

**New Issue-Book-Entry-Only****Ratings: (See "Ratings" herein)**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Authority (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under "TAX MATTERS" herein. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.*

\$4,780,000\*

LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
(Gloucester County, New Jersey)  
Sewer System Revenue Bonds, Series 2018

Dated: Date of Delivery

Due: May 1, as shown on the inside front cover

The \$4,780,000\* aggregate principal amount of the Logan Township Municipal Utilities Authority Sewer System Revenue Bonds, Series 2018 (the "Bonds") will be issued by the Logan Township Municipal Utilities Authority (the "Authority") as fully registered bonds and, when issued, will be registered in the name of Cede & Co. ("Cede"), as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and clearing house transactions, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form (without certificates) in the principal amount of \$5,000 or any integral multiple thereof.

The principal of the Bonds is payable on May 1, in the years shown on the inside front cover of this Official Statement, and interest on the Bonds is payable semiannually on May 1 and November 1 in each year, commencing November 1, 2018, to the registered owners thereof at their respective addresses as they appear on the registration books of TD Bank, National Association, Cherry Hill, New Jersey, as trustee (the "Trustee"), registrar (the "Registrar"), and paying agent (the "Paying Agent") until the Authority's obligation with respect to payment of the principal of the Bonds shall be discharged. Provided DTC or its nominee Cede is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants, as defined herein. DTC Participants and Indirect Participants, as defined herein, will be responsible for remitting such payments to the beneficial owners of the Bonds. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 15 and October 15 (the "Record Dates" for the payment of interest on the Bonds). See "THE BONDS – Book-Entry Only System" herein.

The Bonds are authorized and issued pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented (*N.J.S.A. 40:14B-1 et seq.*) and a bond resolution of the Logan Township Municipal Utilities Authority (the "Authority") adopted on November 21, 2017, entitled "Resolution Authorizing the Issuance of Sewer System Revenue Bonds of the Logan Township Municipal Utilities Authority" (the "Bond Resolution"), as amended and supplemented by a Certificate of the Superintendent of the Authority dated the date of this Official Statement (the "2018 Award Certificate" and together with the Bond Resolution, the "Resolution").

The Bonds are being issued, along with other available funds of the Authority, to finance: (i) improvements to the Authority's water reclamation facility (the "Facility") consisting of the construction of an additional sequencing batch reactor ("SBR") tank and related mechanical and electrical improvements, the expansion of the existing SBR equipment building to house the new SBR equipment, the installation of a new emergency generator, and all work, costs and expenses necessary for or related to the development, construction and equipping of such improvements; (ii) the costs and expenses incurred by the Authority in connection with the issuance and delivery of the Bonds; (iii) the payment of a municipal bond insurance premium; and (iv) the funding of a Bond Reserve Fund, as defined in the Resolution (collectively, the "Initial Project").

By virtue of the Resolution, the Bonds are direct and special obligations of the Authority and are secured under the provisions of the Resolution pledging the Revenues (therein defined) and all funds established by the Resolution to secure the payment of the principal of and the interest on the Bonds, as more fully described herein. The Authority has no existing service contracts with any public or private entities. See "SECURITY FOR THE BONDS" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



This cover page includes certain information for reference only and is not a summary of matters set forth herein. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

THE AUTHORITY HAS NO TAXING POWER, AND THE BONDS ARE NOT AND SHALL NOT BE EITHER A DEBT OR LIABILITY OF THE STATE OF NEW JERSEY, THE COUNTY OF GLOUCESTER, THE TOWNSHIP OF LOGAN OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF NEW JERSEY (EXCEPT THE AUTHORITY TO THE EXTENT OF THE PLEDGED REVENUES), AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OF NEW JERSEY, THE COUNTY OF GLOUCESTER OR THE TOWNSHIP OF LOGAN, EITHER LEGAL, MORAL OR OTHERWISE (EXCEPT THE AUTHORITY TO THE EXTENT OF THE PLEDGED REVENUES).

The Bonds are offered when, as and if issued and delivered to and received by the Underwriter, subject to the approval of legality by McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Authority. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the Authority in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Authority by Kenneth A. DiMuzio, Sr., Esq., Woodbury, New Jersey, attorney for the Authority, and for the Underwriter by Parker McCay P.A., Mount Laurel, New Jersey. It is anticipated that delivery of the Bonds in definitive form will be made through the facilities of DTC, New York, New York on or about June 12, 2018.

**RAYMOND JAMES**

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the within described Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or the availability of an appropriate exemption under the securities laws of any such jurisdiction.

\$4,780,000\*  
 LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
 (Gloucester County, New Jersey)  
 Sewer System Revenue Bonds, Series 2018

<u>Year (May 1)</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2019	\$230,000			
2020	240,000			
2021	250,000			
2022	260,000			
2023	270,000			
2024	280,000			
2025	295,000			
2026	310,000			
2027	325,000			
2028	340,000			
2029	360,000			
2030	375,000			
2031	395,000			
2032	415,000			
2033	435,000			

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\*Preliminary, subject to change.

\*\*CUSIP is a registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**BOARD MEMBERS**

Russell Burke	Chairperson
Edward Hill	Vice-Chairperson
William Drew	Secretary/Treasurer
Ray Guy	Board Member
Brian Toliver	Board Member

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**SUPERINTENDENT**

Christopher M. Whalen

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**BUSINESS MANAGER**

Carly J. Schultz

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**SOLICITOR**

Hoffman DiMuzio  
Woodbury, New Jersey

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**AUDITOR**

Bowman & Company LLP  
Woodbury and Voorhees, New Jersey

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**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

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**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

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**CONSULTING ENGINEER**

Kleinfelder East, Inc.  
Princeton, New Jersey

The information in this Official Statement, including its appendices, must be considered in its entirety. Neither the delivery of this Official Statement nor any sale made hereunder shall at any time imply that information herein is correct as of any time subsequent to its date. Although the information contained and referred to in this Official Statement is considered to be derived from reliable sources, there is no warranty, guarantee or other representation with respect to the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be a sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Authority and by other sources deemed to be reliable. The Authority makes no warranty or guarantee as to the accuracy or completeness of such information. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Summaries of or reference in this Official Statement to the Act, the Resolution, and other statutes and documents defined herein are intended as such, are not and do not purport to be complete statements of the terms and conditions of such statutes or documents, and are qualified in their entirety by reference to the complete texts thereof. Copies of the Bond Resolution and the 2018 Award Certificate are on file with the Authority and are available for inspection.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT YIELDS HIGHER THAN THE PUBLIC OFFERING YIELDS STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SAID PUBLIC OFFERING YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TD Bank, National Association, by acceptance of its duties as Trustee under the Bond Resolution, has not reviewed this Official Statement and has made no representations as to the information contained herein including, but not limited to, any representations as to financial feasibility or related activities.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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**OFFICIAL STATEMENT  
OF  
LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
(Gloucester County, New Jersey)  
\$4,780,000\* Sewer System Revenue Bonds, Series 2018**

**INTRODUCTION**

This Official Statement, which includes the cover page hereof and Appendices hereto, is furnished by the Logan Township Municipal Utilities Authority (the "Authority"), a public body corporate and politic of the State of New Jersey (the "State"), to provide certain information relating to the Authority and the \$4,780,000\* aggregate principal amount of its Sewer System Revenue Bonds, Series 2018 (the "Bonds") to be issued by the Authority.

The Bonds are authorized and issued pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented (*N.J.S.A. 40:14B-1 et seq.*) and a bond resolution of the Authority adopted on November 21, 2017, entitled "Resolution Authorizing the Issuance of Sewer System Revenue Bonds of The Logan Township Municipal Utilities Authority" (the "Bond Resolution"), as amended and supplemented by a Certificate of the Superintendent of the Authority dated the date of this Official Statement (the "2018 Award Certificate" and together with the Bond Resolution, the "Resolution"). TD Bank, National Association, Cherry Hill, New Jersey has been appointed as trustee (the "Trustee"), registrar (the "Registrar") and paying agent (the "Paying Agent") pursuant to the Bond Resolution.

In accordance with the provisions of the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State and the acts amendatory thereof and supplemental thereto (collectively, the "Local Authorities Fiscal Control Law"), in connection with the issuance of the Bonds, the Authority submitted an application and requested positive findings and recommendations from the Local Finance Board in the Division of Local Government Services in the Department of Community Affairs of the State (the "Local Finance Board") relating to the issuance of the Bonds. After conducting a public hearing on December 13, 2017, the Local Finance Board determined, by resolution duly adopted on December 13, 2017, to issue favorable findings with respect to the proposed financing.

The Bonds are being issued, along with other available funds of the Authority, to finance: (i) improvements to the Authority's water reclamation facility (the "Facility") consisting of the construction of an additional sequencing batch reactor ("SBR") tank and related mechanical and electrical improvements, the expansion of the existing SBR equipment building to house the new SBR equipment, the installation of a new emergency generator, and all work, costs and expenses necessary for or related to the development, construction and equipping of such improvements; (ii) the costs and expenses incurred by the Authority in connection with the issuance and delivery of the

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\*Preliminary, subject to change.

Bonds; (iii) the payment of a municipal bond insurance premium; and (iv) the funding of a Bond Reserve Fund (as defined in the Resolution) (collectively, the "Initial Project").

By virtue of the Resolution, the Bonds constitute direct and special obligations of the Authority and are secured under the provisions of the Resolution pledging the Revenues (therein defined) and all funds established by the Resolution to secure the payment of the principal of and the interest on the Bonds, as more fully described herein. The Authority has no existing service contracts with any public or private entities. See "SECURITY FOR THE BONDS" herein.

THE AUTHORITY HAS NO TAXING POWER, AND THE BONDS ARE NOT AND SHALL NOT BE EITHER A DEBT OR LIABILITY OF THE STATE, THE COUNTY OF GLOUCESTER, THE TOWNSHIP OF LOGAN OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE (EXCEPT THE AUTHORITY TO THE EXTENT OF THE PLEDGED REVENUES), AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE, THE COUNTY OF GLOUCESTER OR THE TOWNSHIP OF LOGAN (EXCEPT THE AUTHORITY TO THE EXTENT OF THE PLEDGED REVENUES), EITHER LEGAL, MORAL OR OTHERWISE.

A copy of the Bond Resolution is attached hereto as Appendix "B" and is on file in the office of the Authority in Logan Township, New Jersey and reference is made to such document for the provisions relating to, among other things, the terms of and the security for the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the holders of the Bonds, and the rights, duties and obligations of the Authority and the Trustee.

This Official Statement contains brief descriptions of the Bonds, the Bond Resolution, and the Authority. Capitalized words and terms which are used herein which are not ordinarily capitalized and which are not otherwise defined herein shall have the meanings which are assigned to such words and terms in the Bond Resolution. The summaries of and references to all documents, statutes, reports and other instruments which are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report or instrument.



## SOURCES AND USES OF FUNDS

### Sources

Par Amount of Bonds	\$
Original Issue [Premium/Discount]	
Available Funds of the Authority	
Total Sources	\$ _____

### Uses

Deposit to Construction/Project Fund	\$
Deposit to Bond Reserve Fund	
Costs of Issuance <sup>(1)</sup>	
Total Uses	\$ _____

<sup>(1)</sup> Includes underwriting, printing, rating, accounting, additional proceeds, legal, municipal bond insurance premium and other expenses of issuance.

## THE BONDS

### **Description**

The Bonds will be dated their date of delivery, and will be issued in the aggregate principal amount, mature on the dates, bear interest at the rates and be initially offered at the prices or yields all as set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable semi-annually on May 1 and November 1 (each an "Interest Payment Date") of each year, commencing on November 1, 2018. Principal or redemption price of the Bonds is payable on presentation and surrender of the Bonds at maturity or on redemption at the principal corporate trust office of the Trustee.

Purchases of the Bonds will be made by the purchase of beneficial interests therein, in the denominations of \$5,000 each or any integral multiple thereof, through book entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants under the arrangements described herein in "The Bonds - Book Entry Only System."

### **Optional Redemption**

The Bonds maturing prior to May 1, 2024 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 1, 2024 are redeemable at the option of the Authority, in whole, or in part on any date on or after May 1, 2023 upon notice as required in the Resolution at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

### **Mandatory Sinking Fund Redemption**

The Bonds maturing on May 1, \_\_\_\_ are subject to mandatory redemption prior to maturity by application of moneys required to be deposited for that purpose in the Sinking Fund Account which has been established under the Resolution, on May 1 in each year set forth below at a redemption price equal to 100% of the principal amount

thereof, plus interest accrued thereon to the date fixed for redemption, in the respective principal amounts set forth in the table below;

<u>Year</u>	<u>Amount</u>
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\* Term Bond maturity.

### **Redemption Notices**

Notice of any redemption described above, stating the redemption date, identifying the Bonds to be redeemed and further stating that from and after the redemption date interest on each Bond called for redemption shall cease to accrue, shall be given by the Trustee by mailing a copy of such notice of redemption not less than thirty (30) days before the date of redemption to the registered owners of each Bond to be redeemed in whole or in part, at the address shown on the registration books maintained by the Trustee. Failure to give any such notice or any defect therein shall not affect the validity of any proceeding for the redemption of any other Bonds. Any notice of redemption mailed in accordance with the aforementioned requirements shall be conclusively presumed to have been duly given, whether or not an owner receives such notice. If notice has been given and if the Authority deposits funds with the Paying Agent sufficient to pay the redemption price and accrued interest to the redemption date for the Bonds selected for redemption, such redemption price and accrued interest to the redemption date shall be held by the Paying Agent and made available therefor on the redemption date. The Bonds so called for redemption shall cease to bear interest after the specified redemption date, and thereafter the rights of the owners of such Bonds shall be restricted to the funds so deposited with the Paying Agent.

As long as DTC is the registered owner of the Bonds, notices of redemption shall be sent only to DTC, and as mentioned below, any failure by DTC to advise any direct or indirect DTC Participant as hereinafter defined, or of any DTC Participant to notify a Beneficial Owner, of any such notice shall not affect the validity of the redemption proceedings in respect of a Bond called for redemption via such notice.

### **Book-Entry Only System <sup>(1)</sup>**

The information contained in this section concerning DTC and the DTC Book-Entry Only System has been obtained from sources that the Authority believes to be reliable. However, the Authority takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the information with DTC or the Direct Participants, as the case may be.

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<sup>(1)</sup> Source: The Depository Trust Company.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The

deposit of the Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority or the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, or interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or Registered Owners of the Bonds (excluding all references thereto under the heading "TAX MATTERS" herein) means Cede & Co., not the Beneficial Owners of the Bonds.

**THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.**

**THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS, OR (2) CONFIRMATION OF OWNERSHIP INTERESTS IN THE BONDS, OR (3) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.**

**NONE OF THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PRICE OR INTEREST ON THE BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS OR OWNERS OF THE BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.**

#### **Discontinuance of Book-Entry Only System**

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the

principal office of the Paying Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Paying Agent for such purposes only upon the surrender thereof to the Paying Agent together with the duly executed assignment in form satisfactory to the Paying Agent; and (iii) for every exchange or registration of transfer of Bonds, the Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the first (15th) day, whether or not a business day, of the calendar month next preceding an Interest Payment Date.

## **SECURITY FOR THE BONDS**

### **General**

The Bonds are direct and special obligations of the Authority and are secured under the provisions of the Resolution.

### **Revenues Pledge and other Bond Resolution and Act Provisions**

As security for its payment obligations on the Bonds, the Resolution creates a senior lien on and grants a security interest in the Revenues of the System, defined to include generally the charges imposed by the Authority for its services, investment earnings and specified other receipts. Moneys held in certain of the funds established by the Resolution are also subject to this lien and security interest.

The Resolution contains a rate covenant requiring the Authority to maintain rates and charges at levels, and to collect sums owed, sufficient to meet its operating and maintenance expenses, to maintain Resolution funds at required levels and to provide in each year net revenues equal to at least 120% of the debt service of the Authority on all bonds (including the Bonds and any Additional Bonds which may be issued).

As additional security for the payment of the principal of and interest on the Bonds, when due, the Authority has established a Bond Reserve Fund for the Bonds and provided for the creation of certain reserve accounts therein. The Bond Reserve Fund for the Bonds is to be funded upon the issuance of the Bonds in an amount equal to the Bond Reserve Requirement (as defined in the Resolution) for the Bonds. If at any time there shall not be sufficient amounts on deposit in the Bond Service Fund or the Sinking Fund to pay the principal or any Sinking Fund Installment of, and interest on, the Bonds, when due, the Trustee is required to withdraw an amount which is sufficient to make up such deficiency from the Bond Reserve Fund. The Bond Reserve Requirement for the Bonds will be funded in an amount equal to the lesser of (i) ten percent (10%) of principal amount of the Bonds, (ii) maximum annual debt service on the Bonds, or (iii) 125% of average annual debt service on the Bonds. See APPENDIX B – “COPY OF BOND RESOLUTION”.

Under the Act, unpaid sewer charges automatically become a lien on the real estate receiving the service, superior in right to the interests of the owner, any tenant and any mortgage lien, and on parity with municipal tax liens (*N.J.S.A. 40:14B-42*). The

tax collector of the Township has the statutory obligation to enforce all such liens in the manner required for municipal liens, including by tax sale of the property, if necessary (*N.J.S.A. 40:14B-45*), and the Authority has the power to effect an *in rem* foreclosure on any such property in the equivalent of a mortgage foreclosure action (*N.J.S.A. 40:14B-46*).

### **Limitation on Liability**

The Authority has no taxing power, and the Bonds are not and shall not be either a debt or liability of the State, the County of Gloucester (the “County”), the Township of Logan (the “Township”) or any other political subdivision of the State (except the Authority to the extent of the Pledged Revenues), and do not and shall not create or constitute any indebtedness, liability or obligation of the State, the County or the Township, either legal, moral or otherwise.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at

[www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditinsights/](http://buildamerica.com/creditinsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)



**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## **THE AUTHORITY**

### **General**

The Authority, a public body corporate and politic of the State and an agency and instrumentality of the Township, was created pursuant to the Act by virtue of an ordinance duly adopted on December 13, 1972 by the Township Committee of the Township (the "Township Committee").

The Authority was created for the purpose of constructing and operating a wastewater collection and treatment system to serve the community of the Township.

The Authority has broad powers under the Act including, among others, the following: to hold, operate and administer its property; to provide for bonds and to secure their payment and the rights of holders thereof; to charge and collect service charges for the use of its facilities and to revise such service charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and interest on any bonds and to maintain such reserves or sinking funds therefor as may be required by the terms of any contract of the Authority, and to make and enforce rules and regulations for the management of its business and affairs.

## Management

The Authority is governed by a board consisting of five members, each of whom is appointed by the Township Committee for a term of 5 years. Upon expiration of member's term, such member continues to serve until a successor has been appointed and qualified.

The current members of the Authority and the respective dates of expiration of their terms are set forth below:

<u>Authority Members</u>	<u>Authority Office</u>	<u>Expiration of Term</u>
Russell Burke	Chairperson	January 31, 2021
Edward Hill	Vice Chairperson	January 31, 2023
William Drew	Secretary/Treasurer	January 31, 2020
Ray Guy	Board Member	January 31, 2022
Brian Toliver	Board Member	January 31, 2019

The daily operations of the Authority are managed by Mr. Christopher M. Whalen, Superintendent/ Licensed Operator of Record and Carly J. Schultz, Business Manager.

<u>Largest Customers</u>	<u>Sewer Totals</u>
Liberty Property Trust	\$172,593
Aryzta	124,587
Taylor Farms	106,680
Amazon	50,920
Uptown Bakeries	33,528
Rastelli Fine Foods	31,242
Logan Township Board of Education	23,622
Chelton House Products, Inc.	22,974
Holiday Inn Select – Bridgeport	21,717
Akshar Hospitality, LLC	19,050

Total Sewer revenues for fiscal year 2017 was \$3,587,289.31. The percent of total customer collections for fiscal year 2017 was 90.17%.

## THE SEWER SYSTEM

### Description

The Authority's sewer system ("System") consists of varying size wastewater collection lines, 12 major pumping stations and the wastewater treatment plant complex. Plant 1 has 2 in ground steel tanks that can together treat up to 1 mgd per day. Plant 2 has 2 above ground steel tanks that can treat up to 1 mgd. Sludge is hauled to Delaware County Regional Water Quality Control Authority for sludge incineration.

## **Improvements to the System**

In 1989, improvements were made to the System which included repairs to the tertiary polishing pool and other various improvements. The Authority received funding pursuant to the New Jersey Wastewater Treatment Trust Financing Program (“Program”) in 1995 in order to finance certain upgrades to the System. The 1995 upgrades to the System include the rehabilitation and upgrade of polishing ponds, the disinfection system, the effluent pumping station, the collection system and existing process units as well as the refitting of the old operations building.

The Program administered jointly by the State and the New Jersey Environmental Infrastructure Trust (“Trust”) provides funding for wastewater treatment expenditures to provide low cost loan financing to local governments. In connection with the Program, the Authority issued on November 9, 1995, a 1995 A Bond in an aggregate principal amount of \$1,475,000 to the Trust and a 1995 B Bond in an aggregate principal amount of \$1,500,000 to the State. Such Bonds have been paid in full.

In 2013, the Authority used their own funds to construct a building to house the new Kruger Disk Filter and Suez UV System. The cost of this project was \$2,350,000.00.

## **Capacity and Usage**

The System’s capacity for wastewater treatment is two million gallons per day, representing approximately 6,667 equivalent dwelling units. At the present time, billed connections to the System number approximately 4,915 units.

## **User Charges**

The Authority currently issues 2,080 bills per quarter representing approximately 4,915 industrial, commercial and residential units in service plus 15 Quarterly Uncap bills for 1,558 units, and 1 monthly bill for Woolwich 2,648 units. The Authority’s current annual user service fee is \$95.00 per quarter for each equivalent dwelling unit.

