of the Environmental Infrastructure Project and the repayment of the Fund Loan.

“Fund Loan Bond” means a senior lien bond issued by a Borrower to the State, acting by and through the NJDEP, in order to evidence and secure the Fund Loan repayment obligations of such Borrower to the State, all in connection with the financing of all or a portion of an Environmental Infrastructure Project. The State may, in its discretion, accept a Junior Lien Bond, subject to certain covenant obligations, in lieu of a senior lien bond.

“Interim Financing Closing” means the date on which a Borrower delivers to the Trust, and the Trust accepts from such Borrower, a note or other obligation evidencing a short-term or temporary loan made by the Trust to such Borrower pursuant to the interim financing program of the Trust, established pursuant to N.J.S.A. 58:11B-9(d) and one or more resolutions of the Trust.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated pursuant thereto.

“Investment Grade Rated” means an Applicant with at least one current rating assigned by a Nationally Recognized Rating Agency that is not less than BBB- (S&P and Fitch) or Baa3 (Moody’s), as well as no Non-Investment Grade Rated Credit Ratings from any of the Nationally Recognized Rating Agencies.

“Joint and Several Liability Service Agreement” means a Service Agreement, by and among a Special Obligation Entity and two or more Participants, pursuant to which all Participants have contractually agreed to be jointly and severally liable for the obligations of any of the Participants thereunder, including, without limitation, the obligation to pay amounts necessary to meet the debt service obligations of the Special Obligation Entity.

“Letter of Credit” or “LOC” means an irrevocable Letter of Credit issued by a Nationally Chartered Bank or a State Chartered Bank that secures the payment of the principal and/or interest on (as applicable) the Trust Loan Bond and Fund Loan Bond issued to the Trust and the State, respectively, by the Applicant that procured such LOC.

“Loan Loss Reserve Fund” or “LLR” means a fund established by the Trust, pursuant to N.J.S.A. 58:11B-1 et seq., for the deposit of the annual Risk Premium as defined herein. Risk Premium payments will be deposited by the Trust into the LLR and shall

secure repayments owed only on those Financing Program loans in connection with which Risk Premium payments are required.

“Local Government Unit” or “LGU” means (i) a State Authority, county, Municipality, municipal, county or regional sewerage or utility Authority, municipal sewerage district, joint meeting, improvement Authority, or any other political subdivision of the State authorized pursuant to law to construct, operate and maintain wastewater treatment systems, or (ii) a State Authority, district water supply commission, county, Municipality, municipal, county or regional utilities Authority, municipal water district, joint meeting or any other political subdivision of the State authorized pursuant to law to operate or maintain a public water supply system or to construct, rehabilitate, operate or maintain water supply facilities or otherwise provide water for human consumption.

“LGU Sponsor” means a Local Government Unit whose participation in a Trust Loan Agreement and/or a Fund Loan Agreement, or any other form of contractual obligation, is necessary to satisfy Financing Program requirements, including, but not limited to, compliance with this Credit Policy for the purpose of assisting a third party in securing access to funding from the Financing Program for an Environmental Infrastructure Project of mutual benefit to such Local Government Unit and such third party.

“Material Event” means, with respect to a given Applicant, the occurrence of any one or more of the following: (i) an Event of Default under an existing Trust Loan Agreement and/or Fund Loan Agreement to which the Applicant is a party; (ii) the Applicant’s receipt of notice of a criminal complaint, criminal investigation or indictment pertaining to the Applicant or any of its officers or directors; (iii) a material change in financial position demonstrating a material adverse effect upon the Applicant’s financial position within the last two fiscal years; (iv) the filing by the Applicant of a bankruptcy petition or the administration of the Applicant pursuant to the provisions of any applicable bankruptcy statute; (v) any written documentation that is produced by the NJDEP or the Trust which identifies (1) material mismanagement by the Applicant of (a) any of its environmental infrastructure facilities, or (b) the proposed Environmental Infrastructure Project to be financed through the Financing Program, in which the Applicant has been unable to cure such material mismanagement or (2) failure of such Applicant to properly satisfy its repayment obligations with respect to any outstanding Program

Loans, including, without limitation, late payments or (3) failure of such Applicant to properly and promptly apply unexpended proceeds of any outstanding Program Loans; (vi) material misrepresentations by the Applicant in any Financing Program application documents; or (vii) failure by the Applicant to submit timely responses to requests for information presented to the Applicant by the Trust and/or the NJDEP; or (viii) failure of the Applicant to satisfactorily complete all filings with the LFB or any overseeing State agency; or (ix) being placed under oversight by the LFB or any overseeing State agency. Applicants with Material events may be asked to enhance the security of their loan through mechanisms, such as Qualified Bonds.

