

**RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$2,700,000 SUBORDINATE BONDS (SERIES 2015) OF THE PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY AND PROVIDING FOR THEIR SALE TO THE NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST AND THE STATE OF NEW JERSEY AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN AGREEMENTS IN CONNECTION THEREWITH.**

**WHEREAS**, the Pequannock River Basin Regional Sewerage Authority (the “Authority”), a public body corporate and politic of the State of New Jersey (the “State”), has determined that there exists a need to acquire, construct, renovate, install or refinance the Project (the “Project”), as described herein and as further defined in each of that certain Loan Agreement (the “Trust Loan Agreement”) to be entered into by and between the Authority and the New Jersey Environmental Infrastructure Trust (the “Trust”) and that certain Loan Agreement (the “Fund Loan Agreement” and, together with the Trust Loan Agreement, the “Loan Agreements”) to be entered into by and between the Authority and the State acting by and through the New Jersey Department of Environmental Protection all pursuant to the State Fiscal Year 2015 New Jersey Environmental Infrastructure Trust Financing Program (the “Program”); and

**WHEREAS**, the Authority has determined to finance or refinance the acquisition, construction, renovation or installation of the Project with the proceeds of a loan to be made by each of the Trust (the “Trust Loan”) and the State (the “Fund Loan” and, together with the Trust Loan, the “Loans”) pursuant to the Trust Loan Agreement and the Fund Loan Agreement, respectively; and

**WHEREAS**, to evidence the Loans, each of the Trust and the State require the Authority to authorize, execute, attest and deliver the Authority’s Subordinate Bond (Series 2015A) to the State (the “State Loan Bond”) and Subordinate Bond (Series 2015B) to the Trust (the “Trust Loan Bond” and, together with the State Loan Bond, the “Authority Subordinate Bonds”) pursuant to the terms of the Sewerage Authorities Law of the State, constituting Chapter 14A of Title 40 of the Revised Statutes of the State (the “Sewerage Authorities Law”), other applicable law and the Loan Agreements; and

**WHEREAS**, the Trust and the State have expressed their desire to close in escrow the making of one or more of the Loans, the issuance of one or more of the Authority Subordinate Bonds and the execution and delivery of one or more of the Loan Agreements, all pursuant to the terms of an Escrow Agreement (the “Escrow Agreement”) to be entered into by and among the Trust, the State, the escrow agent named therein and the Authority; and

**WHEREAS**, N.J.S.A. §40:14A-12 of the Sewerage Authorities Law allows for the sale of the Trust Loan Bond and the Fund Loan Bond to the Trust and the State, respectively, without any public offering, and N.J.S.A. §58:11B-9(a) allows for the sale of the Trust Loan Bond to the Trust without any public offering, all under the terms and conditions set forth in the following resolution; and

**WHEREAS**, the Authority has heretofore issued revenue bonds pursuant to a resolution of the Authority adopted on July 15, 1986, entitled: "Resolution Providing for the Issuance of Bonds of the Pequannock River Basin Regional Sewerage Authority and for the Rights of the Holders Thereof, and Authorizing \$20,000,000 Principal Amount Thereof", as amended and supplemented (the "General Bond Resolution"), whereunder, all the Revenues of the Authority, as defined and provided for therein, have been pledged to the payment of the principal of, redemption price, if any, and interest on any revenue bonds heretofore or hereafter issued by the Authority under the General Bond Resolution (the "Revenue Bonds"), to the extent and in the manner provided in the General Bond Resolution; and

**WHEREAS**, the provisions of Section 613 of the General Bond Resolution authorize the Authority to issue subordinate bonds payable out of the General Fund created and established by the General Bond Resolution, all in accordance with and upon the terms and conditions set forth in the General Bond Resolution and, in particular, Section 512 thereof; and

**WHEREAS**, bonds, notes and other evidences of indebtedness of the Authority, including the Authority Subordinate Bonds, benefit from the provisions of the Service Contract (as defined in the General Bond Resolution); and

**WHEREAS**, Section 202 of the Service Contract provides that the Authority may at any time, subject to the provisions of Section 6.01 of the Service Contract, alter, improve, enlarge and extend the System (as defined in the Service Contract) in any respect or renew or replace any part thereof and issue bonds to finance any such work; and