## **FUTURE EXPANSION OF THE SYSTEM**

Permits which the Authority operates allow for expansion to capacity of 2.75 million gallons per day. The site on which the existing facility is located contains 42.5 acres and has surface land area to accommodate such an expansion.

## **RATES, CHARGES AND FEES**

Pursuant to the Act, the Authority is authorized to prescribe and to revise from time to time, a schedule of Service Charges and Annual Charges. The Act provides that the schedule must comply with the terms of any contract of the Authority and must be such that the revenues of the Authority will at all times be adequate to pay the expenses of operation and maintenance replacements to the System, and to pay the principal of

and interest on any bonds and to maintain such reserves or sinking funds therefor as may be required by the terms of any contract of the Authority or as may be deemed necessary or desirable by the Authority.

The proposed rate schedule must be approved by the Authority after a public hearing held by the Authority at least 20 days after publication of the proposed adjustment of the Service Charges. The Act also provides that the Authority must present evidence at the public hearing that any proposed adjustment is reasonable and necessary and must provide for cross-examination of its witnesses.

The Authority has covenanted in the Resolution to make, impose, charge and collect user charges so that the Revenues of the Authority for each Fiscal Year will be at least sufficient (1) to pay Operating Expenses (as defined in the Resolution) and (2) to provide equal to 120% of the debt service requirements for the next succeeding Fiscal Year.

### **Connection Charges**

A connection charge is imposed to each wastewater connection in the amount of \$4,895.00 and each sewer connection unit.

The Authority annually reviews the connection charges as required by New Jersey law and adjusts the connection charges accordingly.

Regulations adopted by the Authority provide that major subdivisions of living units, and all non-residential developments, shall have installed therein a sanitary sewerage system and that such systems shall be connected with the nearest available sanitary sewer in the Township, and that such facilities are required to be transferred to the Authority. The Authority has also adopted detailed rules and regulations governing alterations, extensions and additions of its sanitary sewerage system.

### **Sewer Rates**

The Authority's current average residential annual user cost for sewer is \$380.00. The user rates are currently as follows:

	<u>Rate Per Quarter</u>
Sewer	\$95.00*

\*Senior, Veterans and Disabled Citizen rates for qualifying Township residents: Seniors-\$85.50, Veterans/Disabled-\$92.50.

### **Mandatory Connection Requirements**

The Township has adopted ordinance #8-1975, which requires the owner of any property located along the line of any sewer in the Township on which a house or building was then or shall thereafter be erected, to connect such house or building to the said sewer lines.

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Historical Revenues, Expenses and Changes in Net Position of the Authority

	For the Fiscal Year Ended January 31,				
	2018	2017	2016	2015 (Restated)	2014 (Restated)
Operating Revenues:					
Utility Service Charges	\$ 2,862,481.93	\$ 2,813,858.26	\$ 2,779,542.66	\$ 2,743,047.74	\$ 2,690,269.36
Other Operating Revenues	953,008.10	715,743.14	771,424.18	677,493.08	743,479.50
	<u>3,815,490.03</u>	<u>3,529,601.40</u>	<u>3,550,966.84</u>	<u>3,420,540.82</u>	<u>3,433,748.86</u>
Operating Expenses:					
Administration					
Salaries and Wages	174,018.48	214,218.29	203,695.55	221,615.02	227,022.21
Fringe Benefits	110,754.43	171,360.32	167,161.88	129,899.21	119,784.52
Other Expenses	217,311.43	212,859.51	279,379.26	224,577.46	237,962.94
Cost of Providing Services					
Salaries and Wages	367,092.21	329,344.10	282,333.87	304,168.16	340,485.27
Fringe Benefits	265,449.90	211,277.45	130,423.44	153,600.95	165,180.68
Other Expenses	940,744.72	966,103.72	896,479.54	929,271.39	943,102.33
Depreciation	471,714.75	490,708.66	481,579.85	309,583.76	403,137.05
	<u>2,547,085.92</u>	<u>2,595,872.05</u>	<u>2,441,053.39</u>	<u>2,272,715.95</u>	<u>2,436,675.00</u>
Operating Income	1,268,404.11	933,729.35	1,109,913.45	1,147,824.87	997,073.86
Non-operating Revenue (Expenses)	<u>(83,676.46)</u>	<u>(77,677.33)</u>	<u>(119,116.61)</u>	<u>105,997.85</u>	<u>25,452.17</u>
Change in Net Position	<u>1,184,727.65</u>	<u>856,052.02</u>	<u>990,796.84</u>	<u>1,253,822.72</u>	<u>1,022,526.03</u>
Net Position Beginning of Fiscal Year	20,933,722.45	20,077,670.43	19,086,873.59	17,833,050.87	18,177,258.84
Restatement					<u>(1,366,734.00)</u>
Net Position End of Fiscal Year	<u>\$ 22,118,450.10</u>	<u>\$ 20,933,722.45</u>	<u>\$ 20,077,670.43</u>	<u>\$ 19,086,873.59</u>	<u>\$ 17,833,050.87</u>

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
PROPOSED SCHEDULE OF DEBT SERVICE**

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Year (May 1)	<b>Sewer System Revenue Bonds, Series 2018</b>		
	<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2019	\$230,000.00		
2020	240,000.00		
2021	250,000.00		
2022	260,000.00		
2023	270,000.00		
2024	280,000.00		
2025	295,000.00		
2026	310,000.00		
2027	325,000.00		
2028	340,000.00		
2029	360,000.00		
2030	375,000.00		
2031	395,000.00		
2032	415,000.00		
2033	435,000.00		
	<u>\$ 4,780,000.00</u>	<u>\$ -</u>	<u>\$ -</u>

\* Preliminary, subject to change.

Source: Authority Auditor.

## **PLEDGE OF THE STATE OF NEW JERSEY NOT TO LIMIT POWERS OF AUTHORITY OR RIGHTS OF BONDHOLDERS**

The Act sets forth the pledge and agreement that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with holders of obligations of the Authority or in any way impair the rights and remedies of such holders until such obligations, together with the interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such holders are fully met and discharged.

### **LEGALITY FOR INVESTMENT**

The Act provides that the State of New Jersey, and all public officers, municipalities, counties, political subdivisions, public bodies and agencies thereof, all banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries in New Jersey may legally invest any sinking funds, moneys or other funds belonging to them or within their control in the obligations of authorities organized thereunder and that such obligations are authorized security for any and all public deposits.

### **TAX MATTERS**

#### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Authority to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Authority will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Authority has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Authority with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Authority observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Authority, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57

of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Authority as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the



Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Bank-Qualification**

The Bonds **will not** be designated as qualified under Section 265 of the Code by the Authority for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of 100% of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues that are eligible to be designated, and that are designated, by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including,

without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

### **LEGAL PROCEEDINGS**

In the opinion of the Authority's Solicitor, Kenneth A. DiMuzio, Sr., Esq. of the law firm Hoffman DiMuzio, there is no litigation of any nature pending or threatened against the Authority at the date of this Official Statement to restrain or enjoin the issuance,

sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of said Bonds, or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any monies or the security provided for the payment of the Bonds, or the existence or powers of the Authority. In addition, there is no controversy or litigation pending or threatening relating to the existence or powers of the Authority or which would materially affect its financial position.

### **APPROVAL OF LEGALITY**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC, Bond Counsel to the Authority whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed upon for the Authority by its attorney, Kenneth A. DiMuzio, Sr., Esquire, Woodbury, New Jersey.

### **UNDERWRITING**

The Bonds have been purchased from the Authority by Raymond James & Associates, Inc., as underwriter ("Underwriter"), at a purchase price of \$\_\_\_\_\_, pursuant to a Bond Purchase Agreement by and between the Authority and the Underwriter, dated the date hereof. The purchase price of the Bonds reflects the par amount of the Bonds, less an Underwriter's discount of \$\_\_\_\_\_, [plus/less] [net] original issue [premium/discount] \$\_\_\_\_\_. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside front cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Authority with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **RATINGS**

S & P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned the rating of "AA" to the Bonds based upon the municipal bond insurance policy issued by BAM at the time of delivery of the Bonds. Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds based upon the credit worthiness of the Authority.

Such ratings reflect only the view of such organizations and an explanation of the significant of such ratings may be obtained from such rating agencies as follows: S&P Global Ratings, 55 Water Street, New York, New York 10041, (212) 438-2074; Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency that issued them, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an effect on the market price of the Bonds.

## **TRUSTEE, REGISTRAR AND PAYING AGENT**

Pursuant to the Bond Resolution, the Authority has appointed TD Bank, National Association, Cherry Hill, New Jersey, as Trustee, Registrar and Paying Agent for the Bonds.

## **FINANCIAL STATEMENTS**

The financial statements of the Authority for the years ending January 31, 2018 and 2017, included as Appendix A to this Official Statement, have been prepared by Bowman & Company LLP, Independent Certified Public Accountants, Woodbury and Voorhees, New Jersey.

## **SECONDARY MARKET DISCLOSURE**

In connection with the provisions of Rule 15c2-12, as amended, supplemented and officially interpreted from time to time, or any successor provision thereto, promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), on the date of delivery of the Bonds, the Authority and the Continuing Disclosure Agent (as hereinafter defined), will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") for the benefit of the beneficial holders of the Bonds, pursuant to which the Authority will agree to provide certain annual operating and financial information and notices of the occurrence of certain enumerated events relating to the Bonds to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). The specific nature of the annual operating and financial information and the information to be contained in the notices of enumerated events is detailed in APPENDIX D – "Form of Continuing Disclosure Agreement" hereto.

The Authority currently does not have undertakings with regard to continuing disclosure within the past five years as the Authority had no outstanding debt within such time period. The Authority has appointed Phoenix Advisors, LLC, Bordentown, New Jersey to act as continuing disclosure agent (the "Continuing Disclosure Agent") to assist in the filing of certain information on EMMA as required with respect to the Bonds and future obligations.

### MISCELLANEOUS

The foregoing statements and descriptions of provisions of the laws of the State of New Jersey, the Resolution and the Bonds and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entirety by express reference to the provisions of the complete documents in their final forms, copies of which will be furnished by the Authority on request.

Statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchases or holders of any of the Bonds.

LOGAN TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By: \_\_\_\_\_  
Russell Burke, Chairman

Dated: \_\_\_\_\_, 2018

APPENDIX A

Audited Financial Statements of the Logan Township Municipal Utilities Authority

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**REPORT OF AUDIT**  
**FOR THE FISCAL YEARS ENDED**  
**JANUARY 31, 2018 AND 2017**

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
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**Logan Township Municipal Utilities Authority**  
Officials in Office  
As of January 31, 2018

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The following officials were in office during the period under audit:

**MEMBERS**

Russell D. Burke  
Edward Hill  
William Drew  
Brian Toliver  
Ray Guy

**POSITION**

Chariman  
Vice-Chairman  
Secretary/Treasurer  
Board Member  
Board Member

**OTHER OFFICIALS**

Joseph Weber  
Christopher M. Whalen  
Carly J. Schultz  
Hoffman & DiMuzio  
Kleinfelder East, Inc.

Executive Director (through 05/19/17)  
Superintendent  
Business Manager  
Solicitor  
Engineer

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**PART 1**  
**FINANCIAL SECTION**  
**FOR THE FISCAL YEARS ENDED JANUARY 31, 2018 AND 2017**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Logan Township Municipal Utilities Authority  
Logan, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Logan Township Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Logan (Authority), as of and for the fiscal years ended January 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Logan Township Municipal Utilities Authority, in the County of Gloucester, State of New Jersey as of January 31, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

31600

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
May 14, 2018

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
Logan Township Municipal Utilities Authority  
Logan, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Logan Township Municipal Utilities Authority, in the County of Gloucester, State of New Jersey, a component unit of the Township of Logan, (Authority), as of and for the fiscal year ended January 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 14, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

31600

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Woodbury, New Jersey  
May 14, 2018

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JANUARY 31, 2018 AND 2017  
(UNAUDITED)**

The Logan Township Municipal Utilities Authority, hereafter referred to as “Authority” is pleased to present the Annual Financial Report developed in accordance with Governmental Accounting Standard No. 34, entitled “Basic Financial Statements-Management’s Discussion and Analysis - For State and Local Governments” (hereafter “GASB 34”), and related standards.

**MISSION**

The mission of the Authority is to provide the communities we serve with essential wastewater collection and treatment services. Our professional and highly motivated staff strives to maintain the highest standards of public health and safety while protecting our precious water resources, wildlife and environment. It is our goal to achieve these objectives in a manner that demonstrates integrity, responsibility and economically sound practices.

**RESPONSIBILITY AND CONTROL**

The Authority has prepared, and is responsible for, the financial statements and related information in this report. The opinion of the independent auditors, Bowman & Company LLP is included in this report. In management’s opinion, the financial statements present fairly, in all material aspects, the financial position, results of operations and cash flows of the Authority for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The following provides management’s analysis of the Authority’s financial condition for the fiscal year. This information should be read in conjunction with the financial statement.

**SUMMARY OF ORGANIZATION AND BUSINESS**

The Logan Township Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was created by Ordinance No. 4-1972, adopted on December 13, 1972 by the governing body of the Township of Logan (the “Township”) in the County of Gloucester, State of New Jersey pursuant to the Municipal and County Utilities Authority Law.

The Authority was created for the purpose of construction and operating a sanitary sewerage system for the proper collection and treatment of domestic and industrial wastewater generated within the Township of Logan. In July 2000, the Authority entered into a Sewer Service Agreement to accept wastewater from areas in Woolwich Township located within the boundaries of the Logan Township MUA’s Wastewater Management Planning Area (as may be amended) as endorsed by the Authority’s Resolution dated December 20, 1994 endorsing the Woolwich Wastewater Management Plan dated April 1994, as approved by Woolwich Township Resolution No. R-94-80 dated December 19, 1994 (Service Area).

The Authority has broad powers including, among others, the following: to hold, operate and administer its property, to provide for bonds and to secure the payment and rights of holders thereof, to charge and collect user charges for the use of its facilities and to revise such user charges to ensure that revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses including reserves, insurance, extensions and replacements, and to pay the principal of and interest on any bonds and to maintain such reserves or sinking funds that may be required by the terms of the contract of the Authority; and to make and enforce rules and regulations of the management of its business and affairs. Projects necessary to maintain and or upgrade the plant and collection system are continually being evaluated to meet the expectations in the mission statement.

## **MANAGEMENT OVERSIGHT**

The governing body of the Authority consists of five board members who are appointed for five-year terms. All members are appointed on a staggered basis by the Mayor and Logan Township Council.

## **DESCRIPTION OF THE COLLECTION AND TREATMENT SYSTEM**

The Authority operates and maintains approximately 30 miles of sewer mains. The sewage collection system contains 12 pumping stations, several force mains, and gravity pipelines, which deliver wastewater to their two million gallons per day water reclamation facility.

The Authority has sewer service agreements with all of its industrial waste dischargers which specify what they can and cannot discharge into the sewer system. These legal agreements are frequently revised to reflect any regulatory changes. Industries are required to pay their "Fair Share" of the Authority's operating costs so they are "Surcharged" to pay for any excess organic loadings sent to the treatment plant. The Authority will surcharge customers for excess flow.

The water reclamation facility is comprised of two (2) one million gallons per day secondary treatment plants. Wastewater enters the plant from pump stations and the wastewater is screened followed by grit and FOG removal prior to undergoing biological treatment.

After biological treatment, the biomass settles and the clear top layer of water undergoes ultra-violet disinfection before being discharged to the Delaware River. Excess biomass generated by the treatment system is incinerated at an off-site facility. The Regulatory Agencies require that all biological treatment facilities be operated by licensed personnel. The Authority currently employs two state certified licensed operators to operate the Authority's facilities. The Authority's superintendent, Chris Whalen, is the licensed operator. Terrence Kucenski has the licenses to be the back-up operator in his absence.

## **WATER SUPPLY**

The Authority is not the water purveyor for Logan and Woolwich Townships. In Logan Township, potable water is provided by New Jersey American Water Co. and in Woolwich Township by Aqua New Jersey.

## **OVERALL ANALYSIS**

The Authority's net position as of January 31, 2018 is \$22,118,450.10. This is an increase of \$370,576.16 over the prior year representing 5.7%.

The population of the Authority's service area is growing. The Authority has stabilized the sewer service cost at \$380/equivalent domestic unit per year since 2008. The Authority also offers discounts for senior citizens, veterans, and disabled ratepayers.

Revenues budgeted for the fiscal year ended January 31, 2018 totaled \$2,861,885.00, which is the same amount budgeted for the fiscal year ended January 31, 2017. The Authority's total actual revenues were \$3,864,974.02, which is a 35.1% positive revenue variance versus the amount budgeted and is an increase of \$276,738.78 from the prior year. Actual total expenses were \$2,272,639.31, which is an increase of \$27,484.77 from the prior year and is 20.6% less than the budgeted amount.

The Authority's current treatment plant capacity is two million gallons per day or 8,986 equivalent domestic units and is fully allocated. There are 6,966 units connected and 2,020 units have been reserved by various developers, who pay a monthly fee for this right. Included in the above units, the Authority allocated 87 units for an approved COAH project in Woolwich Township. In 2006, the Authority upgraded the organic loading capacity of plants #1 and #2, which enabled them to connect an additional 1,333 units. The connection fees collected from these units covered the cost of the \$3.3 million dollar project upgrades. The Authority plan includes a plant expansion adding an additional 1667 units of capacity.



## **OVERALL ANALYSIS (CONT'D)**

Revenues for sewer service charges and unused capacity were budgeted at \$2,829,385.00. Actual revenues for the fiscal year ended January 31, 2018 were \$3,815,490.03, which was a positive variance of \$986,105.03 or 34.9% over budgeted.

Hauled-in waste, surcharges and fines, all exceeded the amount budgeted. Investment revenues and various miscellaneous revenues resulted in a favorable variance when compared to the budgeted amounts. All of the budgeted amounts in these revenue categories for the fiscal year ended January 31, 2018 were based on prior year revenues, and other considerations, to give a conservative projection of revenues.

Operating expenses were less than projected due mainly to successful management of personnel services and other expenses. The Authority was able to work within its budget and still accomplish all its goals for the year.

The Authority's capital improvement program contains several projects projected in future years and or authorized during the current and prior years. Projects to be completed and projected are the, Pump Station #12 Upgrade, Headworks Upgrade, Jefferson Lane Upgrade, Effluent Pump Station & Force main project, Jefferson Lane reconstruction project and ETF-1 & ETF-2 Plant Expansion projects, which will provide additional plant capacity to sustain continued growth within Logan and Woolwich Townships.

## **CAPITAL ASSETS**

The Logan Township Municipal Utilities Authority investment in capital assets as of January 31, 2018 amounts to \$11,750,659.67 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment and furniture (more detailed information about capital assets can be found in the notes to the financial statements).

Land and Easements	\$ 336,795.50
Vehicles	315,044.00
Equipment & Furnishings	2,659,954.06
Buildings & Improvements	4,401,964.80
Infrastructure	9,332,908.25
Construction in Progress	<u>1,733,517.20</u>
Total Capital Assets	18,780,183.81
Less: Accumulated Depreciation	<u>7,029,524.14</u>
Net Capital Assets	<u><u>\$11,750,659.67</u></u>

## **LONG-TERM DEBT**

At fiscal year end, the Authority had no remaining outstanding Debt. The Authority plans on issuing bonds in fiscal year 2019 to partially fund the plant expansion.

## **FINAL COMMENTS**

The Authority has budgeted its expenses and revenues conservatively in the past and will continue to do so in the future. Maintaining or lowering customer rates and providing quality service are the primary goals of the Board, Management and Staff. Constant internal monitoring of financial data ensures that these goals will be achieved.

## **CONTACTING THE AUTHORITY**

This financial report is designed to provide the Authority's customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact the business Manager or the Board of Commissioners of Logan Township Municipal Utilities Authority. You can mail your questions to 69 Jefferson Lane, Logan Township, NJ 08085 or submit your questions on the Authority's website at <http://www.loganmua.com>.