“Municipality” means any city, borough, town, township or village situated within the boundaries of the State of New Jersey.

“Nationally Chartered Bank” means a banking institution chartered and supervised by the Office of the Comptroller of the Currency, an agency in the U.S. Treasury Department, pursuant to the National Bank Act, 12 U.S.C. Section 21 *et seq.*

“Nationally Recognized Rating Agency” means any of Fitch Ratings (“Fitch”), Standard & Poor’s (“S&P”) or Moody’s Investors Service (“Moody’s”).

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

“New Jersey Environmental Infrastructure Trust,” “Trust” or “NJEIT” means a body corporate and politic organized under the laws of the State of New Jersey pursuant to N.J.S.A. 58:11B-1 et seq.

“Non-Investment Grade Rated” means an entity that possesses a current Credit Rating which is less than BBB- (S&P and Fitch) or Baa3 (Moody’s) from any of the three Nationally Recognized Rating Agencies.

“Non-Joint and Several Liability Service Agreement” means a Service Agreement, by and among a Special Obligation Entity and two or more Participants, pursuant to which each Participant has contractually agreed to be liable for a portion of the obligations specified thereunder, including, without limitation, the obligation to pay amounts necessary to meet the debt service obligations of the Special Obligation Entity, and the Participants are not obligated to pay amounts due and owing by any other Participants.

“Non-Rated” means an entity, which does not possess a current Credit Rating from any of the three Nationally Recognized Rating Agencies.

“Participant” means one or more Municipalities and/or Authorities that have entered into a Joint and Several Liability Service Agreement with a Special Obligation Entity or a Non-Joint and Several Liability Service Agreement with a Special Obligation Entity.

“Preliminary Financial Information” means certain written information produced by an Applicant and delivered to the NJEIT pursuant to a written request submitted by the NJEIT, all in furtherance of the assessment by the NJEIT of the Applicant’s compliance with this Credit Policy.

“Privately Owned Water System” means a drinking water system required to comply with New Jersey State primary drinking water regulations for which a PWS ID number exists.

“Pro-forma Aggregate Annual Debt Service” means, with respect to any given Applicant for both direct and indirect obligations to the NJEIFP, the sum of (i) the Aggregate Annual Debt Service and (ii) the additional annual debt service payments due and payable each State Fiscal Year with respect to the Trust Loan and Fund Loan for which the Applicant is then applying to the Financing Program.

“Qualified Bonds” means any bond issued by a Municipality pursuant to the provisions of the Qualified Bond Act, N.J.S.A. 40A:3-1 et seq.

“Qualified Bond Debt Service Coverage Ratio” means the annual debt service to be paid by a municipality each fiscal year on any of its outstanding Qualified Bonds divided by the annual funds available for these payments pursuant to the Qualified Bond Act.

“Ratings” means:

| Investment Grade Rating of the three major rating agencies | | | | NJEIT Rank |
|---|----------------|------------------------------|--------------|-------------------|
| | Moody's | Standard & Poor's | Fitch | |
| | | | | |
| Best Quality | Aaa | AAA | AAA | 12 |

| | | | | |
|----------------------|--------------|----------|-------------|----|
| | | | | |
| High Quality | Aa1 | AA+ | AA+ | 11 |
| | Aa2 | AA | AA | 10 |
| | Aa3 | AA- | AA- | 9 |
| | | | | |
| Upper Medium Grade | A1 | A+ | A+ | 8 |
| | A2 | A | A | 7 |
| | A3 | A- | A- | 6 |
| | | | | |
| Medium Grade | Baa1 | BBB+ | BBB+ | 5 |
| | Baa2 | BBB | BBB | 4 |
| | Baa3 | BBB- | BBB- | 3 |
| | | | | |
| Non-Investment Grade | Ba1 | BB+ | BB+ | 2 |
| | Ba2 | BB | BB | 1 |
| | Below Ba2 | Below BB | Below BB | 0 |

“Revenue Bond” means a bond supported by the revenue from a specifically sponsored project.

“Risk Premium” means an annual premium imposed by the NJEIT in an amount equal to 1% of the outstanding aggregate principal amount of the Trust Loan and the Fund Loan, provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the NJEIT following consultation with counsel.

“SAIL Loan” a short term or temporary loan to repair environmental infrastructure that was damaged during a disaster or to improve the resiliency of such infrastructure that otherwise would have been damaged in future disasters pursuant to N.J.S.A. 58:11B-9.5.