**WHEREAS**, the Authority is desirous of authorizing the issuance of the Authority Subordinate Bonds as subordinate bonds to be secured by the Service Contract without a lien on revenues of the Authority;

**NOW, THEREFORE, BE IT RESOLVED BY THE PEQUANNOCK RIVER BASIN REGIONAL SEWERAGE AUTHORITY**, and the commissioners thereof, **AS FOLLOWS:**

**Section 1.** Determination to Undertake the Project. The Authority does hereby determine to undertake the Project which shall consist of the improvement of the Authority's System (as defined in the General Bond Resolution), including the Boonton Avenue Interceptor by the reconstruction thereof and the lining of sanitary sewer pipes and manholes and related improvements, together with all necessary and incidental equipment, apparatus, structures and appurtenances and all personal property necessary or desirable for the efficient construction and operation of such facilities, all as shown on and in accordance with the plans and specifications therefor on file or to be filed in the office of the Authority, as such plans and specifications may be amended or modified from time to time.

**Section 2.** Estimated Cost of the Project. The estimated maximum total cost of the Project, as defined in the Sewerage Authorities Law, is \$2,700,000.

**Section 3.** Authorization of Authority Subordinate Bonds. In accordance with Section 11 of the Sewerage Authorities Law and subject to and pursuant to the provisions of this resolution, bonds of the Authority (herein referred to as the Authority Subordinate Bonds)

are hereby authorized to be issued in the principal amount not to exceed \$2,700,000 for the purpose of raising funds to pay the costs of the Project, including the funding of any required or desirable reserves, capitalized interest and costs of issuance.

**Section 4.** Payment of Authority Subordinate Bonds. The Authority does hereby determine that the Authority Subordinate Bonds shall be and constitute subordinate bonds, and shall be payable from amounts in the General Fund established and created by the General Bond Resolution in the manner and upon the terms and conditions set forth in the General Bond Resolution and this resolution.

**Section 5.** Award of Authority Subordinate Bonds. In accordance with N.J.S.A. §40:14A-12 of the Sewerage Authorities Law and N.J.S.A. §58:11B-9(a), the Authority hereby sells and awards its (a) Trust Loan Bond to the Trust in accordance with the provisions of this resolution and (b) Fund Loan Bond to the State in accordance with the provisions of this resolution.

**Section 6.** Basic Terms of Authority Subordinate Bonds; Delegation of Power to Make Certain Determinations. The chairman or vice chairman of the Authority (the "Chairman") of the Authority is hereby authorized to determine, in accordance with the Sewerage Authorities Law and pursuant to the terms and conditions established by the Trust and the State under the Loan Agreements and the terms and conditions of this resolution, the following items with respect to the Trust Loan Bond and the Fund Loan Bond:

- (a) The aggregate principal amount of the Trust Loan Bond to be issued and the aggregate principal amount of the Fund Loan Bond to be issued, which amounts in the aggregate shall not exceed \$2,700,000;
- (b) The maturity or maturities and annual principal installments of the Authority Subordinate Bonds, which maturity or maturities shall not exceed twenty (20) years;
- (c) The date or dates of the Authority Subordinate Bonds;
- (d) The interest rates of the Authority Subordinate Bonds, provided that the effective cost of the Trust Loan Bond does not exceed seven per centum (7%) and that the interest rate on the Fund Loan Bond is zero per centum (0%);
- (e) The purchase price for the Authority Subordinate Bonds;
- (f) The terms and conditions under which the Authority Subordinate Bonds shall be subject to redemption prior to their stated maturities; and
- (g) Such other matters with respect to the Authority Subordinate Bonds as may be necessary, desirable or convenient in connection with the sale, issuance and delivery thereof, including (1) adjusting the title of the Authority Subordinate Bonds to reflect the issuance thereof in a calendar year other than 2015 and (2) issuing each Authority Subordinate Bond in

the form of multiple subordinate bonds from time to time if the Project is funded in more than one installment by the Program.

**Section 7.** Determinations Conclusive. Any determination made by the Chairman pursuant to the terms of this resolution shall be conclusively evidenced by the execution and attestation of the Authority Subordinate Bonds by the parties authorized under Section 8(c) of this resolution.