**Statements of Net Position**  
**As of January 31, 2018, 2017 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>			
Unrestricted Assets	\$ 11,669,934.18	\$ 10,976,168.01	\$ 10,430,067.29
Restricted Assets	665,619.43	1,016,591.64	806,220.56
Capital Assets	<u>11,750,659.67</u>	<u>10,937,624.29</u>	<u>10,696,438.70</u>
Total Assets	<u>24,086,213.28</u>	<u>22,930,383.94</u>	<u>21,932,726.55</u>
<b>Deferred Outflows of Resources:</b>			
Related to Pensions	<u>738,717.00</u>	<u>646,516.00</u>	<u>384,709.00</u>
Total Deferred Outflows of Resources	<u>738,717.00</u>	<u>646,516.00</u>	<u>384,709.00</u>
<b>Liabilities:</b>			
Current Liabilities	372,346.18	421,535.49	389,584.12
Long-term Liabilities	<u>1,814,937.00</u>	<u>1,943,056.00</u>	<u>1,622,610.00</u>
Total Liabilities	<u>2,187,283.18</u>	<u>2,364,591.49</u>	<u>2,012,194.12</u>
<b>Deferred Inflows of Resources:</b>			
Related to Pensions	515,783.00	211,531.00	165,176.00
Deferred Revenue - Connection Fees	<u>3,414.00</u>	<u>67,055.00</u>	<u>62,395.00</u>
Total Deferred Inflows of Resources:	<u>519,197.00</u>	<u>278,586.00</u>	<u>227,571.00</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	11,750,659.67	10,937,624.29	10,696,438.70
Restricted	14,160.78	13,044.67	12,005.73
Unrestricted	<u>10,353,629.65</u>	<u>9,983,053.49</u>	<u>9,369,226.00</u>
Total Net Position	<u>\$ 22,118,450.10</u>	<u>\$ 20,933,722.45</u>	<u>\$ 20,077,670.43</u>

**Statements of Revenue, Expenses and Changes in Net Position  
For The Fiscal Years Ended January 31, 2018, 2017 and 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:			
Utility Service Charges	\$ 2,862,481.93	\$ 2,813,858.26	\$ 2,779,542.66
Other Operating Revenues	953,008.10	715,743.14	771,424.18
	<u>3,815,490.03</u>	<u>3,529,601.40</u>	<u>3,550,966.84</u>
Operating Expenses:			
Administration:			
Salaries and Wages	174,018.48	214,218.29	203,695.55
Fringe Benefits	110,754.43	171,360.32	167,161.88
Other Expenses	217,311.43	212,859.51	279,379.26
Cost of Providing Services:			
Salaries and Wages	367,092.21	329,344.10	282,333.87
Fringe Benefits	265,449.90	211,277.45	130,423.44
Other Expenses	940,744.72	966,103.72	896,479.54
Depreciation	471,714.75	490,708.66	481,579.85
	<u>2,547,085.92</u>	<u>2,595,872.05</u>	<u>2,441,053.39</u>
Operating Income	1,268,404.11	933,729.35	1,109,913.45
Non-operating Revenue (Expenses)	<u>(83,676.46)</u>	<u>(77,677.33)</u>	<u>(119,116.61)</u>
Change in Net Position	1,184,727.65	856,052.02	990,796.84
Net Position February 1	<u>20,933,722.45</u>	<u>20,077,670.43</u>	<u>19,086,873.59</u>
Net Position January 31	<u>\$ 22,118,450.10</u>	<u>\$ 20,933,722.45</u>	<u>\$ 20,077,670.43</u>

## **BASIC FINANCIAL STATEMENTS**

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Net Position  
 As of January 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Unrestricted Assets:		
Revenue and Operating Fund:		
Cash and Cash Equivalents	\$ 11,189,752.06	\$ 10,566,412.45
Consumer Accounts Receivable, Net of Allowance for Doubtful Accounts of \$5,961.42 and \$5,179.56 in 2018 and 2017	456,802.42	385,929.99
Other Accounts Receivable	1,155.83	1,014.25
Prepaid Expenses	22,223.87	22,811.32
	<hr/>	<hr/>
Total Unrestricted Assets	11,669,934.18	10,976,168.01
Restricted Assets:		
Cash and Cash Equivalents	665,619.43	1,016,591.64
	<hr/>	<hr/>
Total Restricted Assets	665,619.43	1,016,591.64
Total Current Assets	12,335,553.61	11,992,759.65
Noncurrent Assets:		
Capital Assets:		
Construction in Progress	1,733,517.20	1,286,846.38
Capital Assets (Net of Accumulated Depreciation)	10,017,142.47	9,650,777.91
	<hr/>	<hr/>
Total Noncurrent Assets	11,750,659.67	10,937,624.29
Total Assets	24,086,213.28	22,930,383.94
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Related to Pensions	738,717.00	646,516.00
	<hr/>	<hr/>
Total Deferred Outflows of Resources	738,717.00	646,516.00

(Continued)

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Net Position  
 As of January 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 119,279.02	\$ 149,389.43
Accounts Payable - Related to Pensions	70,589.00	57,281.00
Accrued Liabilities	18,954.96	16,803.16
Prepaid Sewer Rents	8,807.62	32,543.70
	<u>217,630.60</u>	<u>256,017.29</u>
Current Liabilities Payable from Restricted Assets:		
Developers Deposits	154,715.58	165,518.20
	<u>154,715.58</u>	<u>165,518.20</u>
Total Current Liabilities	<u>372,346.18</u>	<u>421,535.49</u>
Long-term Liabilities:		
Net Pension Liability	1,773,760.00	1,909,642.00
Accrued Liabilities - Related to Pensions	41,177.00	33,414.00
	<u>1,814,937.00</u>	<u>1,943,056.00</u>
Total Long-term Liabilities:	<u>1,814,937.00</u>	<u>1,943,056.00</u>
Total Liabilities	<u>2,187,283.18</u>	<u>2,364,591.49</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Related to Pensions	515,783.00	211,531.00
Unearned Revenue - Connection Fees	3,414.00	67,055.00
	<u>519,197.00</u>	<u>278,586.00</u>
Total Deferred Inflows	<u>519,197.00</u>	<u>278,586.00</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	11,750,659.67	10,937,624.29
Restricted:		
Unemployment Compensation	14,160.78	13,044.67
Unrestricted	10,353,629.65	9,983,053.49
	<u>10,353,629.65</u>	<u>9,983,053.49</u>
Total Net Position	<u>\$ 22,118,450.10</u>	<u>\$ 20,933,722.45</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Revenue, Expenses and Changes in Net Position  
 For the Fiscal Years Ended January 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Utility Service Charges	\$ 2,862,481.93	\$ 2,813,858.26
Other Operating Revenues	953,008.10	715,743.14
	<u>3,815,490.03</u>	<u>3,529,601.40</u>
Operating Expenses:		
Administration:		
Salaries and Wages	174,018.48	214,218.29
Fringe Benefits	110,754.43	171,360.32
Other Expenses	217,311.43	212,859.51
Cost of Providing Services:		
Salaries and Wages	367,092.21	329,344.10
Fringe Benefits	265,449.90	211,277.45
Other Expenses	940,744.72	966,103.72
Depreciation	471,714.75	490,708.66
	<u>2,547,085.92</u>	<u>2,595,872.05</u>
Operating Income	1,268,404.11	933,729.35
Non-operating Revenue (Expenses):		
Investment Income Net of Fees	17,607.03	16,878.23
Non-Operating Revenue	31,876.96	41,755.61
Reimbursement of Prior Year Capital Expenditures	39,135.35	6,004.12
Loss on Disposal of Assets	(166,267.80)	(23.29)
Connection Fees Net of Unit Purchase Costs	137,066.00	780.00
Contribution to Township of Logan	(143,094.00)	(143,072.00)
	<u>1,184,727.65</u>	<u>856,052.02</u>
Change in Net Position	1,184,727.65	856,052.02
Net Position Beginning of Fiscal Year	<u>20,933,722.45</u>	<u>20,077,670.43</u>
Net Position End of Fiscal Year	<u>\$ 22,118,450.10</u>	<u>\$ 20,933,722.45</u>

The accompanying Notes to Financial Statements are an integral part of this statement.



**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Statements of Cash Flows  
 For the Fiscal Years Ended January 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 3,720,099.66	\$ 3,610,847.23
Payments to Suppliers	(1,465,761.58)	(1,468,112.96)
Payments to Employees	(538,958.89)	(539,134.41)
Net Cash Provided by Operating Activities	<u>1,715,379.19</u>	<u>1,603,599.86</u>
Cash Flows from Non-Capital Financing Activities:		
Contribution to Township of Logan	(143,094.00)	(143,072.00)
Receipts from Connection Fees	73,425.00	5,440.00
Net Developers Escrow Deposits	(10,802.62)	19,938.27
Miscellaneous Non-operating Receipts	70,870.73	47,692.82
Net Cash Used in Non-Capital Financing Activities	<u>(9,600.89)</u>	<u>(70,000.91)</u>
Cash Flows from Capital and Related Financing Activities:		
Additions to Fixed Assets	(1,451,017.93)	(731,917.54)
Net Cash Used in Capital and Related Financing Activities	<u>(1,451,017.93)</u>	<u>(731,917.54)</u>
Cash Flows from Investing Activities:		
Investment Income	17,607.03	16,878.23
Net Cash Provided by Investing Activities	<u>17,607.03</u>	<u>16,878.23</u>
Net Increase in Cash and Cash Equivalents	272,367.40	818,559.64
Cash and Cash Equivalents, Beginning of Fiscal Year February 1,	<u>11,583,004.09</u>	<u>10,764,444.45</u>
Cash and Cash Equivalents, End of Fiscal Year January 31,	<u>\$ 11,855,371.49</u>	<u>\$ 11,583,004.09</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,268,404.11	\$ 933,729.35
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	471,714.75	490,708.66
Pension Liability Expense - GASB 68	97,240.00	101,489.00
Changes in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	(70,872.43)	58,776.52
(Increase) Decrease in Prepaid Expenses	587.45	3,378.23
Increase (Decrease) in Accounts Payable	(30,110.41)	(12,467.80)
Increase (Decrease) in Accrued Liabilities	2,151.80	4,427.98
Increase (Decrease) in Sewer Rent Overpayments	(23,736.08)	23,557.92
Total Adjustments	<u>446,975.08</u>	<u>669,870.51</u>
Net Cash Provided by Operating Activities	<u>\$ 1,715,379.19</u>	<u>\$ 1,603,599.86</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

## LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

### Notes to Financial Statements

For the Fiscal Years Ended January 31, 2018 and 2017

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#### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Logan Township Municipal Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

#### **Reporting Entity**

The Logan Township Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was created by Ordinance No. 4-1972, adopted on December 13, 1972 by the governing body of the Township of Logan (the "Township") in the County of Gloucester, State of New Jersey pursuant to the Municipal and County Utilities Authority Law.

The Authority was created for the purpose of constructing, maintaining and operating sewerage collection and treatment facilities for the relief of waters in, bordering or entering the areas within the territorial boundaries of the Township from pollution or threatened pollution and for the improvement of conditions affecting the public health. The Authority currently provides sewerage collection and treatment service to all residences and businesses within the Township and a portion of Woolwich Township. The Authority also provides sewerage treatment service for hauled in waste.

The Authority consists of five board members who are appointed by resolution of the Township Council for five-year terms. The Authority's Superintendent manages the daily operations of the Authority with the assistance of the Business Manager.

#### **Component Unit**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Logan.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

**Expenses** - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, is not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority did not adopt an amending budget resolution during the fiscal year.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets and Budgetary Accounting (Cont'd)**

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statements of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

**Inventories**

Inventory consists principally of chemicals for the treatment sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

**Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,500.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Depreciation**

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Sewer Mains and Interception	50-60
Vehicles	5
Buildings and Improvements	40
Pump Stations	40
Other Equipment	5 or 20

**Deferred Outflows of Resources**

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The only deferred outflows of resources reported in this fiscal year's financial statements is a deferred outflow of resources for contributions made to the Authority's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the Authority's fiscal year.

**Deferred Inflows of Resources**

The Authority's statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the Authority's statements of net position for a deferred amount arising from connection fee funds received prior to providing sewer services and for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of five (5) fiscal years, including the current fiscal year.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place. At fiscal year end, the Authority has no compensated absences liability.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**Income Taxes**

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from sewer service charges, delinquent penalties, surcharge fees and fines. Non-operating revenues principally consist of tower rent, miscellaneous fees and interest income earned on various interest-bearing accounts and on investments.

Operating expenses include general administrative expenses and expenses associated with the operation and maintenance of providing sewerage collection and treatment services. Non-operating expenses principally include expenses attributable to the Authority's construction and renewal and replacement expenditures and contributions to the Township of Logan.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended January 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption this Statement had no impact on the Authority's financial statements.

Also, the Authority adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement had no impact on the Authority's financial statements.

Lastly, the Authority adopted GASB Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the Authority in the fiscal year ending January 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the fiscal year ending January 31, 2020. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the fiscal year ending January 31, 2020. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement will become effective for the Authority in the fiscal year ending January 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement will become effective for the Authority in the fiscal year ending January 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending January 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement will become effective for the Authority in the fiscal year ending January 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.



**Note 2: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as uninsured and uncollateralized. As of January 31, 2018 and 2017, the Authority's bank balances of \$11,943,025.88 and \$11,644,574.83, respectively, were insured under FDIC and GUDPA.

**Service Fees**

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

Year Ended <u>January 31.</u>	Beginning <u>Balance</u>	<u>Billings</u>	Total <u>Collections</u>	Percentage <u>of Collections</u>
2018	\$ 391,109.55	\$ 3,815,490.03	\$ 3,743,835.74	89.00%
2017	448,797.46	3,529,601.40	3,587,289.31	90.17%
2016	347,269.71	3,550,966.84	3,449,439.09	88.49%

**Note 2: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets (Cont'd)**

During the fiscal year ended January 31, 2018, the following changes in Capital Assets occurred:

	<u>Balance</u> <u>Feb. 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Jan. 31, 2018</u>
Capital Assets not being					
Depreciated:					
Land & Land Improvements	\$ 336,795.50				\$ 336,795.50
Construction in Progress	1,286,846.38	\$ 1,300,718.54	\$ (854,047.72)		1,733,517.20
	<hr/>				
Total Capital Assets not being Depreciated	1,623,641.88	1,300,718.54	(854,047.72)	-	2,070,312.70
	<hr/>				
Capital Assets being					
Depreciated:					
Vehicles	237,059.00	77,985.00			315,044.00
Equipment & Furnishings	2,675,749.10	72,314.39		88,109.43	2,659,954.06
Buildings & Improvements	3,547,917.08		854,047.72		4,401,964.80
Infrastructure	9,579,408.25			246,500.00	9,332,908.25
	<hr/>				
Total Capital Assets being Depreciated	16,040,133.43	150,299.39	854,047.72	334,609.43	16,709,871.11
	<hr/>				
Total Capital Assets	17,663,775.31	1,451,017.93	-	334,609.43	18,780,183.81
	<hr/>				
Less Accumulated					
Depreciation:					
Unallocated	(6,726,151.02)	(471,714.75)		(168,341.63)	(7,029,524.14)
	<hr/>				
Total Accumulated Depreciation	(6,726,151.02)	(471,714.75)	-	(168,341.63)	(7,029,524.14)
	<hr/>				
Capital Assets, Net	\$ 10,937,624.29	\$ 979,303.18	\$ -	\$ 166,267.80	\$ 11,750,659.67
	<hr/>				

**Note 2: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets (Cont'd)**

During the fiscal year ended January 31, 2017, the following changes in Capital Assets occurred:

	Balance Feb. 1, 2016	Additions	Transfers	Deletions	Balance Jan. 31, 2018
Capital Assets not being Depreciated:					
Land & Land Improvement	\$ 336,795.50				\$ 336,795.50
Construction in Progress	652,299.31	\$ 634,547.07			1,286,846.38
<b>Total Capital Assets not being Depreciated</b>	<b>989,094.81</b>	<b>634,547.07</b>	<b>-</b>	<b>-</b>	<b>1,623,641.88</b>
Capital Assets being Depreciated:					
Vehicles	237,059.00				237,059.00
Equipment & Furnishings	2,606,275.60	90,842.47		21,368.97	2,675,749.10
Buildings & Improvements	3,541,389.08	6,528.00			3,547,917.08
Infrastructure	9,579,408.25				9,579,408.25
<b>Total Capital Assets being Depreciated</b>	<b>15,964,131.93</b>	<b>97,370.47</b>	<b>-</b>	<b>21,368.97</b>	<b>16,040,133.43</b>
<b>Total Capital Assets</b>	<b>16,953,226.74</b>	<b>731,917.54</b>	<b>-</b>	<b>21,368.97</b>	<b>17,663,775.31</b>
Less Accumulated Depreciation:					
Unallocated	(6,256,788.04)	(490,708.66)		(21,345.68)	(6,726,151.02)
<b>Total Accumulated Depreciation</b>	<b>(6,256,788.04)</b>	<b>(490,708.66)</b>	<b>-</b>	<b>(21,345.68)</b>	<b>(6,726,151.02)</b>
<b>Capital Assets, Net</b>	<b>\$ 10,696,438.70</b>	<b>\$ 241,208.88</b>	<b>\$ -</b>	<b>\$ 23.29</b>	<b>\$ 10,937,624.29</b>

**Note 3: DETAIL NOTES – LIABILITIES****Long-term Liabilities**

During the fiscal year ended January 31, 2018, the following changes occurred in long-term obligations:

	Balance Feb. 1, 2017	Additions	Reductions	Balance Jan. 31, 2018	Due Within One Year
Long-term Liabilities:					
Net Pension Liability	\$ 1,909,642.00	\$ 1,063,592.00	\$ 1,199,474.00	\$ 1,773,760.00	
Other Liabilities - Related to Pensions	33,414.00	7,763.00		41,177.00	
<b>Total Long-term Liabilities:</b>	<b>\$ 1,943,056.00</b>	<b>\$ 1,071,355.00</b>	<b>\$ 1,199,474.00</b>	<b>\$ 1,814,937.00</b>	<b>\$ -</b>

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Long-term Liabilities (Cont'd)**

During the fiscal year ended January 31, 2017, the following changes occurred in long-term obligations:

	Balance Feb. 1, 2016	Additions	Reductions	Balance Jan. 31, 2017	Due Within One Year
Long-term Liabilities:					
Net Pension Liability	\$ 1,587,151.00	\$ 940,553.00	\$ 618,062.00	\$ 1,909,642.00	
Other Liabilities - Related to Pensions	35,459.00		2,045.00	33,414.00	
Total Long-term Liabilities:	<u>\$ 1,622,610.00</u>	<u>\$ 940,553.00</u>	<u>\$ 620,107.00</u>	<u>\$ 1,943,056.00</u>	<u>\$ -</u>

**Compensated Absences**

At the end of each year, Authority employees may elect to be paid for unused sick days or accumulate and roll them over into the next year. Employees are not compensated for accumulated sick days upon retirement or resignation unless they have twenty-five years of service with the Authority. Up to a maximum of one week's vacation days not used during the year may be carried forward upon management approval. Employees are paid in full for accumulated vacation days upon retirement or resignation. There is no accrued liability for accumulated sick leave and vacation time at January 31, 2018 and 2017 respectively.

**Net Pension Liability**

For details on the net pension liability, see the Pension Plans section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

**Pension Plans**

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<http://www.state.nj.us/treasury/pensions/financial-reports.shtml>

**Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

**Tier      Definition**

- 1    Members who were enrolled prior to July 1, 2007
- 2    Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3    Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4    Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5    Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017 and 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2017. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Authority's contractually required contribution rate for the fiscal years ended January 31, 2018 and 2017 was 14.73% and 11.44% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended January 31, 2018 was \$70,589.00, and is payable by April 1, 2018. Based on the PERS measurement date of June 30, 2016, the Authority's contractually required contribution to the pension plan for the fiscal year ended January 31, 2017 was \$57,281.00, which was paid on April 1, 2017. Employee contributions to the Plan during the fiscal years ended January 31, 2018 and 2017 were \$34,843.85 and \$36,269.03, respectively.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Authority contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended January 31, 2018 and 2017, there were no employees participating in DCRP.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS**

At January 31, 2018, the Authority's proportionate share of the net pension liability was \$1,773,760.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0076197666%, which was an increase of .0011720042% from its proportion measured as of June 30, 2016.

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

At January 31, 2017, the Authority's proportionate share of the net pension liability was \$1,909,642.00. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the Authority's proportion was .0064477624%, which was a decrease of .0006225821% from its proportion measured as of June 30, 2015.

For the fiscal years ended January 31, 2018 and 2017, the Authority recognized pension expense of \$154,520.00 and \$162,272.00, respectively. These amounts were based on the plan's June 30, 2017 and 2016 measurement dates, respectively.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At January 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>January 31, 2018</u>		<u>January 31, 2017</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience	\$ 41,766.00	\$ -	\$ 35,514.00	\$ -
Changes of Assumptions	357,351.00	356,041.00	395,576.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	12,078.00	-	72,816.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	286,345.00	159,742.00	109,196.00	211,531.00
Authority Contributions Subsequent to the Measurement Date	41,177.00	-	33,414.00	-
	<u>\$ 738,717.00</u>	<u>\$ 515,783.00</u>	<u>\$ 646,516.00</u>	<u>\$ 211,531.00</u>

The deferred outflows of resources related to pensions totaling \$41,177.00 and \$33,414.00 will be included as a reduction of the net pension liability in the fiscal years ended January 31, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2019 and April 1, 2018 contractually required contribution, prorated from the pension plans measurement date of June 30, 2017 and June 30, 2016 to the Authority's fiscal year end of January 31, 2018 and 2017.