“Service Agreement” means an agreement wherein a Special Obligation Entity agrees to provide wastewater treatment service or drinking water to one or more Participants in exchange for monetary compensation.

“Special Obligation Entity” means an Authority, a nonprofit entity, a private entity, or any other Applicant or Borrower with respect to which the obligation to repay the Trust Loan and the Fund Loan is not secured by the irrevocable pledge of such Applicant or Borrower to exercise its unlimited taxing powers for the timely payment thereof.

“State” means the State of New Jersey.

“State Chartered Bank” means a banking institution chartered and supervised by the New Jersey Department of Banking and Insurance pursuant to the laws of the State, including, without limitation, N.J.S.A. 17:9A-1 *et seq.*

“State Fiscal Year” or “SFY” means the period of time beginning on the first day of July of each calendar year and ending on the thirtieth of June of the next succeeding calendar year, such period of time being established as the fiscal year of the State pursuant to N.J.S.A. 52:5-1. Each State Fiscal Year shall be designated by the calendar year in which such State Fiscal Year concludes.

“Trust Loan” means a loan made by the NJEIT to a Borrower for the financing as part of the Financing Program of all or a portion of an Environmental Infrastructure Project pursuant to N.J.S.A. 59:11B-1 et seq.

“Trust Loan Agreement” means an agreement, by and between the Trust and a Borrower, pursuant to which the Trust extends a Trust Loan to a Borrower in connection with the financing of all or a portion of an Environmental Infrastructure Project, and the Borrower agrees to certain terms and conditions, including, without limitation, the construction of the Environmental Infrastructure Project and the repayment of the Trust Loan.

“Trust Loan Bond” means a senior lien bond issued by a Borrower to the NJEIT in order to evidence and secure the Trust Loan repayment obligations of such Borrower to the NJEIT, all in connection with the financing of all or a portion of an Environmental Infrastructure Project pursuant to N.J.S.A. 59:11B-1 et seq. The Trust may, in its discretion, accept a Junior Lien Bond, subject to certain covenant obligations in lieu of a senior lien bond.

VI. NJEIFP LOAN APPLICANTS

1. GENERAL APPLICABILITY PROVISIONS

Introduction Applicants must meet the Credit Eligibility Requirements of this Credit Policy as set forth in Section VI:2 below in order to evidence and secure an NJEIFP Trust Loan repayment obligation through the issuance of privately negotiated bonds. Such Credit Eligibility Requirements shall apply to all Applicants seeking a Trust Loan, without regard to the relative proportions of the Trust Loan and/or the Fund Loan to the total amount of financial assistance sought by the Applicant from the Financing Program. In assessing compliance by an Applicant with the Credit Eligibility Requirements, the Trust will consider credit, liquidity, and operational risk as well as any other factors deemed necessary and appropriate by the Trust to (i) evaluate the risk of repayment default and (ii) in order to determine that there are no existing Material Events.

Credit Ratings For the purposes of this Credit Policy, Applicant Credit Ratings may be either a public rating or a shadow rating. All public ratings must be currently under surveillance by the Nationally Recognized Rating Agency that issued such public rating. The Trust may require an Applicant to have a rating re-affirmed if a Material Event has occurred since the last review by the Rating Agency. Any Applicant relying on a shadow rating must have received such rating from a Nationally Recognized Rating Agency within twelve months prior to the Trust's determination of the Applicant's compliance with the Trust's Credit Eligibility Requirements. Separately, the unenhanced rating (i.e., giving no consideration to enhancement from, among other sources, the State's "Chapter 72 School Bond Reserve Program") of a contiguous school district may be cited and relied upon by a Municipality(s) not possessing a Credit Rating and which is providing either a direct or indirect obligation in order to evidence and secure an NJEIFP Trust Loan repayment obligation. In the case of a Non-Rated Authority or Non-Rated Privately Owned Water System, a guarantee from an Investment Grade Rated corporate parent or tri-party agreement that includes a municipality with an Investment grade rating, in a form acceptable to the Trust, may be cited and relied upon.

Portfolio Limitations The Trust retains the right to reject outright any Applicant for whom the Trust Loan Bond is a Revenue Bond, the aggregate principal amount of which will serve to increase the Trust Revenue Bond principal exposure to an

amount that exceeds 10% of the total outstanding principal amount of publicly issued Trust bonds. Further, the Trust retains the right to reject outright any *De-minimis* Loan Applicant for whom the Trust Loan Bond is a Revenue Bond, the aggregate principal amount of which will serve to increase the Trust's exposure to *De-minimis* Loan Borrowers to an amount that exceeds 5% of the total outstanding principal amount of publicly issued Trust bonds.