**Section 8.** Further Terms of Authority Subordinate Bonds. The Authority hereby determines that certain terms of the Authority Subordinate Bonds shall be as follows:

- (a) The Fund Loan Bond shall be issued in a single denomination and shall be numbered RA-1, or as may otherwise be determined by the Chairman. The Trust Loan Bond shall be issued in a single denomination and shall be numbered RB-1, or as may otherwise be determined by the Chairman;
- (b) The Authority Subordinate Bonds shall be issued in fully registered form (convertible to bearer as therein provided) and shall (unless converted to bearer) be payable to the registered owners thereof as to both principal and interest in lawful money of the United States of America;
- (c) The Authority Subordinate Bonds shall be executed by the manual or facsimile signature of the Chairman, and the Secretary or the Assistant Secretary of the Authority (the "Secretary"), by manual signature, shall attest to the execution of the Authority Subordinate Bonds and shall affix, imprint, engrave or reproduce thereon the corporate seal of the Authority; and
- (d) In order to distinguish the Authority Subordinate Bonds from other bonds of the Authority, the Authority Subordinate Bonds shall have such letters and/or numbers incorporated in their titles as shall be determined by the Chairman.

**Section 9.** Forms of Authority Subordinate Bonds. The Fund Loan Bond and the Trust Loan Bond shall be substantially in the forms set forth in Exhibit A and Exhibit B hereto, respectively, with such changes, insertions and omissions as may be approved by the Chairman, such approval to be evidenced by the signature of the Chairman on the Authority Subordinate Bonds.

**Section 10.** Authorized Parties. The law firm of Hawkins Delafield & Wood LLP, bond counsel to the Authority, is hereby authorized to arrange for the printing of the Authority Subordinate Bonds, which law firm may authorize McCarter & English, LLP, bond counsel to the Trust and the State for the Program, to arrange for same. The Authority auditor and financial advisor are hereby authorized, if necessary, to prepare the financial information, if any, necessary in connection with the issuance of the Authority Subordinate Bonds. The Chairman, the Treasurer and the Secretary (collectively, the "Authorized Authority Officers") are hereby severally authorized to execute any certificates necessary or desirable in connection with the financial and other information.

**Section 11.** Report to the Authority. The Authorized Authority Officers are hereby directed to report in writing to the Authority at the meeting of the Authority next following the closing with respect to the Authority Subordinate Bonds as to the terms of the Authority Subordinate Bonds authorized to be determined by the Authorized Authority Officers pursuant to and in accordance with the provisions of this resolution.

**Section 12.** Delivery of Authority Subordinate Bonds. Each Authorized Authority Officer is hereby authorized to execute any certificate or document necessary or desirable in connection with the sale of the Authority Subordinate Bonds and is hereby further authorized to deliver same to the Trust and the State upon delivery of the Authority Subordinate Bonds and the receipt of payment therefor in accordance with the Loan Agreements.

**Section 13.** Execution of Agreements. The Trust Loan Agreement, the Fund Loan Agreement and the Escrow Agreement (collectively, the "Financing Documents") are hereby authorized to be manually executed and delivered on behalf of the Authority by the Chairman in substantially the forms required and traditionally used by the Trust and the State (which forms are available from the Trust and the State), with such changes as the Chairman, in his or her sole discretion, after consultation with counsel, bond counsel, auditor, consulting engineer, financial advisor and any other advisors to the Authority (the "Authority Consultants") and after further consultation with the Trust, the State and their representatives, agents, counsel and advisors (collectively, the "Program Consultants" and, together with the Authority Consultants, the "Consultants"), shall determine, such determination to be conclusively evidenced by the execution of each such Financing Document by the Chairman. The Secretary is hereby authorized, if necessary, to attest by manual signature to the execution of the Financing Documents by the Chairman and to affix, imprint, engrave or reproduce the corporate seal of the Authority to such Financing Documents.

**Section 14.** Authorized Actions. The Authorized Authority Officers are hereby further severally authorized to (i) manually execute and deliver and the Secretary is hereby further authorized to attest by manual signature to such execution and to affix, imprint, engrave or reproduce the corporate seal of the Authority to any document, instrument or closing certificate deemed necessary, desirable or convenient by the Authorized Authority Officers or the Secretary, as applicable, in their respective sole discretion, after consultation with the Consultants, to be executed in connection with the execution and delivery of the Financing Documents and the Authority Subordinate Bonds and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution of each such document, instrument or closing certificate by the party authorized under this resolution to execute such document, instrument or closing certificate and (ii) perform such other actions as the Authorized Authority Officers deem necessary, desirable or convenient in relation to the execution and delivery thereof.