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48



**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending January 31,</b>		
2018	\$	68,336.00
2019		89,591.00
2020		55,272.00
2021		(16,807.00)
2022		(14,635.00)
		<u>\$ 181,757.00</u>

**Actuarial Assumptions – PERS**

The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017 and 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b>Measurement Date June 30, 2017</b>	<b>Measurement Date June 30, 2016</b>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2011 - June 30, 2014

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the June 30, 2016 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2017</u>		<u>Measurement Date</u> <u>June 30, 2016</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%	5.00%	0.87%
Cash Equivalents	5.50%	1.00%	1.50%	1.74%
U.S. Treasuries	3.00%	1.87%	8.00%	1.79%
Investment Grade Credit	10.00%	3.78%	2.00%	1.67%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Global Diversified Credit	5.00%	7.10%	1.50%	3.44%
Credit Oriented Hedge Funds	1.00%	6.60%	26.00%	8.53%
Debt Related Private Equity	2.00%	10.63%	13.25%	6.83%
Debt Related Real Estate	1.00%	6.61%	6.50%	9.95%
Private Real Estate	2.50%	11.83%	9.00%	12.40%
Equity Related Real Estate	6.25%	9.23%	12.50%	4.68%
U.S. Equity	30.00%	8.19%	2.00%	6.91%
Non-U.S. Developed Markets Equity	11.50%	9.00%	0.50%	5.45%
Emerging Markets Equity	6.50%	11.64%	5.00%	-0.25%
Buyouts/Venture Capital	8.25%	13.08%	5.25%	5.63%
	<u>100.00%</u>		<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Note 3: DETAIL NOTES – LIABILITIES (CONT'D)**

**Pension Plans (Cont'd)**

**Actuarial Assumptions – PERS (Cont'd)**

**Discount Rate (Cont'd)** - The discount rate used to measure the total pension liability at June 30, 2016 was 3.98%. The respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS**

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Proportionate Share of the Net Pension Liability	<u>\$ 2,200,469.00</u>	<u>\$ 1,773,760.00</u>	<u>\$ 1,418,258.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2016, the plans measurement date, calculated using a discount rate of 3.98%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
Proportionate Share of the Net Pension Liability	<u>\$ 2,340,044.00</u>	<u>\$ 1,909,642.00</u>	<u>\$ 1,554,309.00</u>

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**Note 4: DETAIL NOTES – DEFERRED INFLOWS OF RESOURCES****Connection Fees**

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

**Note 5: COMMITMENTS****Commitments**

The Authority had several outstanding or planned construction projects as of January 31, 2018. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded</u>	<u>Commitment Remaining</u>
Forcemain Replace & Relocation Design	\$ 64,950.00	\$ 308.12
Raccoon Creek Bridge Project	130,446.29	34,280.43
Repainting Tanks Design	21,340.00	28.83
Repainting Tanks Construction Administrative	69,430.00	148.17
Repainting Tanks Project	477,045.00	17,667.60
Jefferson Lane Entrance Reconfiguration Design	52,700.00	8,284.40
Effluent Forcemain Design	518,600.00	275,212.30
Cathodic Protection Construction Administrative	24,580.00	4,422.68
Cathodic Protection	240,000.00	10,000.00
Raccoon Creek HDD Forcemain	312,597.00	25,000.00
Headworks Evaluation	24,530.00	4,426.78
Plant Expansion Equipment	552,640.00	264,816.70
	<u>\$ 2,488,858.29</u>	<u>\$ 644,596.01</u>
Total Contracts		

**Note 6: DEFERRED COMPENSATION**

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

**Note 7: RISK MANAGEMENT**

The Authority is a member of the New Jersey Utilities Authority Joint Insurance Fund and the Municipal Excess Liability Joint Fund. The Funds provide the Authority with the following coverage:

- Public Officials Bonds in excess of amounts statutorily required
- Public Employees Dishonesty Bonds
- Automobile Liability
- Workers' Compensation
- Employers' Liability
- Commercial Property
- General Liability
- Public Officials Liability
- Employment Practices Liability
- Environmental Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000 for each insured event.

The Fund publishes its own financial report for the year ended December 31, which can be obtained from:

New Jersey Utilities Authority Joint Insurance Fund  
250 Pehle Ave., Suite 701  
Saddle Brook, New Jersey 07663

Municipal Excess Liability Joint Insurance Fund  
250 Pehle Ave., Suite 701  
Saddle Brook, New Jersey 07663

**Note 8: CONTINGENCIES**

**Litigation** - The Authority is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the Authority, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**Note 9: SUBSEQUENT EVENT**

On November 21, 2017, the Authority adopted a resolution authorizing the issuance of up to \$5,000,000.00 in debt obligations to finance improvements to the Authority's water reclamation facility consisting of the construction of an additional sequencing batch reactor ("SBR") tank and related mechanical and electrical improvements, the expansion of existing SBR equipment, installation of new emergency generator and all costs related to the construction and equipping of such improvements. In June of 2018, the Authority expects to issue \$5,000,000.00 in bonds to be paid in semi-annual interest payments and principal over a fifteen year period.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Five Years

	<b>Measurement Date Ending June 30,</b>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0076197666%	0.0064477624%	0.0070734450%	0.0079495568%	0.0068799476%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,773,760.00	\$ 1,909,642.00	\$ 1,587,151.00	\$ 1,488,374.00	\$ 1,314,895.00
Authority's Covered Payroll	\$ 607,088.00	\$ 443,560.00	\$ 500,324.00	\$ 539,756.00	\$ 458,280.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	292.18%	430.53%	317.22%	275.75%	286.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.



**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Five Years

	<b>Fiscal Year Ended January 31,</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 70,589.00	\$ 57,281.00	\$ 60,786.00	\$ 65,535.00	\$ 51,839.00
Contributions in Relation to the Contractually Required Contribution	<u>(70,589.00)</u>	<u>(57,281.00)</u>	<u>(60,786.00)</u>	<u>(65,535.00)</u>	<u>(51,839.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 479,270.00	\$ 500,801.00	\$ 443,484.00	\$ 502,415.00	\$ 512,131.00
Contributions as a Percentage of Authority's Covered Payroll	14.73%	11.44%	13.71%	13.04%	10.12%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**LOGAN TOWNSHIP MUA**  
Notes to Required Supplementary Information  
For the Fiscal Year Ended January 31, 2018

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**Note 1: POSTEMPLOYMENT BENEFITS - PENSION**

**Public Employees' Retirement System (PERS)**

*Changes in Benefit Terms - None*

For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

**SUPPLEMENTARY SCHEDULES**

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenue, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 For the Fiscal Year Ended January 31, 2018

	Adopted Budget	Amendments/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Anticipated Revenues:					
Operating Revenues:					
Service Charges					
Sewer Service Charges	\$ 2,727,003.00		\$ 2,727,003.00	\$ 2,830,377.48	\$ 103,374.48
Unused Capacity Fees				32,104.45	32,104.45
Other Revenues					
Hauled-in Waste	82,382.00		82,382.00	243,128.22	160,746.22
Surcharges	10,000.00		10,000.00	412,351.86	402,351.86
Fines	10,000.00		10,000.00	297,528.02	287,528.02
<b>Total Operating Revenues</b>	<b>2,829,385.00</b>	<b>-</b>	<b>2,829,385.00</b>	<b>3,815,490.03</b>	<b>986,105.03</b>
Non-Operating Revenues:					
Investment Income	10,000.00		10,000.00	17,607.03	7,607.03
Other Non-Operating Revenues					
Tower Rent	20,000.00		20,000.00	30,518.61	10,518.61
Miscellaneous	2,500.00		2,500.00	1,358.35	(1,141.65)
<b>Total Non-Operating Revenues</b>	<b>32,500.00</b>	<b>-</b>	<b>32,500.00</b>	<b>49,483.99</b>	<b>16,983.99</b>
<b>Total Anticipated Revenues</b>	<b>2,861,885.00</b>	<b>-</b>	<b>2,861,885.00</b>	<b>3,864,974.02</b>	<b>1,003,089.02</b>
Operating Appropriations:					
Administrative:					
Salaries and Wages	298,431.00	\$ (40,000.00)	258,431.00	173,196.22	85,234.78
Overtime	2,000.00		2,000.00	1,167.69	832.31
Fringe Benefits:					
Social Security	22,000.00		22,000.00	12,474.34	9,525.66
Health Insurance	118,000.00	(7,700.00)	110,300.00	58,976.74	51,323.26
Unemployment Insurance	1,500.00		1,500.00	454.10	1,045.90
PERS - Pension	37,500.00		37,500.00	14,539.25	22,960.75
Contractual Services:					
Unemployment Reserve	15,000.00		15,000.00		15,000.00
Advertising	4,500.00		4,500.00	3,891.64	608.36
Travel	1,600.00		1,600.00	305.24	1,294.76
Postage	4,500.00		4,500.00	3,620.60	879.40
Conferences/Training	6,000.00		6,000.00	1,222.00	4,778.00
Computer Services	30,000.00	(991.55)	29,008.45	27,628.56	1,379.89
Legal Services	50,000.00	40,000.00	90,000.00	83,848.79	6,151.21
Trustee Fees	12,000.00	(4,000.00)	8,000.00		8,000.00
Accounting/Auditing	28,500.00		28,500.00	26,000.00	2,500.00
Professional Services	17,000.00	5,000.00	22,000.00	14,832.42	7,167.58
Insurance	49,000.00		49,000.00	36,638.24	12,361.76
Dues & Memberships	6,000.00		6,000.00		6,000.00
Equipment Maintenance	2,000.00		2,000.00	1,167.40	832.60
Telephone	5,500.00	1,991.55	7,491.55	6,835.01	656.54
Doctor	2,500.00	700.00	3,200.00	2,932.40	267.60
Other Expenses	1,600.00	2,000.00	3,600.00	3,818.26	(218.26)
Office Supplies	5,000.00		5,000.00	4,205.94	794.06
Miscellaneous Supplies	1,000.00		1,000.00	364.93	635.07
<b>Total Administrative</b>	<b>721,131.00</b>	<b>(3,000.00)</b>	<b>718,131.00</b>	<b>478,119.77</b>	<b>240,011.23</b>
Operations:					
Salaries and Wages	428,169.00		428,169.00	352,320.03	75,848.97
Overtime	24,000.00		24,000.00	15,541.50	8,458.50
Fringe Benefits:					
Uniform Rental	4,000.00	1,000.00	5,000.00	4,277.33	722.67
Social Security	28,000.00		28,000.00	26,714.21	1,285.79
Unemployment Insurance	2,000.00		2,000.00	787.04	1,212.96
Health Insurance	175,000.00		175,000.00	117,123.57	57,876.43
PERS - Pension	37,500.00		37,500.00	43,617.75	(6,117.75)

(Continued)

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenue, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 For the Fiscal Year Ended January 31, 2018

	Adopted Budget	Amendments/ Transfers	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operations (Cont'd):					
Cost of Providing Services:					
Allowance for Doubtful Accounts	\$ 22,810.00		\$ 22,810.00		\$ 22,810.00
Travel	1,500.00		1,500.00	\$ 681.70	818.30
Conferences/Training	6,000.00		6,000.00	4,402.91	1,597.09
Sludge Disposal	272,000.00	\$ 25,000.00	297,000.00	274,941.21	22,058.79
Professional Services	9,000.00		9,000.00	7,373.94	1,626.06
Laboratory Services	25,000.00		25,000.00	16,663.25	8,336.75
Engineering	55,000.00		55,000.00	42,997.68	12,002.32
Permits	25,000.00	4,000.00	29,000.00	28,556.62	443.38
Dues & Memberships				4,795.36	(4,795.36)
Electrical Repairs	23,000.00		23,000.00	13,013.14	9,986.86
Mechanical Repairs	54,500.00		54,500.00	24,155.75	30,344.25
Electronic/Communication Repairs	6,000.00		6,000.00	1,705.00	4,295.00
Buildings & Grounds	12,500.00		12,500.00	8,654.05	3,845.95
Vehicle Maintenance	4,350.00		4,350.00	942.88	3,407.12
Electricity	450,000.00	(2,000.00)	448,000.00	365,819.88	82,180.12
Water	5,500.00	2,000.00	7,500.00	6,894.82	605.18
Collection System Maintenance	56,000.00	(2,500.00)	53,500.00	37,173.28	16,326.72
NJ One Call	1,500.00		1,500.00	1,128.75	371.25
Equipment Rental	8,000.00		8,000.00	4,668.56	3,331.44
Other Expenses	1,900.00	500.00	2,400.00	2,179.81	220.19
Chemicals & Gases	20,000.00		20,000.00	4,728.87	15,271.13
Polymer	20,000.00	(1,000.00)	19,000.00	12,995.00	6,005.00
Fuels & Lubricants	28,000.00		28,000.00	17,424.59	10,575.41
Hardware & Tools	3,300.00		3,300.00	2,203.30	1,096.70
Safety Supplies	4,300.00	1,000.00	5,300.00	4,032.70	1,267.30
Laboratory Supplies	7,000.00	2,500.00	9,500.00	8,495.72	1,004.28
Mechanical Materials	21,500.00		21,500.00	14,486.16	7,013.84
Electrical Materials	19,000.00		19,000.00	3,970.51	15,029.49
U.V. Parts	7,500.00		7,500.00	6,283.22	1,216.78
Janitorial Supplies	1,500.00		1,500.00	1,493.79	6.21
Vehicle Parts	3,800.00		3,800.00	1,331.31	2,468.69
Building & General Maintenance	10,000.00		10,000.00	3,692.10	6,307.90
Electronic/Communication Material	8,750.00		8,750.00	4.04	8,745.96
Collection System Materials	4,500.00		4,500.00	890.93	3,609.07
Miscellaneous Supplies	1,000.00		1,000.00	279.78	720.22
Vehicles	88,000.00		88,000.00	77,985.00	10,015.00
Laboratory Equipment	9,000.00	4,000.00	13,000.00	11,601.31	1,398.69
Office Equipment	6,000.00	6,500.00	12,500.00	11,297.95	1,202.05
Plant Equipment	135,000.00	(38,000.00)	97,000.00	57,208.04	39,791.96
Safety Equipment	4,375.00		4,375.00	3,891.20	483.80
<b>Total Operating Appropriations</b>	<b>2,140,754.00</b>	<b>3,000.00</b>	<b>2,143,754.00</b>	<b>1,651,425.54</b>	<b>492,328.46</b>
<b>Total Administrative and Operating Appropriations</b>	<b>2,861,885.00</b>	<b>-</b>	<b>2,861,885.00</b>	<b>2,129,545.31</b>	<b>732,339.69</b>
Non-Operating Appropriations:					
Contribution to Township of Logan	143,094.00		143,094.00	143,094.00	-
<b>Total Non-Operating Appropriations</b>	<b>143,094.00</b>	<b>-</b>	<b>143,094.00</b>	<b>143,094.00</b>	<b>-</b>
<b>Total Budget Appropriations</b>	<b>3,004,979.00</b>	<b>-</b>	<b>3,004,979.00</b>	<b>2,272,639.31</b>	<b>732,339.69</b>
<b>Unrestricted Net Position to Balance Budget</b>	<b>143,094.00</b>	<b>-</b>	<b>143,094.00</b>	<b>-</b>	<b>143,094.00</b>
<b>Total Appropriations and Unrestricted Net Position</b>	<b>2,861,885.00</b>	<b>-</b>	<b>2,861,885.00</b>	<b>2,272,639.31</b>	<b>589,245.69</b>
<b>Excess of Budgetary Revenues Over Budgetary Appropriations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,592,334.71</b>	<b>\$ 1,592,334.71</b>

(Continued)

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
 Schedule of Revenue, Operating Appropriations, Principal Payments and  
 Non-Operating Appropriations Compared to Budget--Budgetary Basis  
 For the Fiscal Year Ended January 31, 2018

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Reconciliation to Operating Income

Excess of Budgetary Revenues Over Budgetary Appropriations		\$ 1,592,334.71
Add:		
Unemployment Insurance	\$ 1,114.75	
Capitalized Budget Expenses	150,299.39	
Contribution to Township of Logan	143,094.00	
		294,508.14
		1,886,842.85
Less:		
Investment Income	17,607.03	
Other Non-Operating Revenues	31,876.96	
Pension Liability Expense - GASB 68	97,240.00	
Depreciation	471,714.75	
		618,438.74
Operating Income (Exhibit B)		\$ 1,268,404.11

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
**PART 2**  
**FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JANUARY 31, 2018**

**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Findings and Recommendations  
For the Fiscal Year Ended January 31, 2018

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***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**None**



**LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**  
Summary Schedule of Prior Year Audit Findings  
And Recommendations as Prepared by Management

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***Schedule of Financial Statement Findings***

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**No Prior Year Findings**

31600

**APPRECIATION**

I express my appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

A handwritten signature in black ink, appearing to read "Michael J. Welding", written in a cursive style.

Michael J. Welding  
Certified Public Accountant  
Registered Municipal Accountant

APPENDIX B

Form of Bond Resolution

**RESOLUTION AUTHORIZING THE ISSUANCE OF  
SEWER SYSTEM REVENUE BONDS OF  
THE LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**Adopted November 21, 2017**

## TABLE OF CONTENTS

### ARTICLE I DEFINITIONS AND INTERPRETATIONS

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Exhibit A - Form of Bond



**RESOLUTION AUTHORIZING THE ISSUANCE OF  
SEWER SYSTEM REVENUE BONDS OF THE  
LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY**

**BE IT RESOLVED** by The Logan Township Municipal Utilities Authority as follows:

**ARTICLE I**

**DEFINITIONS AND INTERPRETATIONS**

Section 101. Short Title. This Resolution may hereinafter be cited by the Authority and is hereinafter sometimes referred to as the “Resolution.”

Section 102. Definitions. As used or referred to in this Resolution, unless a different meaning clearly appears from the context:

“Accountant's Certificate” means a certificate, an opinion or a statement signed by any registered municipal accountant who is also a certified public accountant of the State of New Jersey (who may be the accountant or a member of the firm of accountants who regularly audit the books and accounts of the Authority) from time to time selected by the Authority;

“Accreted Value” means, as of any date of computation with respect to any Capital Appreciation Bond an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount on the date of original issuance), plus the interest accrued on such Capital Appreciation Bond from the date of original issuance to the interest payment date next preceding the date of computation or the date of computation if an interest payment date, such interest to accrue at the rate set forth in the resolution of the Authority providing for the issuance of said Bond, but not exceeding the maximum rate permitted by law, compounded periodically at the times provided for in said resolution, plus, with respect to matters related to the payment upon redemption or acceleration of such Capital Appreciation Bond if such date of computation shall not be an interest payment date, a portion of the difference between the Accreted Value as of the immediately preceding interest payment date (or the date of original issuance if the date of computation is prior to the first interest payment date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding interest payment date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of 360 days of twelve 30-day months. For purposes of this definition, “interest payment date” shall mean the dates on which interest would have been payable if the Capital Appreciation Bond had been a current interest paying bond, as set forth in the resolution authorizing the issuance of such Bond;

“Act” means the Municipal and County Utilities Authorities Law of New Jersey, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (N.J.S.A. 40:14B-1 et seq.);

“Additional Bonds” means any of the Bonds of the Authority, authenticated and delivered under and pursuant to Sections 314 and 315, and any bonds issued in lieu of or in substitution for such Bonds;

“Additional Project” shall have the meaning ascribed to such term in Section 314(a)(1);

“Annual Budget” means the budget or the amended budget for a Fiscal Year adopted by the Authority or in effect pursuant to the Local Authorities Fiscal Control Law (N.J.S.A. 40A:5A-1 et seq.);

Articles and Sections mentioned by number are the respective Articles and Sections hereof so numbered;

“Authority” means the Logan Township Municipal Utilities Authority, a public body corporate and politic organized and existing under the Act, created by virtue of an ordinance numbered 8-1975 of the Township Committee of the Township of Logan, duly adopted in January, 1975;

“Authority Officer” means the Chairman or Chairwoman, the Vice Chairman or the Vice Chairwoman, the Treasurer, the Secretary or the Executive Director or Superintendent, as applicable, of the Authority and, when used with reference to an act or document, also means any other person authorized by resolution of the Authority to perform such act or to sign such document;

“Authorized Denominations” means \$5,000 or any integral multiple thereof;

“Bond” means any Initial Bonds of the Authority authorized in Section 301, any Additional Bonds authorized in Section 314, any bonds issued in lieu of or in substitution for such Bonds pursuant to this Resolution, or any notes issued in anticipation of such bonds;

“Bond Counsel” means McManimon & Scotland, L.L.C., or such other attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Authority;

“Bondholder” or the term “holder” or any similar term when used with reference to a Bond or Bonds pursuant to this Resolution means the Registered Owner;

“Bond Reserve Credit Facility” means any letter of credit, surety bond, loan agreement or other credit agreement, facility, insurance or guarantee arrangement which is obtained by the Authority, in satisfaction of all or any portion of the Bond Reserve Requirement, and which is issued or guaranteed by a financial institution, insurance company or association that has been rated not lower than the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, provided however, that any agreement with a provider of such facility shall not provide for a reimbursement to such provider at a rate faster than the rate at which any deficiencies in the Bond Reserve Fund shall be made up in accordance with the Resolution;

“Bond Reserve Fund” means the account so designated that is established and created by Section 502;

“Bond Reserve Requirement”, if any, shall be determined for each Series of Bonds by adoption of a Supplemental Resolution or execution of an Officer’s Certificate, determining the Bond Reserve Requirement, however there shall be no Bond Reserve Requirement, as set forth in this section, in connection with the issuance of bonds issued through the New Jersey Environmental Infrastructure Trust Financing Program;

“Bond Service” for any period shall mean, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (a) the interest accruing during such period on Bonds Outstanding of such Series except to the extent that such interest is to be paid from deposits (including investment income received thereon) in the Bond Service Fund made from Bond proceeds and (b) that portion of each Principal Installment for such Series that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if there shall be no such preceding Principal Installment due date, from a date one year (or such lesser period as shall be appropriate if Principal Installments shall become due more frequently than annually) preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever is later;

“Bond Service Fund” means the account so designated that is established and created by Section 502;

“Bond Service Requirement” means as of any particular date of computation in a particular Fiscal Year; and with respect to the Bonds Outstanding on such date, an amount of money equal to any unpaid interest or principal then due, plus, all interest payable on or payment of which is deemed to accrue through the end of the month during which such date of computation occurs and all principal payable on or payment of which may be deemed to accrue through the end of such month. In the case of Capital Appreciation Bonds, the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included when due and payable as part of the principal or Sinking Fund Installment in accordance with the above provisions;

“Book-Entry System” means the System maintained by the Securities Depository described in Section 303;

“Business Day” means a day (a) on which banking institutions in any of the cities in which the corporate trust offices of the Trustee and the Paying Agent are located are not required or authorized to remain closed and (b) on which the New York Stock Exchange is not closed;

“Capital Appreciation Bonds” means any bond issued under this Resolution as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding in the resolution authorizing said Bonds and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date

therefor, all as so designated by the Authority in the resolution authorizing said Bonds and which may be either Serial Bonds or Term Bonds;

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder;

“Construction Fund” means the fund so designated that is established and created by Section 401;

“Consulting Engineer” means the individual or individuals or firm or firms retained or employed by the Authority with experience with respect to feasibility analyses, financial planning, design, budgeting, operation, rate-setting and ability to provide Consulting Engineer's Certificates of the type and the character provided for herein for sewer systems or facilities of size and capacity comparable with the System;

“Consulting Engineer's Certificate” means a certificate, an opinion or a statement signed by the Consulting Engineer;

“Cost” has the meaning for “Cost” set forth in the Act;

“Counsel's Opinion” means an opinion signed by an attorney or a firm of attorneys of recognized standing (who may be counsel or of counsel to the Authority) selected by the Authority;

“District” means the geographical areas served by the Authority;

“Fiduciary” means the Trustee, the Registrar or any Paying Agent;

“Fiscal Year” means the Authority’s fiscal year as determined from time to time by the Authority;

“Funds” means the funds and accounts established under this Resolution;

“General Fund” means the fund so designated that is established and created by Section 502;

“Government Grant” means any sum of money heretofore or hereafter received by the Authority from the United States of America or any agency thereof or from the State of New Jersey or any agency thereof as or on account of a grant or contribution, not repayable by the Authority, in aid of or with respect to (a) the planning, the design, the construction, the acquisition or other development of any part of the System or any costs of any such construction, acquisition or development or (b) the financing of any such construction, acquisition or development costs;

“Herein,” “hereunder,” “hereby,” “hereto,” and “hereof” and any similar terms refer to this Resolution; the term “heretofore” means before the adoption of this Resolution; and the term “hereafter” means after the adoption of this Resolution;

“Initial Bonds” means the Bonds authorized pursuant to Section 301 and 302 of this Resolution;

“Initial Project” means the financing for the certain capital projects as described on Exhibit B attached hereto and the payment by the Executive Director or Superintendent, as applicable, of certain costs and expenses in connection with the issuance of the Initial Bonds from the proceeds of such Initial Bonds;

“Insurer” means the municipal bond insurance company, if any, issuing a policy of insurance on a Bond of the Authority, and its successors and assigns;

“Investment Obligations” means to the extent permitted by law:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (1) U.S. Export-Import Bank (Eximbank) - direct obligations or fully guaranteed certificates of beneficial ownership; (2) Farmers Home Administration (FmHA) - certificates of beneficial ownership; (3) Federal Financing Bank; (4) Federal Housing Administration Debentures (FHA); (5) General Services Administration - participation certificates; (6) Government National Mortgage Association (GNMA or "Ginnie Mae") - GNMA-guaranteed mortgage-backed bonds and GNMA-guaranteed pass-through obligations (not acceptable for certain cash-flow sensitive issues); (7) U.S. Maritime Administration - guaranteed Title XI financing; (8) U.S. Department of Housing and Urban Development (HUD) - Project Notes, Local Authority Bonds, New Communities Debentures (U.S. government guaranteed debentures), U.S. Public Housing Notes and Bonds (U.S. government guaranteed public housing notes and bonds).