Additional Information In assessing an Applicant's compliance with the Credit Eligibility Requirements of the Credit Policy, the Trust may require the Applicant to participate in a Financial Due Diligence Meeting without regard to the Applicant's Credit Rating. The Applicant shall provide Preliminary Financial Information to the Trust no later than 10 business days following receipt of such written request from the Trust.

De-minimis Loan Requirement For all *De-minimis* Loan Applicants, the Applicant shall provide to the Trust, in the case of an Applicant providing a direct or indirect G.O. pledge, evidence of either approval from the Local Finance Bond to incur debt through the NJEIFP for the requested Loan amount, or in the case of a Revenue Bond Applicant, evidence from the Board of Directors, or other governing body of the Applicant, a resolution pursuant to which such governing body acknowledges and agrees to:

- i. The projected debt service repayment obligation of the Applicant over the course of the proposed Trust Loan and Fund Loan;
- ii. With respect to any Applicant that is a Local Government Unit, a contractual obligation to provide an annual certification of an authorized officer of the Applicant that the Applicant has timely provided to the Division of Local Government Services within the New Jersey Department of Community Affairs (the "DLGS") a balanced budget for the forthcoming fiscal year, and that such budget has been approved by the Director of the DLGS, all in accordance with the Local Budget Law or the Local Authorities Fiscal Control Law, as applicable.
- iii. a contractual obligation, to be set forth in the Trust Loan Agreement and Fund Loan Agreement of the Applicant that obligates the Applicant each year, a Program Loan is outstanding, to fix the rates it charges its service customers in an amount at least equivalent to pay all outstanding debt service, operation & maintenance charges, and further, to pay any other expenses necessary to operate the Applicant's system in compliance with

applicable laws and regulations. The Applicant will further covenant to provide to the Trust and the State a certification of an authorized officer of the Applicant, on an annual basis at the conclusion of each fiscal year of the Applicant, to the effect that the Authority has for such fiscal year, complied with the rate covenant set forth above. Failure to provide such certification, upon the expiration of a thirty day notice and cure period, shall be an Event of Default pursuant to each of the Trust Loan Agreement and the Fund Loan Agreement, and shall give rise to a right of acceleration of the Program Loans by the Trust and the State, respectively.

- iv. In addition, the Applicant shall be subject to a covenant obligation to provide written notice to the NJEIT and the NJDEP within 30 days of the occurrence of any Event of Default, pursuant to and as defined in its indenture of trust or bond resolution, or any event that with the passage of time and/or the giving of notice shall constitute an Event of Default.

Junior Lien Bond Policy The Financing Program does not require debt service reserve funds of Investment Grade Rated Authorities to act as security for the Trust Loan Bond and the Fund Loan Bond issued by such Authority. Furthermore, if such reserve funds are required by the Authorities' own indenture of trust or bond resolution, the Financing Program does not make Trust Loan proceeds or Fund Loan proceeds available to Authorities to fund such debt service reserve funds. However, the Financing Program will accept from such Authorities a junior-lien bond as evidence of and security for the Trust Loan and Fund Loan repayment obligations of such Authority. While this junior-lien bond is subordinated to any senior-lien debt of that Authority, the Financing Program protects itself from repayment default and loss by requiring each Authority to comply with the following: (i) compliance with Credit Eligibility Requirements; (ii) a Service Agreement that is secured by the full faith and credit of one or more Participants; and (iii) a contractual obligation set forth in the indenture of trust or bond resolution that obligates the Authority to raise the rates it charges its service customers by an amount at least equivalent to pay all outstanding debt service (including debt service with respect to the Junior-Lien Trust Loan Bond and the Junior-Lien Fund Loan Bond), operation & maintenance charges, and further, to pay any other expenses necessary to operate the Authority in compliance with applicable laws and regulations. In addition, the Authority shall be subject to a covenant obligation to provide written notice to the NJEIT and the NJDEP within 30 days of the occurrence of any Event of Default, pursuant to and as defined in its indenture of trust or bond resolution, or any event that with the passage of time and/or the

giving of notice shall constitute an Event of Default. The failure by the Authority to satisfy the obligation set forth in (iii), above, shall constitute an Event of Default, pursuant to and as defined in its Trust Loan Agreement and its Fund Loan Agreement.

Determination of Ineligibility Any Finding of Unacceptable Credit Risk shall be issued in writing by the Trust to the Applicant and shall render the Applicant ineligible to receive as Trust Loan for that Financing Program year.

Action by the Trust Pursuant to the Credit Policy. Any determination or action authorized or required to be undertaken by the Trust pursuant to the terms and provisions of this Credit Policy may be undertaken or performed by any authorized officer designated as such by the Board of Directors of the Trust through formal action, including but not limited to Trust Board Resolution No. 11-10 enacted on April 7, 2011.