**Section 15.** Subordinate Nature of Authority Subordinate Bonds. (A) In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its property, or in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the holders of all Revenue Bonds shall be entitled to receive payment in full of all payments on such Revenue

Bonds before the holders of all outstanding Authority Subordinate Bonds are entitled to receive any payment from the Revenues (as defined in the General Bond Resolution).

(B) In the event that any of the Authority Subordinate Bonds are declared due and payable before their expressed maturity because of the occurrence of a default (under circumstances when the provisions of (A) above shall not be applicable), the holders of all Revenue Bonds at such time outstanding shall be entitled to receive payment in full of all payments then due on such Revenue Bonds before the holders of such Authority Subordinate Bonds are entitled to receive any accelerated payment from the Revenues of principal or interest upon such Authority Subordinate Bonds. Any event of default with respect to the Authority Subordinate Bonds shall not in itself create the right to declare an event of default with respect to the Revenue Bonds.

(C) If any event of default with respect to the Revenue Bonds shall have occurred and be continuing (under circumstances when the provisions of (A) above shall not be applicable), the holders of all Revenue Bonds then outstanding shall be entitled to receive payment in full of all payments on all such Revenue Bonds before the holders of the Authority Subordinate Bonds are entitled to receive any accelerated payment from the Revenues of principal or interest on such Authority Subordinate Bonds.

(D) No holder of any Revenue Bonds shall be prejudiced in such holder's right to enforce subordination of the Authority Subordinate Bonds by any act or failure to act on the part of the Authority.

(E) The provisions of (A), (B), (C) and (D) above are solely for the purpose of defining the relative rights of the holders of the Revenue Bonds on the one hand and the holders of the Authority Subordinate Bonds on the other hand, and nothing herein shall impair, as between the Authority and the holders of the Authority Subordinate Bonds, the duty of the Authority, which is unconditional and absolute, to pay to the holders of the Authority Subordinate Bonds, the principal thereon and premium, if any, and interest thereon in accordance with their terms, nor shall anything herein prevent the holders of the Authority Subordinate Bonds from exercising all remedies otherwise permitted by applicable law upon default under the General Bond Resolution, subject to the rights under (A), (B), (C) and (D) above of the holders of the Revenue Bonds to receive cash, property or securities otherwise payable or deliverable to the holders of the Authority Subordinate Bonds.

**Section 16.** Withdrawals from the General Fund. In accordance with Section 512 of the General Bond Resolution and provided that the amount in every account or fund created and established by the General Bond Resolution, including the Bond Service Fund, the Sinking Fund, the Bond Reserve Fund and the Renewal and Replacement Fund, equals or exceeds the amount required to be therein and that the Authority is not in default in the payment of the principal of or interest on or redemption price of any Revenue Bonds, the trustee under the General Bond Resolution is hereby authorized and directed to withdraw from the General Fund from time to time amounts necessary to satisfy the debt service payments with respect to the Authority Subordinate Bonds.

**Section 17.** Covenant to Pay Authority Subordinate Bonds. The Authority hereby particularly covenants and agrees with the holders of the Authority Subordinate Bonds

and makes provisions which shall be a part of its contract with such holders, that the Authority will pay or cause to be paid the principal of every Authority Subordinate Bond and the interest thereon at the date and place and in the manner mentioned in such Authority Subordinate Bond according to the true intent and meaning thereof and will carry out and perform all of the acts and things required of it by the terms of this resolution.

**Section 18.** Resolution Constitutes Contract. In consideration of the purchase and acceptance of the Authority Subordinate Bonds by those who shall hold the same from time to time, the provisions of this resolution shall be deemed to be and shall constitute contracts between the Authority and the holders from time to time of the Authority Subordinate Bonds.

**Section 19.** No Recourse. No recourse shall be had for the payment of the principal or redemption price, if any, of or the interest on the Authority Subordinate Bonds or for any claim based thereon or on this resolution against any member or other officer of the Authority or any person executing the Authority Subordinate Bonds. The Authority Subordinate Bonds are not and shall not be in any way a debt or liability of the State or of any county or municipality, and do not and shall not create or constitute any indebtedness, liability or obligation of the State or of any county or municipality, either legal, moral or otherwise.