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (1) Federal Home Loan Bank System - senior debt obligations; (2) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - participation certificates and senior debt obligations; (3) Federal National Mortgage Association (FNMA or "Fannie Mae") - mortgage-backed securities and senior debt obligations; (4) Student Loan Marketing Association (SLMA or "Sallie Mae") - senior debt obligations; (5) Resolution Funding Corp. (REFCORP) obligations and (6) Farm Credit System - consolidated system-wide bonds and notes.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(g) Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA (Investment Agreement criteria is available upon request).

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(k) the New Jersey Cash Management Fund.

(l) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Insurer (criteria available upon request).

Repurchase agreements must provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Authority (buyer/lender), and the transfer of cash from the Authority to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Authority in exchange for the securities at a specified date.

Repurchase agreements must be between the Authority and a dealer bank or securities firm, which is a primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's Corporation and Moody's Investor Services, or bank rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

The written repurchase agreement must include the following: (i) securities which are acceptable for transfer are direct U.S governments or federal agencies backed by the full faith

and credit of the U.S. government (including FNMA and FHLMC); (ii) the term of the repurchase agreement may be up to 30 days; (iii) the collateral must be delivered to the Authority, Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before or simultaneously with payment (perfection by possession of certificated securities); and (iv) valuation of collateral must occur weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Authority to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Authority, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of the collateral must equal 105%.

A legal opinion must be delivered to the Authority, which states that the repurchase agreement meets guidelines under state law for legal investment of public funds.

Reserve Fund investments may not have maturities extending beyond five years, except for investment agreements or repurchase agreements approved by the Insurer.

Any obligation designated in subparagraph (a) shall be considered to be an Investment Obligation for purposes of Section 1201;

“Maximum Annual Debt Service” means as of any particular date of computation and with respect to a particular Series of Bonds then Outstanding, an amount equal to the largest amount of money required to be raised in the then current or in any future Fiscal Year for interest payable on such Bonds and maturing principal of such Bonds and required payments to the Sinking Fund on account of such Bonds, all calculated on the assumption that the Bonds of such Series will cease to be Outstanding after such date of computation by reason of, but only by reason of (a) the payment of such Bonds at their respective maturities, and (b) the payment of all monies required to be paid into the Sinking Fund on account of such Series of Bonds in the amounts and at times so required by the terms hereof or any resolution of the Authority authorizing such Bonds and the immediate application of such moneys so paid into the Sinking Fund to the retirement of Bonds of such Series in accordance with their terms. For purposes of this computation, variable rate bonds shall be deemed to bear interest at all times to the maturity thereof at a rate equal to the greater of (1) the daily average interest rate on such Bonds during the twelve months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding and (2) the rate of interest on such Bonds on the date of calculation;

“Net Revenues” when used with respect to a period of time, means the excess (if any) of the Revenues for such period of time over the Operating Expenses for such period of time;

"New Jersey Environmental Infrastructure Trust" or "NJEIT" means that certain public body corporate and politic with corporate succession duly created and lawfully existing under the laws of the State, and such successor entities thereto;

“New Jersey Environmental Infrastructure Trust Financing Program” means the financing program operated through the New Jersey Environmental Infrastructure Trust and the State, acting by and through the New Jersey Department of Environmental Protection, in order to provide financing for certain priority projects within the State;

“Officer's Certificate” means a certificate signed by an Authority Officer;

“Operating Expenses” means the Authority's reasonable and necessary current expenses of maintaining, repairing and operating the System, including without limitation, all administrative, general and commercial expenses, insurance and surety bond premiums, payments to others for the provision or supply of sewer, engineering expenses, legal expenses, auditing expenses, payments to pension, retirement, health and hospitalization funds, any taxes that may be lawfully imposed on the Authority or its income or operations or the property under its control, ordinary and usual expenses of maintenance and repair, costs of service not paid from the Construction Fund, refunds of moneys lawfully due to others, and any other current expenses required or permitted to be paid by the Authority under the provisions hereof or by law, all to the extent properly and directly attributable to the System under generally accepted accounting principles, expenses in connection with the authorization of the Bonds and the expenses, liabilities and compensation of any Fiduciary required to be paid hereunder, but not including any reserves for operation, maintenance or repair or any allowance for depreciation, amortization, interest on obligations of the Authority, including the Bonds, or similar charges;

“Operating Fund” means the account so designated that is to be established and created by the Authority in accordance with Section 502;

“Outstanding,” when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (a) any Bonds canceled by the Trustee or proven to the satisfaction of the Trustee to have been canceled by the Authority or by any other Fiduciary at or before such date, (b) any Bond for the payment or the redemption of which either (1) cash, equal to the principal amount of or the Redemption Price thereof, as the case may be, with interest accrued and unpaid and interest to accrue to the date of maturity or the redemption date, or (2) moneys and/or Investment Obligations designated in subparagraph (a) of the definition thereof in the amounts, of the maturities and otherwise conforming with the provisions of Section 1201, shall have been deposited theretofore with one or more Fiduciaries in trust whether upon or prior to maturity or the redemption date of such Bonds and, except in the case of a Bond to have paid at maturity, or which notice of redemption shall have been given or provided for in accordance with Article VII and (c) any in lieu of or in substitution for which another shall have been authenticated and delivered pursuant to the provisions of the Resolution.

“Participant” means a direct participant in the book-entry System of a Securities Depository through which purchases of beneficial interests in the Bonds may be made;

“Paying Agent” means any paying agent for Bonds appointed by or pursuant to Section 1102, its successor or successors and any other corporation or association that at any time may be substituted in its place pursuant to this Resolution;



“Project” means any Initial Project and/or Additional Project.

“Principal Installment” means any payment of principal of Bonds under this Resolution and required by this Resolution or any supplement to it;

“Rebate Fund” means the account as designated that is established and created by Section 502;

“Record Date” means (1) the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each interest payment date, in the event that the interest payment date is the first (1st) day of a month, (2) the first (1st) day (whether or not a Business Day) of the calendar month in the event that the interest payment date is the fifteenth (15th) day of the month or (3) as otherwise provided for a Series of Bonds prior to its issuance by Supplemental Resolution;

“Registered Owner” means the owner of any registered as reflected on the register maintained by the Trustee or Registrar;

“Registrar” means any registrar or bond registrar for the Bonds appointed pursuant to Section 1103, and its successor or successors or any other corporation or association that may at any time be substituted in its place pursuant to this Resolution;

“Renewal and Replacement Fund” means the account so designated that is established and created by Section 502;

“Renewal and Replacement Requirement” means that amount needed as a reserve for the items listed in Section 509(b) as determined from time to time by a certificate of the Executive Director or Superintendent, as applicable, of the Authority.

“Resolution” means this Resolution as it may from time to time be amended, modified or supplemented;

“Revenues” means all fees, rents, user charges, connection fees and all other income derived or to be derived by the Authority from or for the operation, use or services of the System;

“Revenue Fund” means the account so designated that is established and created by Section 502;

“Secretary” means the Secretary or any Assistant Secretary of the Authority;

“Securities Depository” means a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended, including The Depository Trust Company, New York, New York, or its nominee, and the successors and assigns of any such entity;

“Series” refers to any Bonds authenticated and delivered on original issuance in a simultaneous transaction and so designated by the Supplemental Resolution authorizing such Series;

“Serial Bonds” shall mean the Bonds of a Series that shall mature in annual or semiannual installments;

“Sinking Fund” means the account so designated that is herein established and created by Section 502;

“Sinking Fund Installment” means the amount of money required by this Resolution or by a Supplemental Resolution of the Authority authorizing Additional Bonds adopted in conformity with the provisions of Article VIII to be paid into the Sinking Fund by the Authority toward the retirement of any Term Bonds but does not include any amount payable by reason only of a maturity of a Bond;

“Sinking Fund Requirement” means, as of any particular Withdrawal Date (as defined in Section 505) in a particular Fiscal Year and with respect to all Bonds Outstanding on such date, an amount of money equal to all prior Sinking Fund Installments then due and unpaid plus an amount equal to the amount of the Sinking Fund Installments due on or before the next ensuing December 31 that may be deemed to have accrued through the next ensuing Withdrawal Date;

“State” means the State of New Jersey;

“Supplemental Resolution” means any resolution of the Authority amending or supplementing this Resolution adopted and becoming effective in accordance with the terms of Article VIII;

“System” means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Township or the Authority for the purposes of the Authority’s wastewater system, including sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs, and other plants, structures, boats, conveyances, and other real and personal property, and right therein and appurtenances necessary or useful and convenient for the collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid wastes, night soil or industrial wastes, including the Initial Project;

“Term Bonds” shall mean the Bonds of a Series that shall be stated to mature on one date and that shall be subject to retirement by operation of the Sinking Fund;

“Township” means the Township of Logan, in the County of Gloucester, a municipal corporation of the State of New Jersey;

“Treasurer” means the Chief Financial Officer, Treasurer or any Assistant Treasurer of the Authority;

“Trustee” means TD Bank, National Association, appointed pursuant to Section 1101 and its successor or successors and/or any other corporation or association that at any time may be substituted in its place pursuant to this Resolution;

Words and terms used herein but not defined herein shall have the meaning assigned to such words or terms by this Resolution;

Words importing persons include firms, associations and corporations;

Words importing the maturity or the payment of a Bond do not include or connote the becoming due of such Bond upon redemption thereof prior to maturity pursuant to this Resolution or the payment of the Redemption Price thereof;

Words importing the redemption of, the redeeming or the calling for redemption of a Bond do not include or connote the payment of such Bond at its stated maturity, the payment of such Bond upon declaring the same due and payable in advance of such maturity or the purchase of such Bond; and words importing the singular number include the plural number and vice versa.

Section 103. Successors and Assigns. Whenever in this Resolution the Authority is named or is referred to it shall be deemed to include its successors and assigns whether so expressed or not. All of the covenants, the stipulations, the obligations and the agreements by or on behalf of and other provisions for the benefit of the Authority contained in this Resolution shall bind and shall inure to the benefit of such successors and assigns and shall bind and shall inure to the benefit of any officer, board, commission, authority, agent or instrumentality to whom or to which there shall be transferred by or in accordance with law any right, power or duty of the Authority or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions hereof.

Section 104. Parties Interested Herein. Nothing expressed or implied in this Resolution is intended or shall be construed to confer upon or to give to any person or corporation, other than the Authority, the Trustee, any other Fiduciary and the holders of the Bonds any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation thereof. All the covenants, the stipulations, the promises and the agreements contained in this Resolution by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee any other Fiduciary and the holders of the Bonds.

Section 105. Severability of Invalid Provisions. If any one or more of the covenants or the agreements in this Resolution to be performed on the part of the Authority, the Trustee or any other Fiduciary should be contrary to law, then such covenant or covenants, agreement or agreements shall be deemed severable from the remaining covenants and agreements and shall not affect the validity of the other provisions hereof or of the Bonds.

Section 106. Applicable Law. The Resolution being adopted pursuant to statutes of the State, the law of the State shall be applicable to its interpretation and construction.

## ARTICLE II

### STATUTORY DETERMINATIONS, OBLIGATIONS OF THE AUTHORITY AND LIMITATION ON AMOUNT OF FINANCING

Section 201. Authority for Resolution. This Resolution is adopted by virtue of the Act and pursuant to its provisions. The Authority has ascertained and hereby determines that each and every act, matter, thing or course or conduct as to which provision is made herein is necessary in order to promote, to carry out and to effectuate the purposes of the Authority in accordance with the Act, to carry out powers expressly given in the Act and to secure or to further secure the payment of the principal of and the interest on the Bonds.

Section 202. Purpose of Financing. The purpose of this Resolution is the financing of the Initial Project and any Additional Projects. The Authority hereby determines to undertake the Initial Project through the issuance of the Initial Bonds.

Section 203. Estimated Cost. The estimated Cost (as defined in the Act) of the Initial Project is an amount not to exceed \$5,000,000.

Section 204. Resolution to Constitute Contract. In consideration of the purchase and the acceptance of any or all of the Bonds by those who shall hold them from time to time, the provisions of this Resolution shall constitute a contract of the Authority with the holders from time to time of the Bonds. Any pledge made in this Resolution and the provisions, the covenants and the agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of the Bonds. All of the Bonds, regardless of the time or the times of their issuance, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

Section 205. Obligation of Bonds. The Bonds shall be direct and special obligations of the Authority, and the full faith and credit of the Authority are hereby pledged to the payment of the principal of and the interest on the Bonds.

### ARTICLE III

#### AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF THE BONDS

Section 301. Authorization and Issuance of Initial Bonds. (a) In accordance with the provisions of the Act and subject to and pursuant to the provisions hereof, and for the purpose of raising funds to pay the cost of the Initial Project, Initial Bonds of the Authority are hereby authorized to be issued by the Authority to pay for the cost of the Initial Project, in an aggregate principal amount not to exceed \$5,000,000. Such Initial Bonds shall be issued from time to time in accordance with the terms provided for in Section 302, herein, and such resolutions of the Authority adopted from time to time to supplement and to implement this Resolution as hereinafter provided.

(b) Form of Initial Bonds. Notwithstanding the provisions of Sections 302 and 306, contained herein, the Initial Bonds shall be in substantially the form described and contained in the Exhibit A hereto.

(c) Further Authorizations. Notwithstanding provisions to the contrary contained herein, the Authorized Officers of the Authority are hereby further severally authorized in connection with the authorization and issuance of the Initial Bonds to (i) execute and deliver, and the Secretary or Assistant Secretary of the Authority is hereby further authorized to attest to such execution and to affix the corporate seal of the Authority to, any document, instrument or closing certificate deemed necessary, desirable or convenient by the Authorized Officers, the Secretary or Assistant Secretary of the Authority, as applicable, in their respective sole discretion, after consultation with any such consultant or professional of the Authority, to be executed in connection with the execution and delivery of the Initial Bonds and the consummation of the transaction contemplated thereby, which determination being conclusively evidenced by the execution of each such certificate or other document by the party authorized hereunder to execute such certificate or other document, and (ii) perform such other actions as the Authorized Officers deem necessary, desirable or convenient in relation to the execution thereof.

Section 302. Terms of Bonds. (a) Each of the Initial Bonds authorized pursuant to Section 301 shall include the words “Sewer System Revenue Bond, Series \_\_\_\_\_” with the year of issuance being inserted in the designation. The Initial Bonds shall be issued in fully registered form with the rates of interest fixed to maturity, shall be dated the date, numbered and shall bear interest at the rate or rates, and shall mature on the date and in the years and in the amounts (subject to prior redemption, if any) as provided for and set forth in an Award Certificate (as defined herein) of the Executive Director or Superintendent, as applicable, of the Authority pursuant to subparagraph (b) of this Section.

(b) Delegation to Issue Initial Bonds. The Executive Director or Superintendent, as applicable, of the Authority is hereby designated as the individual who shall have the power to sell and to award the Initial Bonds (of the same or different series) on behalf of the Authority, including the power to determine, among other things (a) the amount of Initial Bonds to be

issued, in an amount not to exceed \$5,000,000, (b) the time and the manner of sale of the Initial Bonds, (c) the dated date, the denominations, designation and numbers, rate or rates of interest to be borne by the Initial Bonds, and (d) such other terms and conditions as may be necessary or related to the sale of the Initial Bonds. Such sale and award of the Initial Bonds shall be further evidenced by a certificate of the Executive Director or Superintendent, as applicable (the "Award Certificate"), dated as of the date of issuance of the Initial Bonds. The Award Certificate shall be presented by the Executive Director or Superintendent, as applicable, to the Board of Commissioners of the Authority at the next regular meeting of the Authority following such issuance as evidence of the terms and details of the sale of such Initial Bonds.

(c) Each of the Additional Bonds authorized pursuant to Section 314 shall include the words "Sewer System Revenue Bond, Series \_\_\_\_" with the year of issuance being inserted in the designation. Each Additional Bond shall be dated as of such date, shall mature on such date or dates, shall bear interest at such rate or varying rates per annum not exceeding any limitation thereon prescribed by law as shall be determined by the resolution of the Authority adopted prior to the day of delivery thereof and payment therefor.

(d) The Bonds of each Series shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of its Executive Director or Superintendent, as applicable, Chairman or Chairwoman or Vice-Chairman or Vice-Chairwoman; its corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon; and such seal and Bond shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. The Bonds shall bear thereon a certificate of authentication, in the form set forth in this Resolution, executed manually by the Registrar. Only such Bonds as shall bear such certificate of authentication thereon shall be entitled to any right or benefit under this Resolution, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the holder thereof is entitled to the benefits of this Resolution. The Bonds of each Series shall be issued in fully registered form, without interest coupons and shall be numbered consecutively from R-1, upwards in the order of their issuance, or in any other manner deemed appropriate by the Paying Agent and the Trustee. The Bonds shall be in Authorized Denominations.

(e) Interest on the Bonds of each Series shall be paid by check mailed or delivered or by wire transfer to the Registered Owner of such Bonds at the address on file with the Registrar. Principal of the Bonds of each Series will be payable upon presentation and surrender thereof by the Registered Owner or his duly authorized attorney at the principal corporate trust office of the Registrar or to the extent that the Bonds are issued in Book-entry form only, by wire transfer or by check mailed or delivered by the Registrar to the registered owner or by his duly authorized attorney at the address listed on the books of the Authority kept for that purpose at the corporate trust office of the Registrar. The principal of and the interest on the Bonds shall be payable in lawful money of the United States of America. The Bonds are transferable only upon the books of the Authority kept for that purpose at the office of the Registrar by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered

Owner or such duly authorized attorney, and thereupon the Registrar shall issue in the name of the transferee a new registered bond or bonds. The Registrar and any Paying Agent of the Authority may treat and consider the person in whose name the Bond is registered as the holder and the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or the interest due thereon and for all purposes whatsoever.

Section 303. Book-Entry System. The Bonds may be issued or subsequently registered in the name of a Securities Depository or a nominee therefor, and held in the custody of the Securities Depository. In such event, a single bond will be issued and delivered to the Securities Depository for each Series of Bonds, and neither the actual purchasers of the Bonds (the "Beneficial Owners") nor the Paying Agent will receive physical delivery of Bond certificates except as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds will receive, hold or deliver any Bond certificate. The Authority, the Trustee and the Paying Agent will recognize the Securities Depository or its nominee as the Bondholder for all purposes, including notices and voting.

The Authority and the Trustee covenant and agree, so long as The Depository Trust Company or any other Securities Depository serves as Securities Depository for the Bonds, to meet the requirements of The Depository Trust Company or such other Securities Depository with respect to required notices and other provisions of the letter of representations or agreement executed with respect to such Bonds.

The Authority, the Trustee and the Paying Agent may rely conclusively upon (a) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry System with respect to the Bonds and (b) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined through the books of the Securities Depository, the requirements in this Resolution of holding, delivering or transferring such Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository with respect to such actions to produce the same effect. Any provisions hereof permitting or requiring delivery of such Bonds shall, while such Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable state law.

The Authority may from time to time appoint a Securities Depository or a successor thereto and the Trustee and the Authority may enter into a letter of representation or other agreement with such Securities Depository to establish procedures with respect to the Bonds. Any Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

Neither the Authority, the Trustee nor the Paying Agent will have any responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (a) the accuracy of any records maintained by the Securities Depository or any Participant; (b) the payment by the Securities Depository or by any Participant



of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (c) the delivery of any notice by the Securities Depository or any Participant; (d) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Bonds; or (e) any other action taken by the Securities Depository or any Participant.