Report of a Material Event to the Board. At the first meeting of the Board of Directors of the Trust immediately following the execution and delivery of any loan instruments relating to any loan made to a Borrower by the Trust, in connection with which the Executive Director of the Trust has determined the occurrence of a Material Event (as defined in the Credit Policy of the Trust) with respect to such Borrower, the Executive Director of the Trust shall provide a report to the Board of Directors of the Trust concerning details of such transaction and the Material Event that was identified by the Executive Director of the Trust. Such report shall include, with respect to such Borrower that was a recipient of such loan, (i) the identity of the Borrower, (ii) a summary of the project(s) for which financing was provided, (iii) the nature of the Material Event at issue, and (iv) a discussion of the Borrower's compliance with the Credit Eligibility Requirements.

2. CREDIT ELIGIBILITY REQUIREMENTS

Applicants shall satisfy the Trust's Credit Eligibility Requirements. A determination as to compliance with the Credit Eligibility Requirements shall be made by the Trust at the earlier of the time of the Environmental Infrastructure Project's:

- i. Interim Financing Program Closing, including, without limitation, the Disaster Relief Emergency Loan Financing Program, or
- ii. Escrow Closing, or

- iii. Direct Loan Program Closing, or
- iv. Receipt from the Trust of a Finding of Unacceptable Credit Risk.

Excepting the existence of a Material Event(s), Credit Eligibility Requirements are waived for supplemental loans with respect to existing Trust Loans.

An Applicant shall establish compliance with the Credit Eligibility Requirement by providing a:

A. PLEDGED G.O., *provided that the Applicant is a(n):*

- i. Municipality/County, or the beneficiary of a guarantee provided by a Municipality/County, such Municipality/County which is:**
 - i. Investment Grade Rated:** No additional requirements.
 - ii. Non-Investment Grade Rated:** For an Applicant that is a Municipality, credit support is provided in the form of (i) a Qualified Bond, and (ii) a covenant obligation on the part of the Applicant to satisfy upon issuance of such Qualified Bond, the Qualified Bond Debt Service Coverage Ratio at $\leq 80\%$ and to immediately notify the Trust if, and when, the applicant's Qualified Bond Debt Service Coverage Ratio exceeds 80% until the maturity of the Trust Loan Bond and Fund Loan Bond;
 - iii. Non-Rated:** A Credit Rating is obtained by the Municipality or the County from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Rating as outlined in either Sections VI:2-A.a(i) or VI:2-A.a(ii) are satisfied.

A Municipality or a county failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

ii. Authority and is:

- i. Investment Grade Rated:** No additional requirements.
- ii. Non-Investment Grade Rated:** A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A(flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State

Chartered Bank which satisfies the preceding paragraph (i); **and**

- iii. licensed to do business in the State of New Jersey; **and**
- iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan.

iii. Non-Rated:

- a. A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2-A.b(i) or VI:2-A.b(ii) are satisfied; **or**
- b. The Authority has entered into a Joint and Several Liability Service Agreement with one or more Participants and no more than 50% of the Authority's annual revenue is derived from Participants with Non-Investment Grade Ratings or that are Non-Rated; **or**
- c. The Authority has entered into a Non-Joint and Several Liability Service Agreement with one or more Participants and no more than 25% of the Authority's annual revenue is derived from Participants with Non-Investment Grade Ratings or that are Non-Rated.

An Authority failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

iii. Redevelopment Project and is sponsored by a(n):

i. Investment Grade Rated LGU Sponsor:

- a. A Financial Due Diligence Meeting is required to discuss the financial impact upon the LGU Sponsor of the proposed additional debt (note: if the Nationally Recognized Rating Agency that has rated the LGU Sponsor does not attend the Financial Due Diligence Meeting, the LGU Sponsor shall present to the Trust a certification that the Nationally Recognized Rating Agency has been informed in writing of the proposed financing and has chosen not to attend); **and**

- b. Additional requirements as appropriate are agreed upon to secure the LGU Sponsor including, but not limited to;
 - i. PILOT payments,
 - ii. Statutory rights pursuant to the Redevelopment Area Bond Financing Law,
 - iii. Reserve funds, and
 - iv. Corporate guarantees.
 - ii. **Non-Investment Grade Rated LGU Sponsor:**
 - a. A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; **and**
 - ii. which Letter(s) of Credit shall be maintained at least at A(flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); **and**
 - iii. licensed to do business in the State of New Jersey; **and**
 - iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan; **and**
 - b. All requirements as set forth in Section VI:2-A.c(i) must be satisfied.
 - iii. **Non-Rated LGU Sponsor:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements based on the ratings as outlined in either Sections VI:2-A.c(i) or VI:2-A.c(ii) are satisfied.