**Section 20.** Authorization for Resolution. This resolution is adopted by virtue of the Sewerage Authorities Law and pursuant to its provisions, and the Authority has ascertained and hereby determines that adoption of this resolution is necessary to carry out the powers, purposes and duties expressly provided in the Sewerage Authorities Law and that each and every matter and thing as to which provision is made in this resolution is necessary in order to carry out and effectuate the purposes of the Authority in accordance with the Sewerage Authorities Law.

**Section 21.** Multiple Document Sets. Notwithstanding any other provision of this resolution to the contrary, if in connection with the participation of the Authority in the Program, the State and the Trust require that the Authority execute more than one set of documents, the provisions of this resolution shall be deemed to apply to the Authority Subordinate Bonds and the Financing Documents related to each set of documents; provided, however, that in no event may the aggregate principal amount of all Authority Subordinate Bonds issued and delivered pursuant to the provisions of this resolution be in excess of the amount authorized in Section 3 hereof.

**Section 22.** Interim Financing. In anticipation of the issuance of the Authority Subordinate Bonds, the Authority hereby authorizes, if necessary or desirable, the issuance, sale and award of an interim project note (the "Interim Authority Project Note") pursuant to the Trust's Interim Financing Program. The Interim Authority Project Note shall be substantially in the form provided by the Trust in the Interim Financing Program's loan agreement. The execution and delivery of the Interim Authority Project Note shall be in the same manner as herein prescribed with respect to the Authority Subordinate Bonds. An Authorized Authority Officer is hereby authorized to determine, pursuant to the terms and conditions established by the Trust and the State under the Interim Financing Program's loan agreement and the terms and conditions of this resolution, the following items with respect to the Interim Authority Project Note: (a) the aggregate principal amount of the Interim Authority Project Note to be issued, which amount shall not exceed \$2,700,000; (b) the maturity of the Interim Authority Project

Note, which shall be no later than one year after the date of issuance thereof; (c) the date of the Interim Authority Project Note; (d) the interest rate of the Interim Authority Project Note, which shall not exceed 2% per annum; (e) the purchase price for the Interim Authority Project Note; and (f) such other matters with respect to the Interim Authority Project Note as may be necessary, desirable or convenient in connection with the sale, issuance and delivery thereof. The Authorized Authority Officers are hereby further severally authorized to manually execute and deliver and the Secretary is hereby further authorized to attest by manual signature to such execution and to affix, imprint, engrave or reproduce the corporate seal of the Authority to any document, instrument or closing certificate deemed necessary, desirable or convenient by the Authorized Authority Officers or the Secretary, as applicable, in their respective sole discretion, after consultation with the Consultants, to be executed in connection with the execution and delivery of the Interim Authority Project Note and the consummation of the transactions contemplated thereby, which determination shall be conclusively evidenced by the execution of each such document, instrument or closing certificate by the party authorized under this resolution to execute such document, instrument or closing certificate.

**Section 23.** Filing of Resolution. The Secretary is hereby authorized and directed to cause copies of this resolution to be filed for public inspection in the following places: in the office of the Borough Clerk of the Borough of Butler, in the County of Morris, in the Municipal Building of said Borough, in the office of the Borough Clerk of the Borough of Kinnelon, in the County of Morris, in the Municipal Building of said Borough, in the office of the Borough Clerk of the Borough of Bloomingdale, in the County of Passaic, in the Municipal Building of said Borough, and in the office of the Authority, One Ace Road, Butler, New Jersey.

**Section 24.** Publication of Notice. The Secretary is hereby authorized and directed to cause to be published, after completion of filing of copies of this resolution as directed in the preceding Section, in the "*Herald News*", a legally qualified public newspaper circulating in the district of the Authority, a notice in substantially the form attached as Exhibit C hereto and by this reference incorporated as if set forth in full herein.

**Section 25.** Capitalized Terms. All capitalized words and terms used but not defined in this resolution shall have the meanings ascribed to such words and terms, respectively, in the preambles to this resolution.

**Section 26.** Effective Date. This resolution shall take effect immediately.

Adopted: August 20, 2014