Bond certificates are required to be delivered and registered in the name of the Beneficial Owner, under the following circumstances:

(a) A Securities Depository determines to discontinue providing its service with respect to such Bonds and no successor Securities Depository is appointed as described above; or

(b) The Authority determines not to continue the Book-Entry System through a Securities Depository.

If, at any time, the Securities Depository ceases to be the registered owner of the Bonds, thereafter all references herein to the Securities Depository shall be of no further force or effect.

None of the Authority, the Paying Agent or the Trustee will have any responsibility or obligation to any Participant for the Book-Entry System or to the Beneficial Owners with respect to the records delivered to the Authority and the Trustee in order to accomplish the delivery and registration in the names of the Beneficial Owners.

Section 304. Negotiability. The Bonds shall be negotiable instruments.

Section 305. Application of Proceeds of Bonds. (a) In any instance other than the issuance of Bonds through or to the NJEIT wherein the application of proceeds of Bonds shall be determined in an Officer's Certificate, the Trustee shall deposit in the Bond Service Fund the amount (if any) of accrued interest received with respect to Bonds. Except as otherwise provided in subpart (b) of this Section, the Trustee shall deposit in the Bond Reserve Fund either the amount (if any) which is equal to the Bond Reserve Requirement or a Bond Reserve Credit Facility having a stated amount which (together with any proceeds so deposited) is at equal to the Bond Reserve Requirement, as applicable. The Trustee shall deposit in the Renewal and Replacement Fund the amount (if any) which is equal to the Renewal and Replacement Requirement. The Trustee shall deposit in the Operating Fund the amount (if any) which is equal to projected Operating Expenses of the Authority raised with the proceeds of Bonds. Any remainder of the proceeds of such Bonds shall be paid into the Construction Fund for application to payment of the Cost of the Initial Project in accordance with the written order of an Authority Officer.

(b) The proceeds of any Additional Bonds shall be deposited with the fiduciary in a separate account for the Authority. Such account shall be established as a separate account in the Construction Fund. The amounts in such account shall be withdrawn in accordance with the provisions of the Additional Bonds. All proceeds and earnings on investment of the proceeds in such account shall remain therein and be applied for costs of the Initial Project or Additional Project, including the payment of interest on the Additional Bonds.

Section 306. Form of Bond. Each Bond, the Certificate of Authentication of the Registrar appearing thereon and the Assignment of the Registered Owner in connection with the Bonds shall be substantially in the forms set forth in Exhibit A hereto, with such omissions, insertions, endorsements or variations as to recitals of fact, including provision for interest payments, as may be required by the circumstances or as may be necessary or appropriate to conform to the rules and the requirements of any governmental authority or any usage or requirement of law with respect thereto.

Section 307. No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or the interest on any Bonds or for any claim based thereon or on this Resolution against any member or officer of the Authority or any person executing the Bonds. The Bonds are not and shall not be in any way a debt or liability of the State of New Jersey or of any county or municipality and do not and shall not create or constitute any indebtedness, liability or obligation of such State or of any county or municipality, either legal, moral or otherwise.

Section 308. Interchangeability of Bonds. At the option of the Registered Owner, Bonds may be exchanged upon surrender thereof at the principal office of the Registrar with a written instrument or transfer satisfactory to the Registrar duly executed by the Registered Owner thereof or his attorney duly authorized in writing for an equal aggregate principal amount of Bonds of the same Series, designation, maturity and interest rate of any other authorized denominations.

Section 309. Ownership of Bonds and Effect of Registration. The Authority and any Fiduciary may treat and may consider the person in whose name any Bond for the time being shall be registered as the holder and the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or the Redemption Price thereof or interest thereon and for all other purposes whatsoever. Payment of or on account of the principal or the Redemption Price of or the interest on such Bond shall be made only to or upon the order of such Registered Owner thereof, but such registration may be changed or may be discharged as provided herein. All payments made as provided in this Section shall be valid and effectual to satisfy and to discharge the liability upon the several Bonds to the extent of the sum or sums so paid.

Section 310. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any Outstanding Bond shall become mutilated, the Registrar shall authenticate and shall deliver a new Bond of like tenor, number and amount as the Bond so mutilated in exchange and in substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond. If such Outstanding Bond is so mutilated as to be unable to identify the Bond and the owner thereof, then the Registrar may require such Bond to be treated as a Bond that is destroyed. In case any Outstanding Bond shall become destroyed, stolen or lost, the Registrar shall authenticate and shall deliver a new Bond of like tenor, number and amount as the Bond so destroyed, stolen or lost in lieu of and in substitution for a destroyed, stolen or lost Bond upon filing with the Registrar evidence satisfactory to the Authority and the Registrar that such Bond have been destroyed, stolen or lost and proof of ownership thereof and upon furnishing the Authority and the Registrar with indemnity satisfactory to them. As a condition to the reissuance

of Bonds, the Authority and the Registrar also may require compliance with other reasonable regulations and will require payment of such expenses as the Authority and the Registrar may incur in connection with such loss. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond that is due and payable, the Registrar may pay the amount due on such Bond to the owner thereof, provided all the other requirements of this Section have been met.

Section 311. Regulations with Respect to Registrations, Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or of transferring Registered Bonds is exercised, the Authority shall execute and the Registrar shall authenticate Bonds in accordance with the provisions hereof. For every registration, exchange or transfer of Bonds, the Authority or the Registrar may charge a sum sufficient to reimburse it for any tax or other governmental charge required to be paid, which sum, if not otherwise provided for, shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of effecting such registration, exchange or transfer. Neither the Authority nor the Registrar shall be required to make any registration, transfer or exchange of Bonds under the provisions of this Article during the period from any Record Date to the next succeeding interest payment date and, in the case of any proposed redemption of Bonds, after the fifteenth day of the month preceding the date of the first publication or of the mailing of notice of such redemption until such mailing nor shall be required to make any registration, exchange or transfer of any Bond selected or called for redemption. The Registrar shall deliver at the request of the Authority a statement of all Bonds issued in lieu of or in substitution for other Bonds pursuant to this Article including a report of the description and the disposition of such other Bonds.

Section 312. Issuance of Bonds and Disbursements of Proceeds of Sale and Other Funds. An amount not exceeding the aggregate principal amount of Bonds particularly authorized by this Resolution or a Supplemental Resolution of the Authority may be executed by or on behalf of the Authority and may be delivered to the Trustee for authentication by the Trustee or to the Registrar for authentication of any Series by the Registrar. Thereupon the Bonds shall be authenticated by the Trustee or by the Registrar. If authenticated by the Registrar, the Registrar shall deliver the authenticated Bonds to the Trustee, to the Authority or upon its order. Upon fulfillment of the conditions hereinafter set forth, the Bonds shall be delivered by the Trustee to the Authority or upon its order. The proceeds of sale of such Bonds, including accrued interest, together with other funds, if any, held by the Authority and not pledged or otherwise committed for a specific purpose shall be paid by the Authority simultaneously with the issuance of Bonds as provided in a Supplemental Resolution to be adopted prior to the authorization and the delivery of such Bonds.

Section 313. Conditions Precedent to Issuance of Bonds. (a) The Trustee shall not deliver to the Authority or to its order the Bonds pursuant to this Resolution or any Supplemental Resolution unless theretofore or simultaneously therewith there shall have been delivered or paid to the Trustee the following:

(1) A copy of this Resolution (including all amending and supplementing resolutions) certified by the Secretary of the Authority;

(2) A Counsel's Opinion stating, in the opinion of the signer, that this Resolution, as amended and supplemented, has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding on the Authority, the Trustee and the holders of the Bonds, that the Bonds are validly authorized in accordance with this Resolution, that the pledge and the lien made in this Resolution are valid and lawful and make the pledge and the lien purported to be made therein, and that all conditions precedent to the authentication of the Bonds by the Trustee have been satisfied and that the Trustee lawfully may authenticate the Bonds;

(3) The written order of the Authority as to the delivery of the Bonds, signed by an Authority Officer and stating the amount of the proceeds of sale of the Bonds;

(4) The amounts required to be delivered to the Trustee pursuant to a Supplemental Resolution adopted prior to authentication and delivery of the Bonds;

(5) Any further certifications or documents required by Supplemental Resolution adopted prior to authentication and delivery of the Bonds.

(6) In the case of bonds issued under the New Jersey Environmental Infrastructure Trust Financing Program, any further certifications or documents required by the New Jersey Environmental Infrastructure Trust Financing Program prior to authentication and delivery of such Bonds.

(b) It shall not be necessary for the Authority to liquidate any securities then held by it for the purpose of payment of the aforesaid amounts to the Trustee, and the Trustee is hereby authorized and directed to accept any such securities in whole or in part as funds delivered under authority of this Section provided that such securities would constitute Investment Obligations under this Resolution applicable to the account into which any such securities are deposited.

Section 314. Purposes, Authorization and Description of Additional Bonds. (a) Additional Bonds of the Authority may be authorized to be issued on parity with other Bonds issued under this Resolution pursuant to and in accordance with the Act either (1) for the purpose of raising funds to pay the Cost of acquisition or construction of part or parts of the System, other than the Initial Project, including extensions, renewals, replacements, equipment, alterations, improvements or betterments and of all or any property, rights, easements and franchises deemed by the Authority to be necessary or useful and convenient therefor, including any deposit or increase in any fund or account established by the Resolution incidental thereto or deemed by the Authority necessary in connection therewith, and further including any refunding temporary obligations or notes issued for such purposes (herein called an "Additional Project"), (2) for the purpose of raising funds to complete any Project; or (3) for the purpose of refunding any of the Bonds, including Additional Bonds, of the Authority.

(b) Any Series of Additional Bonds of the Authority shall be issued only after authorization thereof by a Supplemental Resolution of the Authority stating the purpose or the purposes of issuance of such Additional Bonds, directing the application of the proceeds thereof to such purpose or purposes, directing the execution and the authentication thereof and fixing and determining the date, the principal amount, the denominations, the designation and the

numbers thereof, the rate or the rates of interest or the maximum rate of interest to be borne thereby, the place or the places of payment thereof, the redemption privileges of the Authority, if any, with respect thereto, the amount and the date of each Sinking Fund Installment for the retirement of any Term Bonds and other provisions thereof in accordance with this Resolution. Upon such authorization and upon initial issuance, at one time or from time to time, such Additional Bonds may be executed by or on behalf of the Authority and may be delivered to the Registrar for authentication by the Registrars provided in this Resolution. Thereupon such Additional Bonds shall be authenticated by the Registrar. Upon fulfillment of the applicable conditions hereinbelow set forth in the next following Section, such Additional Bonds shall be delivered to the Authority or upon its order.

(c) All Additional Bonds shall be substantially in the form and the tenor of Bonds as provided in this Resolution, except that, notwithstanding any other provision of this Resolution, such Additional Bonds shall mature in such principal amounts, shall bear such denominations, shall bear such date, shall bear such designation as to Series, numbers or symbols prefixed to their number distinguishing them from each other Bond, shall be subject to redemption prior to maturity on such terms and conditions consistent with the provisions of this Resolution and may bear interest at such rate or such different or varying rates per annum as may be fixed by the Supplemental Resolution authorizing the issuance of such Additional Bonds or by Supplemental Resolution adopted prior to authentication by the Trustee or by the Registrar and determining the details thereof.

(d) No bonds, notes or other obligations of the Authority shall constitute Additional Bonds unless they are authenticated by the Trustee or Registrar as provided in this Resolution or shall be entitled to any right or benefit under this Resolution unless they are so authenticated, and no Additional Bond shall be valid and obligatory for any purpose of this Resolution unless such Additional Bond shall have been so authenticated.

(e) After their authentication and delivery, all Additional Bonds shall be deemed to constitute Bonds for all purposes hereof and shall be entitled to the pledge of the Revenues provided by this Resolution and shall have equal rank with the Bonds with respect thereto. All such Additional Bonds shall be entitled to the security and the benefit of such pledge and of the provisions of this Resolution equally with the Bonds and all Additional Bonds previously authenticated and delivered, except as otherwise expressly provided in this Resolution.

Section 315. Conditions Precedent to Issuance of Additional Bonds. In any instance other than the issuance of Bonds through or to the NJEIT wherein the conditions precedent to the issuance of Additional Bonds shall be determined in a Supplemental Resolution or an Officer's Certificate, (a) The Trustee shall not authenticate or deliver to the Authority or to its order any Additional Bonds pursuant to this Resolution unless there shall have been delivered or paid theretofore or simultaneously therewith to the Trustee the following:

(1) A copy of this Resolution, including a copy of the Supplemental Resolution certified by the Secretary of the Authority, authorizing such Additional Bonds, stating the purpose or the purposes of issuance of such Additional Bonds and otherwise conforming with the provisions of Section 314 and if such Additional Bonds are authorized for any purpose other than

the refunding of Bonds, describing in brief and general terms the part or the parts of the System (hereinafter in this Section called “improvement”) to be financed by the issuance of such Additional Bonds;

(2) A copy of each Supplemental Resolution if required, certified by the Secretary of the Authority fixing the rate or the rates of interest on such Additional Bonds and all other terms and provisions thereof not previously fixed by this Resolution;

(3) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1):

(A) an Accountant's Certificate setting forth as of the time immediately after the delivery of such Bonds by the Trustee the Bond Reserve Requirements, if any, and the Bond Service for the then current Fiscal Year (if any) and each future Fiscal Year for which there is Bond Service.

(B) a certificate of an Authority Officer setting forth (i) his estimate of the Net Revenues for the Fiscal Year immediately succeeding the completion of the part of the System financed by such Additional Bonds, calculated on the assumption that the Service Charges will be charged at the rates in effect on the date of such certificate or such higher rate as the Authority has covenanted by resolution to charge for such Fiscal Year, (ii) his opinion that the amount calculated in Section 315 (a)(3)(B)(i) for such Fiscal Year is not less than one hundred per centum of the debt service for each Fiscal Year. For purposes of the preceding sentence, debt service means the amount of Bond Service for each Fiscal Year as set forth in the Accountant's Certificate referred to in Section 315(a)(3)(A); and

(4) In the case of Additional Bonds, the written order of the Authority as to the delivery of such Additional Bonds, signed by an Authority Officer and stating (A) the amount of the proceeds of the sale of such Additional Bonds and any other funds to be deposited by the Authority, (B) the amount, if any, of such proceeds that will be deposited in the Bond Service Fund, (C) the amount, if any, or the delivery of a Bond Reserve Credit Facility, or any combination of the foregoing, which in any case, is required to be deposited in the Bond Reserve Fund so that the amount in such account equals the Bond Reserve Requirement immediately after authentication and delivery of such Additional Bonds, (D) the amount to be deposited in the Renewal and Replacement Fund, if any, so that the amount in such fund equals the Renewal and Replacement Requirement immediately after authentication and delivery of such Additional Bonds, and (E) the amount, if any, of such proceeds to be deposited in the Operating Fund;

(5) The amount, if any, stated in the written order referred to in subparagraph (4) above as the amount of such proceeds that will be paid by the Authority to the Trustee for deposit in accordance with Section 315(a)(4);

(6) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1), a certificate of the Consulting Engineer stating (A) the opinion that the improvement described in such Supplemental Resolution is a part of the System, (B) the opinion that the remainder of such proceeds after deducting the amounts referred to in Section 315(a)(5) and (6),

(if applicable), together with any other funds of the Authority then available or expected to be available therefor, will be sufficient to pay the Cost of acquisition or construction of such improvement and (C) the opinion as to the period of time that will be required for completion of the acquisition or the construction of the improvement;

(7) If such Additional Bonds are authorized for the purpose described in Section 314(a)(2), a certificate of the Consulting Engineer stating that the amount of proceeds of the Bonds to be available for construction, together with any other funds or accounts of the Authority then available or expected to be available therefor, will be sufficient, in his opinion, to pay the Cost of completion of acquisition or construction of the Initial Project or the Additional Project and any other amounts as may be required by this Resolution, as the case may be;

(8) A Counsel's Opinion approving the form of such Supplemental Resolution stating that such Additional Bonds are authorized to be issued for a purpose referred to in Section 314(a)(1), (2) or (3), that its terms and the provisions conform with the requirements of the Act and of this Resolution, that the order, the certificates and the amounts of money, if any, so delivered or paid to the Trustee constitute compliance with the conditions hereinabove stated for the authentication and the delivery of such Additional Bonds, that all conditions precedent to the authentication of the Additional Bonds have been satisfied, that the Trustee lawfully may authenticate the Additional Bonds, that the Additional Bonds will be authorized under this Resolution, that the Authority thereafter will be obligated so long as any Bonds remain Outstanding to operate and to maintain the System and to collect Revenues with respect to operation of the System pursuant to the Act all in accordance with this Resolution, that upon the execution, the authentication and the delivery of the Additional Bonds all Revenues thereafter to be derived with respect to the operation of the System, including any Additional Project to be financed with such Bonds, will be pledged under and subject to the lien and the pledge created by this Resolution free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to or of equal rank with the pledge created by this Resolution, that this Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms except as may be limited by bankruptcy or insolvency or other similar laws affecting creditor's rights generally and creates the valid pledge that it purports to create of the Revenues and all other moneys, securities and funds held or set aside or to be held or set aside under this Resolution subject only to the provisions of this Resolution permitting the withdrawal, the payment, the setting apart or the appropriation thereof for or to the purpose and on the terms and the conditions set forth in this Resolution, that the Authority is duly authorized and entitled to issue such Additional Bonds and that upon the execution, the authentication and the delivery thereof such Additional Bonds will be duly and validly issued and will constitute valid and binding obligations of the Authority entitled to the benefits of this Resolution;

(9) A certificate of the Secretary stating that this Resolution has not been repealed and that a copy of every Supplemental or amending Resolution theretofore adopted by the Authority has been delivered to the Trustee;

(10) A written order of the Authority as to the delivery of the Additional Bonds of such Series signed by an Authority Officer; and

(11) A receipt signed by the Treasurer stating that the proceeds of the sale of such Additional Bonds have been received by or on behalf of the Authority and setting forth the amount of such proceeds, including accrued interest;

(12) If such Additional Bonds are authorized for a purpose described in Section 314(a)(2):

(A) an Accountant's Certificate setting forth as of the time immediately after the delivery of such Bonds by the Trustee (i) the Bond Reserve Requirement, if any and (ii) the Bond Service for the then current Fiscal Year (if any) and each future Fiscal Year for which there is Bond Service.

(B) a certificate of an Authority Officer setting forth (i) his estimate of the Net Revenues for the Fiscal Year immediately succeeding the completion of the part of the System financed by such Additional Bonds, calculated on the assumption that the service rates will be charged at the rates in effect on the date of such certificate or such higher rate as the Authority has covenanted by resolution to charge for such Fiscal Year, (ii) his opinion that the amount calculated in Section 315 (a)(13)(B)(i) for such Fiscal Year is not less than one hundred per centum of the debt service for each Fiscal Year. For purposes of the preceding sentence, debt service means the amount of Bond Service for each Fiscal Year as set forth in the Accountant's Certificate referred to in Section 315(a)(13)(A);

(13) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1), (2) or (3), a certificate of an Authority Officer stating that the Authority is not in default under the terms of this Resolution;

(b) If such Additional Bonds are authorized for a purpose described in Section 314(a)(1) or (2), the proceeds shall be deposited in accordance with Section 305;

(c) If such Additional Bonds are authorized for the purpose described in Section 314(a)(3), the Trustee shall deposit in the Construction Fund an amount sufficient to pay the costs of issuance of such Additional Bonds and shall apply the remaining proceeds thereof to the refunding of such Bonds or in accordance with the Supplemental Resolution of the Authority authorizing such Additional Bonds;



## ARTICLE IV

### CONSTRUCTION FUND

Section 401. Establishment of the Construction Fund. The Authority hereby establishes and creates a special account, designated the Construction Fund to be held by the Trustee, but the provisions of this Article IV shall not apply to Bonds issued through or to the NJEIT unless the Authority or NJEIT so require. Any moneys received by the Authority from any source for payment of the Cost of construction or of acquisition of any part of the System may be deposited in the Construction Fund. Amounts received from the United States of America or from the State of New Jersey as grants in aid of construction of any part of the System, unless otherwise pledged for the payment of obligations of the Authority issued in anticipation of the receipt of such Government Grants, shall be deposited in the Construction Fund. Amounts in the Construction Fund shall be held by the Trustee in trust and shall be applied (in accordance with and subject to the limitations of this Article) to pay the Cost of the System. The Trustee shall establish within the Construction Fund a separate account for the Initial Project and each Additional Project described in any Supplemental Resolution of the Authority adopted pursuant to Article VIII. Any insurance proceeds (other than business interruption, use and occupancy insurance) received by the Authority in connection with the construction of the Initial Project or an Additional Project shall be deposited in the appropriate account in the Construction Fund. Notwithstanding this or any of the other provisions hereof, the Authority is authorized to issue project notes or other obligations in anticipation of the receipt of Government Grants and to pledge to the holders of such obligations the grant monies to be received so long as the proceeds received from the issuance of such obligations are deposited in the Construction Fund.

Section 402. Purpose of the Construction Fund. The Trustee shall make payments from the Construction Fund for the Cost of the System as provided in this Article. All payments from the Construction Fund shall be subject to the provisions and the restrictions set forth in this Article and the Authority shall not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions.