A redevelopment project failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

B. REVENUE BOND, *provided that the Applicant is a(n):*

- i. **Authority and is:**
 - i. **Investment Grade Rated:**

- a. The indenture of trust or bond resolution pursuant to which the Authority issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed by the Trust to be acceptable; ***and***
- b. For any time period during the life of the Loan that a Credit Rating has been assigned to the Authority by any Nationally Recognized Rating Agency of less than A- or A3, the annual Risk Premium will be imposed by the NJEIT; provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the NJEIT following consultation with counsel. The payments will be deposited by the Trust into the LLR. This Provision will be enacted beginning with Financing Program Loans made in SFY 2014.

ii. Non-Investment Grade Rated:

- a. A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A(flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); ***and***
 - iii. licensed to do business in the State of New Jersey; ***and***
 - iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan; ***and***
- b. The indenture of trust or bond resolution pursuant to which the Authority issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate

covenant and (iii) a debt incurrence test, each deemed to be acceptable by the Trust;

- iii. **Non-Rated:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2-B.a(i) or VI:2-B.a(ii) are satisfied.

An Authority failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

ii. Privately Owned Water System and is:

i. Investment Grade Rated:

- a. The indenture of trust pursuant to which the Privately Owned Water System issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed by the Trust to be acceptable; ***and***
- b. For any time period during the life of the Loan that a Credit Rating has been assigned to the Privately Owned Water System by a Nationally Recognized Rating Agency of less than A- or A3, the annual Risk Premium will be imposed by the NJEIT; provided, however, such amount shall be subject to the limitations imposed by the Internal Revenue Code as such limitations shall be interpreted and applied by the NJEIT following consultation with counsel. The Risk Premium payments will be deposited by the Trust into the LLR. This Provision will be enacted beginning with Loans made in SFY 2014.

ii. Non-Investment Grade Rated:

- a. A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; ***and***
 - ii. which Letter(s) of Credit shall be maintained at least at A(flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State

- Chartered Bank which satisfies the preceding paragraph (i); **and**
- iii. licensed to do business in the State of New Jersey; **and**
- iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan Bond issued to the Trust and the State, respectively, by such Applicant for the term of the Trust Loan and Fund Loan; **and**
- b. The indenture of trust pursuant to which the Privately Owned Water System issues its Trust Loan Bond and Fund Loan Bond shall include (i) a debt service coverage ratio covenant, (ii) a rate covenant and (iii) a debt incurrence test, each deemed to be acceptable by the Trust;
- iii. **Non-Rated:** A Credit Rating is obtained from any of the three Nationally Recognized Rating Agencies and the applicable requirements relating to such Credit Ratings as outlined in either Sections VI:2-B.b(i) or VI:2-B.b(ii) are satisfied.

A Privately Owned Water System failing to meet any one of the above criteria is ineligible to receive a Trust loan under this provision.

C. *De-minimis* Loan Applicant, provided that the Applicant is:

- i. **Investment Grade Rated:** No additional requirements. The Trust reserves the right to require the Borrower to establish a debt service reserve account as collateral for the Trust Loan and Fund Loan. Funds for a debt service reserve fund may not be borrowed;
- ii. **Non-Investment Grade Rated:** A Letter(s) of Credit issued by a Nationally Chartered Bank or State Chartered Bank:
 - i. with a Credit Rating(s) of no less than A(flat) and no Non-Investment Grade Credit Rating(s) from any of the three Nationally Recognized Rating Agencies; **and**
 - ii. which Letter(s) of Credit shall be maintained at least at A(flat), or be replaced by the Borrower with a Letter of Credit from a Nationally Chartered Bank or State Chartered Bank which satisfies the preceding paragraph (i); **and**
 - iii. licensed to do business in the State of New Jersey; **and**
 - iv. which secures the payment of the principal of and interest on (as applicable) the Trust Loan Bond and the Fund Loan

Bond issued to the Trust and the State, respectively, by such Borrower for the term of the Trust Loan and Fund Loan.

- iii. **Non-Rated:** An Applicant meeting the established financial criteria, as set forth by the Trust from time to time and publicly disseminated (*See Attachment 2*), shall be eligible to receive a Trust loan subject to the requirements as outlined in Section VI:2-C.(i) above. Additionally, such Applicant shall provide proof of authorization to enter into the Loan Agreements with the NJDEP and the Trust from its governing body, such as a Board of Directors. Any Applicant not meeting the established financial criteria, as set forth by the Trust, is subject to the requirements as outlined in Section VI:2-C.(ii) above.

