

Resolution No. R-11-2-10

RESOLUTION

WHEREAS, On December 21, 2002 the Pequannock River Basin Regional Sewerage Authority (the "Authority") issued the 2002 Series M Sewer Revenue Refunding Bonds (the "2002 Series M Bonds") in the principal amount of \$10,400,000; and

WHEREAS, the 2002 Series M Bonds are subject to arbitrage rebate limitations in accordance with the rules and regulations of the Internal Revenue Service; and

WHEREAS, the Authority in 2002 entered into a Forward Delivery Form of Guaranteed Investment Contract with Wachovia Securities for investment of the proceeds of the 2002 Series M Bonds and the proceeds of "Prior Bonds" refunded by the 2002 Series M Bonds; and

WHEREAS, the permitted yield on the 2002 Series M Bonds is 4.822%; and

WHEREAS, the Guaranteed Investment Contract yields on the Bond Reserve Fund and the Bond Service Fund are 5.86% (net) and 6.54%, respectively; and

WHEREAS, the report of Bond Counsel dated January 16, 2008 has determined that the 2002 Series M Bonds earned positive arbitrage profits in the amount of \$21,476.83 as accrued from December 2, 2002 through December 1, 2007; and

WHEREAS, IRS regulations require periodic rebate of said arbitrage profits; and

WHEREAS, the future accrued liability on the 2002 Series M Bonds resulting from positive arbitrage is estimated at approximately \$5,000 annually over the next 3 years through the 5 year period of calculation ending December 1, 2012; and

WHEREAS, on January 16, 2008, by Resolution No. R-08-1-1, the Authority established an "Arbitrage Reserve Fund (2002 Series M Bonds)" as a subaccount of the Revenue Fund with an initial contribution of \$5000.00 for said purpose; and

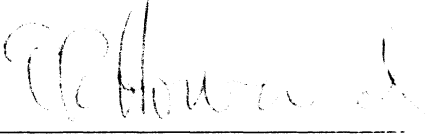
WHEREAS, the Authority desires to further fund the annual accrued liability on the 2002 Series M Bonds ;

NOW THEREFORE, BE IT RESOLVED by the Pequannock River Basin Regional Sewerage Authority in the counties of Morris and Passaic in the State of New Jersey on this 16th day of February 2011 as follows:

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1. The Treasurer and Consulting Engineer are hereby authorized and directed to transfer \$5000.00 from the Revenue Fund into the Arbitrage Reserve Fund (2002 Series M Bonds) for Fiscal Year 2011 and for each year thereafter through the period of calculation ending as of December 1, 2012 which funds are to be used and applied to the accrued arbitrage rebate liability obligation due to the Internal Revenue Service, if any, as calculated for said five year period.
2. This Resolution shall take effect immediately.

Certified to be a true copy of a resolution enacted at a duly convened public meeting of the Pequannock River Basin Regional Sewerage Authority held on February 16, 2011.


_____, Secretary