Section 403. Payments from the Construction Fund. The Trustee shall make payments from the Construction Fund in the amounts, at the times, in the manner and on the other terms and conditions set forth in this Section. Before any such payment shall be made, the Authority shall file with the Trustee:

- (a) its requisition therefor, stating in respect of each payment to be made: (1) the name of the person, the firm or the corporation to whom payment is due, (2) the amount to be paid and (3) in reasonable detail the purpose for which the obligation was incurred;
- (b) its certificate attached to the requisition certifying: (1) that obligations in the stated amounts have been incurred by the Authority and that each item therefor is a proper charge against the Construction Fund, is a proper Cost of the System and has not

been paid, (2) that there has not been filed with or served upon the Authority notice of any lien, right to lien or attachment upon or claim affecting the right to receive payment of any of the moneys payable under such requisition to any of the persons, the firms or the corporations named in such requisition or, if any such lien, attachment or claim has been filed or served upon the Authority, that such lien, attachment or claim has been released or discharged and (3) that such requisition contains no item representing payment on account of any retained percentages that the Authority is at the date of such certificate entitled to retain; and

(c) in the case of expenses for studies, surveys and estimates, engineering borings, preliminary investigations to determine foundation or other conditions, estimates of Costs or Revenues and other estimates necessary or incident to determining the feasibility or the practicability of the System or payments made for labor and to contractors, builders and material men in connection with such construction, payments made for sewers, machinery materials, conveyances and marine or other equipment and payments made for restoration of property damaged or destroyed in connection with such construction, a certificate signed by the Consulting Engineer and attached to such requisition certifying that the Consulting Engineer has made reasonable investigations and that to the best of its knowledge each such obligation has been properly incurred and that, insofar as such obligation was incurred for work, materials, supplies or equipment, such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the System or such materials, supplies or equipment were fabricated or were being fabricated for the construction thereof.

Upon receipt of each such requisition and accompanying certificates the Trustee either shall pay such requisition directly or shall transfer from the Construction Fund to the credit of a special account in the name of the Authority an amount equal to the total of the amounts to be paid as set forth in such requisition. The amounts in such special account shall be held solely for the payment of the obligations set forth in such requisition. In making such transfer, the Trustee may rely upon such requisition and accompanying certificates. If so transferred to the special account each such obligation shall be paid by check signed by any two authorized Authority Officers and drawn on such special account to the order of the person named in and in accordance with the requisition. Moneys deposited to the credit of such special account shall be deemed to be a part of the Construction Fund until paid out as provided above. If for any reason the Authority should decide prior to the payment of any item in a requisition to stop payment of such item, an Authority Officer shall give notice of such decision to the Trustee and thereupon the Authority shall transfer the amount of such item from such special account to the Construction Fund. The Trustee shall have no further obligation with respect to such funds upon disbursement from the special account or with respect to the propriety of such disbursement.

Section 404. Requisitions with Respect to Land Costs. If any requisition filed with the Trustee in accordance with Section 403 contains any item for payment of the Cost of acquisition of a fee simple interest in any land, there shall be attached to such requisition before any transfer or payment with respect to such item shall be made, in addition to the certificates mentioned in such Section:

(a) certificate of the Consulting Engineer to the effect that such land is being acquired and is necessary or useful and convenient for the construction of the System; and

(b) a Counsel's Opinion stating, in the opinion of the signer, that the Authority has the power under the provisions of the Act to acquire such land and that the Authority will have upon the payment of such item such right, title and interest as is or will be sufficient to provide the Authority with such undisturbed possession as the Authority requires for its purpose.

Section 405. Interim Investment of Construction Fund. Any moneys in the Construction Fund shall be invested by the Trustee, at the written direction of the Authority, in Investment Obligations provided the maturity of every such Investment Obligation shall not be later than 90 days or any longer period in accordance with the drawdown of funds projected in a Consulting Engineer's certificate of drawdown of funds filed with the Trustee showing that the funds are not needed within such 90 day period. Investment income shall be held in any account in the Construction Fund and applied in accordance with Article V.

Section 406. Disposition of Balance in Construction Fund. (a) If any time an Officer's Certificate stating that construction or reconstruction of the Initial Project or an Additional Project has been substantially completed shall have been filed by the Authority with the Trustee, accompanied by a Consulting Engineer's Certificate stating that an amount set forth in the Consulting Engineer's Certificate reserved in the account established in the Construction Fund for the Initial Project or the Additional Project will be sufficient, with respect to the Initial Project or the Additional Project, to pay all Costs of construction, any moneys in the Fund in excess of the amount set forth in the Consulting Engineer's Certificate shall be transferred from the Fund by the Trustee and shall be paid by the Trustee into such other account or accounts established in the Construction Fund for improvements to the System as may be specified in the Officer's Certificate or, if no other account shall be so specified the excess amount shall be paid into (1) the Bond Reserve Fund to such extent as shall not cause the amount in the Bond Reserve Fund to exceed the Bond Reserve Requirement and then into (2) the General Fund created by this Resolution to the extent of any remaining balance of such moneys.

(b) If at any time an Officer's Certificate stating that construction or reconstruction of the Initial Project or an Additional Project or part thereof has been abandoned in accordance with Section 605 or completed shall have been filed by the Authority with the Trustee, any moneys remaining in such account shall be transferred by the Trustee and shall be paid by the Trustee into (1) the Bond Reserve Fund to such extent as shall not cause the amount in the Bond Reserve Fund to exceed the Bond Reserve Requirement, (2) an account in the Construction Fund established by Supplemental Resolution for an improvement of the System for which Additional Bonds can be authorized under Section 314(a)(1) or Section 314(a)(2), or (3) the Sinking Fund for the purpose of redemption or purchase of Bonds issued for such Project or Additional Project. Such Bonds shall be called for redemption in accordance with instructions of the Authority.

(c) Notwithstanding any of the foregoing provisions of this Section, the Trustee shall transfer from the Construction Fund and shall pay into the Bond Service Fund any amounts

necessary for the payment, when due, of interest and principal on Bonds, if and to the extent the moneys or funds referred to in Section 506, Section 508, Section 509 or Section 510 are not sufficient therefor.

(d) No amount shall be withdrawn from or shall be paid out of the Construction Fund except as expressly provided in this Section or Section 403.

## ARTICLE V

### FUNDS, APPLICATION OF REVENUES AND OTHER MONEYS; BOND INSURANCE

Section 501. Pledge of Revenues and Other Moneys. Subject to the right and the obligation of the Authority to apply amounts for Operating Expenses of the System, all Revenues, moneys, securities and funds held or set aside or to be held or set aside pursuant to this Resolution by any Fiduciary or in any fund created by Section 502(a) are hereby pledged to secure the payment of the principal or the Redemption Price of and the interest on the Bonds. This pledge shall be valid and binding from and after the time of the delivery by the Trustee of the first Bond authenticated and delivered under this Resolution. The Revenues and other moneys, securities and funds so pledged and then or thereafter received by the Authority immediately shall be subject to the lien of such pledge without any physical delivery or further act. The lien of such pledge and the obligation to perform the contractual provisions hereby made shall have priority over any or all other obligations and liabilities of the Authority. The lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof.

Section 502. Establishment of Funds. (a) The Authority hereby establishes and creates the following Funds:

Revenue Fund

Operating Fund

Bond Service Fund

Sinking Fund

Bond Reserve Fund

Renewal and Replacement Fund

General Fund

Rebate Fund

The Operating Fund shall be held by the Authority and shall be used to pay for the Operating Expenses of the Authority. All other Funds shall be held by the Trustee.

(b) The Trustee shall also establish within the Bond Service Fund a separate subaccount for amounts received as Capitalized Interest for each Series of Bonds.

(c) Other funds or accounts may be created by Supplemental Resolution.

Section 503. Intentionally Omitted.

Section 504. Deposit of Revenues, Government Grants and Contributions. (a) All Revenues shall be collected by the Authority and shall be deposited daily, as far as practicable, in the name of the Trustee with a depository or depositories, each fully qualified under the provisions of Section 1205 and designated by the Authority to receive the same as deposits of moneys held by the Trustee and credited by the Trustee to the Revenue Fund.

(b) Statements giving the amount of each such deposit and the name of the depository shall be forwarded promptly to the Trustee by the Authority and by such depository. The Trustee shall be accountable under this paragraph only for moneys actually so deposited. All such Revenues shall be credited by the Trustee to the Revenue Fund. Unless otherwise directed by any other provision or this Resolution, any moneys other than the foregoing, received by the Authority from any other source for operating, maintaining or repairing the System may be paid to the Trustee and shall be paid into and shall be credited to the Revenue Fund by the Trustee.

(c) All Government Grants and any contributions from other sources for or with respect to the Initial Project or an Additional Project received by the Authority shall be deposited promptly in the name of the Trustee with the Trustee. The Trustee shall be accountable under this paragraph only for moneys actually so deposited. All such Government Grants and such contributions shall be paid by the Trustee (1) into the Construction Fund and credited to the account established and maintained therein for the Initial Project or an Additional Project, or (2) if such account shall not then be maintained, into the General Fund.

Section 505. Periodic Withdrawals from Revenue Fund. As of the first day of each month (in this Section sometimes called the "Withdrawal Date") in any Fiscal Year (except as otherwise herein provided) the Trustee shall make payments out of the amount (herein called the "Withdrawal") of any moneys in the Revenue Fund into the following several accounts, but as to each such account only within the limitation hereinbelow indicated with respect thereto and only after maximum payment within such limitation into every such account previously mentioned in the following tabulation:

First: Into the Operating Fund, the amount of Operating Expenses needed for the current month and next two succeeding months as shown in the Annual Budget then in effect, and such amount as are necessary for reimbursement of any prior payment of Operating Expenses which had been anticipated in the Annual Budget;

Second: Into the Bond Service Fund, to the extent, if any, needed to increase the amount in the Bond Service Fund so that it equals the Bond Service Requirement, and on a pro rata basis, into the Sinking Fund, to the extent, if any, needed to increase the amount then or theretofore paid during such Fiscal Year into the Sinking Fund pursuant to this clause Second so that it equals the Sinking Fund Requirement;

Third: Into the Bond Reserve Fund (as necessary), to the extent, if any, needed to increase the amount in the Bond Reserve Fund so that it equals the Bond Reserve Requirement;

Fourth: Into the Renewal and Replacement Fund, to the extent, if any, needed to increase the amount in the Renewal and Replacement Fund so that it equals the Renewal and Replacement Requirement;

Fifth: Into the General Fund, to any extent.

Section 506. Application and Restoration of Bond Service Fund. (a) Immediately prior to each interest payment date of the Bonds, the Trustee shall withdraw from the Bond Service Fund an amount equal to the unpaid interest due on the Bonds on or before such interest payment date, shall cause the same to be applied to the payment of such interest when due and shall transmit the same to Paying Agents, who shall apply the same to such payment.

(b) If the withdrawals required under the provisions of Section 506(a) with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Service Fund prior to each principal maturity date an amount equal to the principal amount of the Outstanding Bonds, if any, maturing on or before such day, shall cause the same to be applied to the payment of the principal of such Bonds when due and may transmit the same to Paying Agents, who shall apply the same to such payment.

(c) If the withdrawals required under the provisions of Section 506 (a) and (b) of this Section with respect to the same and every prior date shall have been made, the Trustee from time to time shall withdraw from the Bond Service Fund and shall pay into any account maintained in the Sinking Fund the amount sufficient to reimburse such account for any amount theretofore paid from such account for or on account of accrued interest on Bonds purchased in accordance with the provisions of Section 507.

(d) If at any time there shall not be a sufficient amount in the Bond Service Fund to provide for any withdrawal therefrom required under the provisions of Section 506 (a) or (b) after any deposit required under Section 510(a), if that section shall apply, the Trustee shall withdraw from the Bond Reserve Fund and shall pay into the Bond Service Fund or the Sinking Fund the amount sufficient to make up such deficiency therein. If the Bond Reserve Requirement is satisfied by a Bond Reserve Credit Facility, the Trustee shall give notice to the provider of such Facility as may be required to insure that the amounts, if any, to be drawn shall be available to make the required withdrawals from the Bond Service Fund and shall notify the Insurer.

(e) No amounts shall be withdrawn from or shall be paid out of the Bond Service Fund except as expressly provided in this Section or in Section 511 or in Section 1201.

Section 507. Application and Restoration of Sinking Fund. (a) Moneys paid into the Sinking Fund pursuant to Section 505 in any Fiscal Year shall be segregated upon receipt and

shall be set aside in such accounts in proportion to the respective amounts of the Sinking Fund Installments payable during the next ensuing Fiscal Year with respect to the particular Bonds for which each such account is maintained. Moneys paid into the Sinking Fund pursuant to Section 507 shall be set aside upon receipt in the account therein with respect to which such payment is a reimbursement. Moneys paid into the Sinking Fund pursuant to paragraph (b) of this Section on account of any particular Sinking Fund Installment shall be set aside in the account therein maintained for the particular Bonds entitled to such Sinking Fund Installment. Any interest or profit on any investment of moneys in any account in the Sinking Fund shall be deposited by the Trustee notwithstanding the provisions of Section 1205 in such account.

(b) If on the Withdrawal Date prior to any Sinking Fund Installment date the full amount of any Sinking Fund Installment payable on the Sinking Fund Installment due date next ensuing shall not have been paid into the Sinking Fund pursuant to Section 505, the Trustee shall withdraw from the Bond Reserve Fund and shall pay into the Sinking Fund on account of such Sinking Fund Installment the amount thereof not previously so paid into the Sinking Fund. If the Bond Reserve Requirement is satisfied by a Bond Reserve Credit Facility, the Trustee shall give notice to the provider of such Facility as may be required to insure that the amounts, if any, to be drawn shall be available to make the required withdrawals from the Bond Service Fund and shall notify the Insurer.

(c) The Trustee shall apply moneys in any account established in the Sinking Fund as provided in Section 506(a) to the purchase or the redemption of the Bonds for which such account is maintained in the manner provided in this Section or to the payment of the principal thereof at maturity, provided that no such Bonds shall be purchased during the period of sixty days next preceding the date of a Sinking Fund Installment established for such Bonds. If any date there shall be moneys in any such account and there shall be Outstanding none of the Bonds for which such account was established, such account shall be closed and the moneys therein shall be withdrawn therefrom as directed by the Authority and (1) be segregated and be set aside in the other accounts in the Sinking Fund by the Trustee as if paid into the Sinking Fund on such date pursuant to Section 505 or (2) if there be no such other accounts in the Sinking Fund, shall be paid into the Bond Reserve Fund, to the extent necessary, and then into the General Fund.

(d) The purchase price paid by the Trustee (excluding accrued interest but including any brokerage and other charges) for any Bond purchased pursuant to this Section shall not exceed the Redemption Price of such Bond applicable upon its redemption through application of the moneys available for such purchase on the next date on which such Bond could be redeemed in accordance with its terms by operation of the Sinking Fund. Subject to the limitations hereinbefore set forth or referred to in this Section, the Trustee at direction of the Authority shall purchase Bonds at such time, for such prices, in such amounts and in such manner (whether after advertisement for tenders or otherwise) as the Trustee in its discretion may determine and as may be possible with the amount of moneys available therefor in the Sinking Fund.

(e) As soon as practicable after the sixtieth and before the thirtieth day prior to the date of each Sinking Fund Installment, the Trustee shall call for redemption on the date of such Installment by operation of the Sinking Fund such principal amount of the Bonds entitled to such



Sinking Fund Installment as is required to exhaust as nearly as may be practicable the balance of such Sinking Fund Installment remaining after deduction therefrom of any part of such Sinking Fund Installment previously paid into or available in the Sinking Fund pursuant to Section 505, set aside in the account maintained therein as provided in Section 507(a) for such Bonds and applied to the purchase of such Bonds. On the redemption date the Trustee shall apply the moneys in such account to the payment of the Redemption Price of the Bonds so called for redemption. Subject to the limitations hereinbefore set forth or referred to in this Section, any amount of moneys in the Sinking Fund that were paid into the Sinking Fund otherwise than pursuant to Section 505 and that on the day following such Sinking Fund Installment date remain unexpended in the hands of the Trustee may and, if such amount is sufficient to effect redemption of Bonds in a principal amount equal to or exceeding \$25,000 shall be set aside by the Trustee and shall be applied to the redemption (through application of such moneys but in other respects as if otherwise than by operation of the Sinking Fund) of the largest principal amount of Bonds that may be redeemed on the next succeeding interest payment date by such application of such amount. All Bonds redeemed under the provisions of this Section shall be redeemed in the manner provided in a Supplemental Resolution. Prior to the redemption date the Trustee shall withdraw from the Sinking Fund the amount of the Redemption Price of such Bonds, shall cause the same to be applied to the payment of such Redemption Price when due and may transmit the same to Paying Agents who shall apply the same to such payment.

(f) No amount shall be withdrawn from or shall be paid out of the Sinking Fund except as expressly provided in this Section or in Section 511 or in Section 1201.

Section 508. Application of Bond Reserve Fund. (a) If on any Withdrawal Date all withdrawals or payments from the Bond Reserve Fund required by any other provision of this Resolution with respect to the same and every prior date shall have been made, the Trustee shall withdraw from the Bond Reserve Fund upon direction of the Authority the amount of any excess therein over the Bond Reserve Requirement as of such Withdrawal Date and shall pay any moneys so withdrawn into the Bond Reserve Fund, to the extent necessary, and then into the General Fund. The preceding sentence shall not apply to any amounts represented by a Bond Reserve Credit Facility.

(b) In the event the Bond Reserve Requirement is satisfied with a Bond Reserve Credit Facility, and reimbursement to the provider thereof is required to restore any amounts paid therefrom to continue to be payable thereunder, then such amount shall be paid out from the Bond Reserve Fund to such provider, but only to the extent required by the agreement with the provider of the Bond Reserve Credit Facility.

(c) No amount shall be withdrawn from or paid out of the Bond Reserve Fund except as provided in this Section or in Section 506, Section 507, Section 511 or Section 1201. Any amounts to be withdrawn from or paid out of the Bond Reserve Fund shall be first withdrawn from cash or Investment Obligations on deposit therein and then from amounts to be paid from the Bond Reserve Credit Facility.

Section 509. Application of Renewal and Replacement Fund. (a) (1) If on any date there shall be no funds in the Bond Reserve Fund and on such date there shall not be a sufficient

amount in the Bond Service Fund to provide for any withdrawal therefrom required under the provisions of Section 506(a), (b) or (c), the Trustee shall withdraw from the Renewal and Replacement Fund and shall pay into the Bond Service Fund the amount sufficient to make up such deficiency therein.

(2) If on any date there shall be no funds in the Bond Reserve Fund and the full amount of the Sinking Fund Requirement shall not have been paid into the Sinking Fund pursuant to Section 505, the Trustee shall withdraw from the Renewal and Replacement Fund and shall pay into the Sinking Fund the amount of the Sinking Fund Requirement not so paid into the Sinking Fund.

(3) If on any date the amount in the Bond Reserve Fund shall not equal the Bond Reserve Requirement and no funds shall be available in the General Fund to provide therefor, the Trustee shall withdraw from the Renewal and Replacement Fund and shall pay into the Bond Reserve Fund the amount required to cause the amount in the Bond Reserve Fund to equal the Bond Reserve Requirement.

(b) The Trustee shall withdraw from the Renewal and Replacement Fund amounts requisitioned by the Authority for improvements, constructions, reconstructions, betterments, major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals and for costs of equipment, all as related to the System, or, if necessary, for the Operating Expenses of the Authority. The Trustee shall apply such amounts by transferring the same to the Operating Fund in the event such amounts are for Operating Expenses and/or to the Construction Fund for any other amounts. Before any such transfer shall be made, the Authority shall file with the Trustee:

(1) its requisition therefor, stating the amount of such expenses and describing in reasonable detail the purpose of such expenditure; and

(2) a Certificate of an Authority Officer attached to such requisition stating the purpose of such expenditure and the opinion that the amount of such expenses is reasonable, that such expenditure is for a purpose described and permitted in Section 509(b) and such expenditure is necessary or desirable for the sound and economical operation or development of the System.

(c) If on any date all withdrawals or payments from the Renewal and Replacement Fund required by any other provisions of this Resolution with respect to the same and every prior date shall have been made and the amount in the Renewal and Replacement Fund exceeds the Renewal and Replacement Requirement, the Trustee shall withdraw from the Renewal and Replacement Fund the amount of such excess and shall pay the moneys so withdrawn into the General Fund.

(d) No amount shall be withdrawn from or paid out of the Renewal and Replacement Fund except as expressly provided in this Section, in Section 511 or in Section 1201 or to pay any principal of or interest on Bonds in accordance with their terms as the same become due.

Section 510. Application of General Fund. (a) If on any date the amount in the Bond Service Fund shall be less than the Bond Service Requirement as of such date, the Trustee shall withdraw from the General Fund and shall pay into the Bond Service Fund the amount needed to increase the amount in the Bond Service Fund so that it equals such Bond Service Requirement.

(b) If on any date the amount in the Sinking Fund shall be less than the Sinking Fund Requirement as of such date, the Trustee shall withdraw from the General Fund and shall pay into the Sinking Fund the amount needed to increase the amount in the Sinking Fund so that it equals such Sinking Fund Requirement.

(c) If on any date the amount in the Bond Reserve Fund shall be less than the Bond Reserve Requirement as of such date, the Trustee shall withdraw from the General Fund and shall pay into the Bond Reserve Fund the amount needed to increase the amount in the Bond Reserve Fund so that it equals such Bond Reserve Requirement.

(d) If on any date the amount in the Renewal and Replacement Fund shall be less than the Renewal and Replacement Requirement as of such date, the Trustee shall withdraw from the General Fund the amount needed to increase the amount in the Renewal and Replacement Fund so that it equals the Renewal and Replacement Requirement.