A *De-minimis* Loan Applicant failing to meet any one of the above criteria is ineligible to receive a Trust Loan under this provision.

- D. SAIL Loans: Notwithstanding anything in this credit policy to the contrary, in the event that an Applicant providing a General Obligation pledge seeks financing through the SAIL Program and at least 50% of the loan amount has been obligated by and is anticipated to be reimbursed by FEMA or other similar Federal grant program, such Applicant shall be deemed compliant with the Credit Eligibility Requirements of the Credit Policy.

ATTACHMENT 1



State of New Jersey
OFFICE OF THE STATE TREASURER
PO Box 002
TRENTON NJ 08625-0002

DONALD T. DI FRANCESCO
Acting Governor

RECEIVED
OCT 25 2001
NJ ENVIRONMENTAL
INFRASTRUCTURE TRUST

PETER R. LAWRENCE
Acting State Treasurer

October 29, 2001

Dirk C. Hofman, P.E., Executive Director
New Jersey Environmental Infrastructure Trust
3131 Princeton Pike
Building 6 - Suite 201
Lawrenceville, New Jersey 08648

Dear Mr. Hofman:

It is my understanding that, based upon the enhanced collateralization provided by the Master Program Trust Agreement structure for financing programs beginning in 1995, the New Jersey Environmental Infrastructure Trust (the "Trust") no longer requires borrowers (the "Borrowers") to obtain investment grade ratings (shadow or otherwise) ("Investment Grade Ratings") on bonds issued by such Borrowers evidencing their market rate loans from the Trust (the "Trust Loans"). Accordingly, the State of New Jersey (the "State") will not require any Borrowers participating in future financing programs to obtain Investment Grade Ratings on bonds issued by such Borrowers evidencing their zero-interest loans from the State (the "State Loans"), if such Borrowers can meet at least one of the following safe harbor tests:

(1) De Minimis Test: The annual amortization of the principal amount of the Borrower's State Loan is less than or equal to \$50,000 in each year of scheduled repayment.

(2) Insurability Test: (a) The Borrower can demonstrate that it or an entity that has entered into a full faith and credit service or deficiency agreement that would be sufficient to pay all of the Borrower's outstanding debt, including the proposed Trust Loan and the proposed State Loan (a "Related Entity") has received either (i) bond insurance on any of its debt with a maturity of no less than ten years from the date of issuance, which debt was issued no more than two years prior to the beginning of the calendar year in which the State Loan to the Borrower is proposed to close, (ii) a surety bond by a municipal bond insurer securing the debt service reserve or comparable fund for any Borrower or Related Entity debt, which surety bond was issued in the same time frame as (i) above, (iii) a commitment to issue either (i) or (ii), which commitment is either current or was issued within the same time frame as (i) above or (iv) some other comparable evidence of insurability of debt of the Borrower or Related Entity and (b) the chief financial officer of the Borrower or the Related Entity, as appropriate, certifies to the State

Dirk C. Hofman, P.E., Executive Director
October 29, 2001
Page 2

that there has been no material adverse change to the financial condition of the Borrower or the Related Entity, as appropriate, since the date of existence of such bond insurance, surety bond or other evidence of insurability.

(3) *Qualified Bond Test:* The bond of the Borrower evidencing the State Loan is "qualified" pursuant to the Municipal Qualified Bond Act (N.J.S.A. 40A:3-1 *et seq.*).

(4) *State Oversight Test:* The Borrower has been granted assistance by the State through certain State agencies in the form of financial supervision and oversight pursuant to the Local Government Supervision Act (N.J.S.A. 52:27BB-1 *et seq.*), and at the time the State Loan is funded, the Borrower is in compliance with all of the conditions pursuant to which such assistance has been granted.

(5) *School District Test:* The Borrower is a municipality, the related school district of which either has an investment grade rating or can meet one of the safe harbor tests set forth herein. The Borrower is an authority, the school district of a Related Entity of which either has an investment grade rating or can meet one of the safe harbor tests set forth herein.

Unless the Trust is notified in writing to the contrary, this policy shall be in effect for all future Trust financing programs. This letter amends and supersedes any previous correspondence to you of prior State Treasurers regarding this subject.

Very truly yours,



Peter R. Lawrance
Acting New Jersey State Treasurer

ATTACHMENT 2

Deminimis Credit Metrics Criteria Municipality -- General Obligation Pledge

Water Utility Fund

Primary Factors (Required)

| | |
|-----------------------------|-------------|
| Debt Service Coverage Ratio | ≥ 1.1 |
| Liabilities to Asset Ratio | $\leq 65\%$ |
| Quick Ratio | > 1.0 |

Secondary Factors (3 of 5 Required)

| | |
|--|----------------------------------|
| Fund Balance (Reserve) as % of Revenue | $\geq 10\%$ for last three years |
| Long Term Debt per customer Year 1 - Pro Forma | $\leq \$1,500$ |
| Long Term Debt per customer Year 5 - Pro Forma | $\leq \$1,500$ |
| Account Growth | \geq Stable |
| Water Charge as % of Median Household Income | $< .75\%$ |
| Water and Sewer Charge as % of Median Household Income | $< 1.5\%$ |

Additional Factors (Considered)

| | |
|---|----------------------------------|
| Demographics: | |
| Median Household Income Relative to County | |
| Median Home Value relative to County | |
| Town Metrics | |
| NJ fund Balance as percentage of Muni Revenue | $\geq 10\%$ for last three years |
| Total Full Value per Capita | $\geq \$100,000$ |
| County Credit Ratings | |
| Number of Households Served | |

Deminimis Credit Metrics Criteria Utility Authority -- No General Obligation Pledge

Primary Factors (Required)

| | |
|---|---------------------------------------|
| Debt Service Coverage Ratio | ≥ 1.25 |
| Liabilities to Asset Ratio | $\leq 65\%$ |
| Quick Ratio | > 1.0 |
| Board Resolution Acknowledging and Agreeing to Loan Terms, Program Requirements and Repayment Obligations | Passed Prior to any Program Financing |

Secondary Factors (3 of 5 Required)

| | |
|--|------------------------------|
| Cashflow | Positive for prior two years |
| Long Term Debt per customer Year 1 | $\leq \$1,500$ |
| Long Term Debt per customer Year 5 | $\leq \$1,500$ |
| Account Growth | \geq Stable |
| Water Charge as % of Median Household Income | $< .75\%$ |
| Water and Sewer Charge as % of Median Household Income | $< 1.5\%$ |

Additional Factors (Considered)

| |
|--------------------------------|
| Demographics: |
| Median Household Income |
| Median Home Value |
| Town and County Credit Ratings |
| Number of Households Served |

SUMMARY OF ANNOUNCEMENTS:

Executive Director Zimmer summarized the substantive events and correspondence issued since the last Trust Board meeting.

- On January 13, 2015 – Board member and DEP Assistant Commissioner, Dan Kennedy, Assistant Director Scangarella and senior staff members from the DEP, met with Cumberland County Freeholder Director Derella, County Administrator Mecouch, Cumberland County Utility Authority Director Errickson, Deputy Director Fernandez, Downe Township Mayor Campbell, and a number of engineering consultants to discuss a clean water project for the Township.
- On January 12, 2015 – Board Treasurer Roger Ellis, Executive Director Zimmer and Assistant Director Scangarella met with Assemblyman Schaer, Assemblywoman Spencer, municipal representatives from the Borough of Little Ferry and City of Passaic and NJ Laborers' Union's Director of Government Relations Ciro Scalera to discuss pending legislation that will affect the Trust.
- On January 8, 2015 – Executive Director Zimmer moderated a panel discussion on Investing in Water Infrastructure at DEP's Combined Sewer Overflows workshop at Rutgers University in Newark.
- On January 8, 2015 – Assistant Director Scangarella and members of his I.T. staff met with representatives of the Oracle Corporation to discuss possible business software applications.
- On January 7, 2015 – Executive Director Zimmer and Assistant Director Scangarella met with representatives from the NJ League of Municipal and NJ Association of Counties to discuss pending legislation that will affect the Trust.
- On December 30, 2014 - Assistant Director Scangarella participated on a conference call with DEP and representatives from the Borough of Somerville to discuss potential funding for a redevelopment project.
- On December 15, 2014 - Assistant Director Scangarella attended a meeting at the DEP to discuss a proposal to enact rules.
- Trust senior staff participated in the following client project pre-planning meetings or conference calls to discuss program funding issues:
 - Passaic Valley Water Commission – SFY2015 Financing Program
- H₂LOans computer system meetings continue between the Trust and DEP technology and process staffs.
- The next Board meeting is scheduled for **Thursday, February 12, 2015** at 10:00 am at the Trust's offices.
- A copy of the full list of announcements is available on the Trust's webpage in a format that allows for copying under the General Information tab at:
<http://www.njeit.org/general-information/miscellaneous/board-meeting-agendas>