(e) Notwithstanding any other provision of this Resolution, whenever at any date in any Fiscal Year (1) the amount in the Bond Service Fund equals or exceeds the Bond Service Requirement, (2) the amount in the Sinking Fund equals or exceeds the aggregate amount of all Sinking Fund Installments payable during the next ensuing Fiscal Year, (3) the amount in the Bond Reserve Fund equals or exceeds the Bond Reserve Requirement, (4) the amount in the Renewal and Replacement Fund equals or exceeds the Renewal and Replacement Requirement and (5) the Authority is not in default in the payment of the principal of, the interest on or the Redemption Price of any of the Bonds, the Trustee (A) upon the filing with it of an Officer's Certificate requesting such withdrawal, shall withdraw from the General Fund the amount stated in such Officer's Certificate and shall pay such amount into the Revenue Fund, or (B) upon direction by resolution of the Authority shall withdraw from and shall pay out of the General Fund, free and clear of any lien or pledge created by the Resolution, the amounts referred to in such resolution. All amounts so withdrawn by the Trustee from the General Fund immediately upon withdrawal shall be paid to the Authority and may be spent by the Authority for any lawful purpose, including payments with respect to subordinate debt. All amounts so paid to the Authority forthwith upon withdrawal shall be forever free and clear of any lien or pledge created by this Resolution.

(f) No amount shall be withdrawn from or shall be paid out of the General Fund except as expressly provided in this Section, Section 511 or Section 1201 and to pay principal of or interest on the Bonds in accordance with their terms as the same become due.

Section 511. Rebate Fund. All moneys which are subject to rebate to the United States Government pursuant to the provisions of the Code, as determined in accordance with the terms of Section 609, shall be deposited in the Rebate Fund. Moneys which are on deposit in the Rebate Fund shall be invested by the Trustee in such Investment Obligations as may be directed

by the Authority in accordance with the provision of Section 512; provided however, that such investments shall mature in such amounts and at such times as shall permit fund to be available when needed to make payments to the United States Government in accordance with the terms of Section 609. All income from such Investment Obligations shall be held within the Rebate Fund to the extent required by the provisions of the Code. Any moneys in the Rebate Fund which are determined to be not subject to rebate, shall be withdrawn from the Rebate Fund and deposited into the General Fund.

Section 512. Directions to Invest. The Trustee, upon receipt from time to time of directions from the Authority, or from someone designated by the Authority in writing, shall invest moneys held by it pursuant to and within the limitations of this Article V in such Investment Obligations, as may be directed by the Authority, provided however, that any investment of amounts representing Capitalized Interest shall be invested only in Investment Obligations described in subparagraph (a) of the definition thereof maturing at such times and in such amounts as are necessary to match the payment of interest on the Series of Bonds. Directions to the Trustee may be given orally by the Authority and confirmed in writing. Except as otherwise provided herein, all income from such Investment Obligations shall be credited to the Revenue Fund.

Section 513. Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account except the Bond Reserve Fund, Investment Obligations shall be valued at the lower of cost or market price thereof. With respect to all funds and accounts except the Bond Reserve Fund, valuation shall occur on March 31 of each year or such other annual date as an Authority Officer shall designate. The Bond Reserve Fund shall be valued semiannually at fair market value and marked to market at least once per year, except in the event of a withdrawal from the Bond Reserve Fund, whereupon it shall be valued immediately after such withdrawal and monthly thereafter until the Bond Reserve Fund is at its required level. If amounts on deposit in the Bond Reserve Fund, at any time, be less than the applicable Bond Reserve Requirement, the Insurer, if any, shall be notified immediately and such deficiency shall be made up from first available moneys after required deposits to the Bond Service Fund (a) over a period of not more than four months, in the four (4) substantially equal payments in the event that such deficiency results from a decrease of 10% or more in the market value of the Investment Obligations on deposit in the Bond Reserve Fund and (b) over a twelve (12) month period, in four (4) substantially equal quarterly payments, in the event such deficiency results from a withdrawal from such Bond Reserve Fund.

Section 514. Credit Facility or Liquidity Facility. In the event the Bonds of any Series are entitled to the benefits of a direct pay letter of credit or other credit facility or liquidity facility, the Trustee, in lieu of making payments from the Bond Service Fund to the Paying Agent or to the Bondholders and with the consent of the Insurer, may reimburse the credit facility issuer or the liquidity facility issuer by applying moneys from the Bond Service Fund for amounts paid by the credit facility issuer or the liquidity facility issuer to the Paying Agent or to the Bondholders for amounts otherwise required to be paid by the Trustee to the Bondholders. Any such reimbursement shall be subordinate to the payment of debt service on the Bonds and subordinate to the deposits required to be made into the Bond Reserve Fund, if any.

## ARTICLE VI

### PARTICULAR COVENANTS OF AUTHORITY

Section 601. General. The Authority hereby particularly covenants and agrees with the Trustee and with the holders of the Bonds and makes provisions that shall be a part of its contract with such holders to the effect and with the purpose set forth in the following provisions and Sections of this Article.

Section 602. Payment of Bonds. The Authority duly and punctually shall pay or shall cause to be paid the principal or the Redemption Price of every Bond and the interest thereon at the dates and the places and in the manner mentioned in the Bonds according to the true intent and meaning thereof and shall pay to the Trustee any part of any Sinking Fund Installments payable on or before such due day that has not previously been paid into the Sinking Fund pursuant to any other provisions of this Resolution,

Section 603. Construction and Completion of Initial Project and Additional Projects. The Authority shall construct and shall complete the acquisition and the construction of the Initial Project and any Additional Projects, shall cause all connections to be made to the System and shall do all other acts and things necessary and reasonably possible to entitle it to collect Revenues with respect to the System at the earliest practicable time.

Section 604. Operation and Maintenance of System. The Authority at all times shall operate the System properly and in a sound and economical manner, shall maintain, shall preserve and shall keep it properly or shall cause it to be so maintained, preserved and kept with the appurtenances and every part and parcel thereof in good repair, working order and condition and from time to time shall make or shall cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

Section 605. Abandonment of Construction. Nothing contained in this Resolution shall require the Authority to complete the construction of any Project, Additional Project or part thereof if there shall have been filed with the Trustee (1) an Officer's Certificate stating that in the opinion of the Authority abandonment of the construction of such Project, Additional Project or part thereof is economically justified and is not prejudicial to the interest of the Authority, the Customers or the Bondholders and (2) a Counsel's Opinion that abandonment of construction of such Project, Additional Project or part thereof will not prejudice the rights of Bondholders thereunder and (3) a Consulting Engineer's Certificate to the effect that the opinion set forth in the Officer's Certificate described in subsection (1) of this Section is not unreasonable.

Section 606. Offices for Servicing Bonds. The Authority at all times shall maintain an office or an agency in the State or in the Borough of Manhattan, City and State of New York, where Bonds may be presented for registration, transfer or exchange and where Bonds may be presented for payment or redemption. The Authority hereby irrevocably appoints the Registrar as its agent to maintain such office for the registration and transfer or the exchange of Bonds. The Authority shall appoint one or more Paying Agents as its agent to maintain such office for the payment or the redemption of Bonds.

Section 607. Annual Budget. The Annual Budget shall be adopted and shall be prepared in accordance with the requirements of the Local Authorities Fiscal Control Law notwithstanding any requirements of this Resolution to the contrary and shall be filed with the Trustee upon adoption thereof.

Section 608. Creation of Liens; Subordinated Indebtedness. The Authority shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds (including Additional Bonds) secured by a pledge of or other lien or charge on the Revenues (including amounts that the Authority thereafter may be entitled to expend for Operating Expenses) and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by the Trustee, the Registrar or any Paying Agent under this Resolution provided, however, that neither this Section nor any other provision of this Resolution shall prevent the Authority from issuing bonds or notes or other obligations for the purposes of the Authority payable out of or secured by a pledge of Revenues to be derived on and after such date as the pledge of the Revenues provided in this Resolution shall be discharged and satisfied as provided in Section 1201 or from issuing bonds or notes or other obligations (herein sometimes called subordinate indebtedness) for the purposes of the Authority that are payable out of or secured by a pledge of Revenues subordinate to the rights of Bondholders and (a) are issued for a purpose, the completion of which in the opinion of the Consulting Engineer as evidenced by certificate filed with the Trustee, will not cause a reduction in Revenues to be thereafter derived by or for the account of the Authority (other than available surplus funds in the General Fund), (b) recite on their face that such pledge of such amounts is and shall be in all respects subordinate to the provisions of this Resolution and the lien and the pledge created by this Resolution as well as the Initial Bonds or Additional Bonds and the lien and the pledge created by this Resolution and, if notes, (c) recite on their face that the Authority covenants that, such notes shall be redeemed by Additional Bonds or available funds of the Authority. The payment of subordinate indebtedness may not be accelerated pursuant to any resolution authorizing such indebtedness unless the payments on the Bonds shall have been accelerated under the Resolution.

Section 609. Compliance with Code and Arbitrage Regulations. (a) The Authority shall at all times do and perform all acts and things which are necessary in order to ensure that interest on any Series of Bonds that are issued on a tax exempt basis shall be excluded from gross income for purposes of federal income taxation under the Code.

(b) The Authority shall not permit at any time or times any of the proceeds derived from the sale of any Series of Bonds to be used, directly or indirectly, to acquire any securities or obligations the acquisition of which would cause any of the bonds issued on a tax exempt basis to be an “arbitrage bond” under the relevant provisions of the Code.

(c) In the event the Authority does not spend the gross proceeds derived from the sale of any Series of Bonds within the succeeding six (6) month period commencing on the date of issuance, the Authority shall direct the Trustee in writing to rebate to the United States of America on behalf of the Authority the amount to be calculated in accordance with the Code by the Authority or its representatives. Each year, on the anniversary date of the issuance of any Series of Bonds, the Authority shall determine the amount of the rebate which is due to the United States on behalf of the Authority and shall promptly pay such amount to the Trustee for deposit in the Rebate Fund to the extent that such amount is not then on hand in the Rebate Fund.

For each investment of the proceeds derived from the sale of any Series of Bonds in a Non-Purpose Investment, the Authority shall direct the Trustee to record the following information: purchase date, purchase price, fair market value, face amount, stated interest rate, any accrued interest due on its purchase date, frequency of interest payments, disposition date, and Yield to maturity as provided by the Authority. The Yield to maturity for an investment presently means that discount rate, based on a compounding frequency which is the same as that on any Series of Bonds (or such other compounding permitted by the Code), which when used to determine the present value, on the purchase date of such investment or the date on which the investment becomes a Non-Purpose Investment, whichever is later of all payments of principal and interest on such investment gives an amount equal to the fair market value of such investment including accrued interest due on such date.

The rebate amount shall be paid in installments which shall be made at least once every five (5) years from the date of issuance of any Series of Bonds. The first such installment shall be due to the United States on behalf of the Authority not later than thirty (30) days after the end of the fifth (5th) year following the date of issuance of any Series of Bonds and shall be in an amount which ensures that at least ninety percent (90%) of the amount described above with respect to any Series of Bonds is paid. Each subsequent payment shall be made not later than five (5) years after the date the preceding payment was due. Within sixty (60) days after the payment of any Series of Bonds, the Authority shall direct the Trustee, in writing, to pay to the United States on behalf of the Authority one hundred percent (100%) of the aggregate amount due with respect to any Series of Bonds which have not theretofore paid.

At the (1) maturity of any Series of Bonds, (2) if any Series of Bonds are redeemed prior to maturity, the date on which any Series of Bonds are redeemed, (3) each year, on the anniversary date of the issuance of any Series of Bonds, and (iv) any other date that may be required by the Code (the "Computation Date"), the Authority shall determine the amount of the rebate which shall be payable to the United States on behalf of the Authority and shall promptly deliver written notice of such amount and the detailed basis of calculation therefore to the Authority and to the Trustee. On each Computation Date, if such rebate amount exceeds the amount which is then on deposit in the Rebate Fund, such Rebate amount shall be transferred by the Trustee at the written direction of the Authority to the Rebate Fund until such amount is paid as a rebate to the United States. If there is not a sufficient amount in the Rebate Fund for such transfer, the Authority shall promptly pay to the Trustee, from other sources, the amount which is necessary to make up such deficiency.

Section 610. Rates and Charges. With respect to all direct or indirect use of the System, the Authority shall make, shall impose, shall charge and shall collect service charges in accordance with the Act. Such service charges shall be so fixed, charged and collected under the Act so that the Revenues for each Fiscal Year will be at least sufficient to pay (1) Operating Expenses in the Fiscal Year, (2) one hundred and twenty percent (120%) of all interest on and principal of all Bonds as the same shall become due and payable without recourse to or withdrawal from the Bond Reserve Fund and (3) all other amounts that are required to be paid pursuant to this Resolution. For purposes of this Section 610, Revenues shall be deemed to include any funds which the Authority deposits in the Revenue Fund, regardless of the source thereof.

Section 611. Insurance. The Authority will obtain all insurance that is reasonable and necessary with respect to the System, the operation of the System or the construction of the System.

Section 612. Sale or Encumbrance. No part of the System shall be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of; provided however, that the Authority may sell, and/or exchange or may lease at any time and from time to time on such terms as the Authority in its sole discretion may determine any property or facilities constituting part of the System and determined by the Authority by resolution as not being useful or necessary in the construction, the reconstruction or the operation thereof or not otherwise required for the efficient operation of the System. Any proceeds of any such sale or exchange received and not used to replace such property so sold or exchanged shall be paid to the Trustee to be deposited in accordance with this Resolution. Any proceeds of any lease received shall be deposited by the Authority as Revenues.



## ARTICLE VII

### REDEMPTION OF BONDS

Section 701. Privilege of Redemption and Redemption Prices. The Bonds of any Series that are redeemable prior to maturity at the option of the Authority shall be subject to redemption by or on behalf of the Authority, prior to maturity and upon notice as provided in this Article, to such extent, through application of such moneys, at such time or times, in such order and on such other terms and conditions as shall be provided by this Resolution and referred to in the form of such Bonds and in all cases at the Redemption Prices set forth in such Bonds and applicable upon such redemption, together with interest accrued to the redemption date.

Section 702. Selection of Bonds to be Redeemed. If less than all of the Bonds of any Series of like maturity then Outstanding are to be redeemed, the Authority shall designate the amount of Bonds of each Series to be redeemed, and if less than all of the Outstanding Bonds of any Series shall be called for redemption, the Bonds to be so redeemed shall be selected by the Trustee by lot or as otherwise provided by Supplemental Resolution authorizing such Series. In selecting Bonds to be redeemed, the Trustee shall treat each Bond as consisting of the quotient of the amount of the principal value of such Bond divided by \$5,000, provided that no Bond shall be redeemed which would result in the unredeemed portion thereof aggregating less than an Authorized Denomination.

Section 703. Notice of Redemption. When the Trustee shall be required or authorized or shall receive notice from the Authority of its election to redeem Bonds of any Series, the Trustee in accordance with the terms and provisions of the Bonds and of this Resolution shall select the Bonds to be redeemed and shall give notice in the name of the Authority of the redemption of Bonds. Such notice shall specify the Series and the maturities of the Bonds to be redeemed, the redemption date and the place of the places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and the numbers or other distinguishing marks of such Bonds so to be redeemed. In the case of a Bond to be redeemed in part only, such notice shall also specify the portion of the principal amount thereof to be redeemed. Such notice shall state further that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof or the Redemption Price of the specified portion of the principal thereof in the case of a Registered Bond to be redeemed in part only, together with interest accrued to such date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be given by the Trustee by mailing a copy of such notice, postage prepaid, not less than thirty (30) days before such redemption date, to the Registered Owner of any Bond all or a portion of which is to be redeemed at his last address, if any, appearing upon the registry books kept by the Registrar, and to the Insurer, but receipt of such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds. If at the time of mailing of any notice of redemption there shall not be on deposit with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that such redemption is subject to the deposit

of the redemption moneys with the Trustee not later than the opening of business on the redemption date and that such notice shall be of no effect unless such moneys are so deposited.

Section 704. Authority's Election to Redeem. The Authority shall give written notice to the Trustee and the Insurer of its election to redeem Bonds of any Series and of the redemption date. Such notice shall be given at least sixty days prior to the redemption date or at such later date as shall be acceptable to the Trustee. In the event that the required notice of redemption shall have been given, the Authority shall and hereby covenants that it will pay to the Trustee prior to the redemption date an amount in cash that, in addition to any other moneys available therefor held by the Trustee, will be sufficient to redeem at the Redemption Price thereof, plus interest accrued to the redemption date, all of the Bonds that are to be redeemed.

Section 705. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 703, the Bonds of any Series or the portions thereof called for redemption and specified in such notice shall become due and payable on the redemption date specified in such notice at the Redemption Prices thereof applicable on such date, plus unpaid interest on such Bonds or portions thereof accrued to such date. Upon presentation and surrender thereof at the place or the places specified in such notice and to the Registered Owner of the Bonds, or to his order, upon surrender of a written instrument of transfer duly executed by the Registered Owner or by his attorney duly authorized in writing or to such attorney in fact. If there shall be so called for redemption less than all of a Bond, the Authority shall execute and the Registrar shall authenticate and shall cause to be delivered, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered registered Bonds of like Series, designation, interest rates and maturities in any of the authorized denominations. If on such redemption date moneys for the redemption of all the Bonds or the portions thereof of any like Series and maturity to be redeemed, together with interest thereon accrued and unpaid to such date, shall be held by or on behalf of the Trustee, the Registrar or the Paying Agent so as to be available therefor on such date. If notice of redemption thereof shall have been provided as aforesaid, then from and after such redemption date, interest on the Bonds or the portions thereof of such Series and maturity so called for redemption shall cease to accrue and to become payable, and such Bonds shall no longer be considered as Outstanding hereunder. All moneys held by or on behalf of the Trustee, the Registrar or the Paying Agent for the redemption of particular Bonds shall be held in trust for the account of the holders of the Bonds so to be redeemed.

## ARTICLE VIII

### SUPPLEMENTAL RESOLUTIONS

Section 801. Supplemental Resolutions Effective Upon Adoption. A Supplemental Resolution shall be fully effective in accordance with its terms upon its adoption by the Authority to modify or to amend any of the terms or the provisions of this Resolution if no Bonds are Outstanding.

Section 802. Supplemental Resolutions Effective Upon Filing. A Supplemental Resolution for any one or more of the following purposes shall be fully effective in accordance with its terms and upon the filing with the Trustee of a copy thereof certified by an authorized officer of the Authority together with a Counsel's Opinion as required by Section 805:

(a) To close this Resolution against or to provide limitations and restrictions in addition to the limitations and the restrictions contained in this Resolution on the issuance of Bonds or of other notes, bonds, obligations or evidences of indebtedness in the future;

(b) To add to the covenants or the agreements of the Authority contained in this Resolution other covenants or agreements to be observed by the Authority that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) To add to the limitations or the restrictions contained in this Resolution other limitations or restrictions to be observed by the Authority that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by this Resolution;

(e) To confirm, as further assurance, any pledge of or lien upon the Revenues or any other moneys, securities or funds;

(f) To specify, to determine or to authorize any and all matters and things relative to the Bonds or to the proceeds thereof that are not contrary to or inconsistent with this Resolution;

(g) To authorize Additional Bonds or, in connection therewith, to specify, to determine or to authorize the matters and the things mentioned or referred to in Article III and also any other matters and things relative to such Bonds or the proceeds thereof that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(h) To modify or to amend any of the terms or the provisions of this Resolution provided that such modification by its terms shall not take effect until all Bonds Outstanding on the date of adoption of such Supplemental Resolution shall have ceased to be Outstanding.

Section 803. Supplemental Resolutions Effective Accompanied by an Opinion of Counsel. A Supplemental Resolution for any one or more of the following purposes shall be fully effective in accordance with its terms upon (a) the filing with the Trustee of a copy thereof certified by an authorized officer of the Authority; (b) the filing of a Counsel's Opinion as required by Section 805 and (c) the giving of a notice to Bondholders mailed to holders of Registered Owners of Bonds, summarizing the nature of the amendment and providing that the Bondholders may protest the amendment by filing a petition signed by no less than 5% of the Outstanding Bondholders with the Trustee within sixty (60) days of such publication, in which case the amendment shall only take effect as provided in Section 804:

- (1) To cure any ambiguity, to supply any omission or to cure or to correct any defect or inconsistent provision in this Resolution;
- (2) To insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and as are not contrary to or inconsistent with this Resolution as theretofore in effect; and
- (3) To modify or to amend this Resolution in any manner that is not detrimental to the Trustee or to the Bondholders; and

Section 804. Supplemental Resolutions Effective with Consent of Bondholders. Any Supplemental Bond Resolution not effective in accordance with Sections 801, 802 and 803 shall take effect only if permitted and in the manner prescribed by Article IX.

Section 805. Filing of Counsel's Opinion. Each Supplemental Resolution described in Sections 802 and 803 shall be accompanied, when filed with the Trustee, by a Counsel's Opinion to the effect that such Resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of this Resolution, is authorized or is permitted by this Resolution and, when effective, will be valid and binding upon the Authority, the Bondholders and the Trustee.

Section 806. Authorization to Trustee. The Trustee is hereby authorized to accept the delivery of a certified copy of any resolution of the Authority referred to and permitted or authorized by Sections 801, 802 or 803, to take all actions necessary hereunder to cause such amendment to become effective and make all further agreements and stipulations that may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such resolution is authorized or permitted by the provisions of this Resolution or contains no provisions that are contrary to or inconsistent with this Resolution as theretofore in effect.

**ARTICLE IX**  
**AMENDMENTS**

Section 901. Mailing; Application of Article. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed by first class mail postage prepaid only to each Registered Owner of Bonds then Outstanding at his address, if any, appearing upon the books of the Authority kept at the principal office of the Registrar.

Section 902. Powers of Amendment. Any modification or amendment of this Resolution and of the rights and the obligations of the Authority and of the holders of the Bonds, in any particular, may be made by a Supplemental Resolution with (a) the written consent given as hereinafter provided in Section 903 of the holders of at least two-thirds in principal amount of the Bonds Outstanding affected by the modification or the amendment, (b) to the extent that any Outstanding Bonds are insured by an Insurer, the written consent of such Insurer. However, no such modification or amendment shall permit a change in the maturity or the terms of redemption of the principal of any Outstanding Bond, in the terms of payment of any installment of interest thereon, in the amount of principal amount payable, in the Redemption Price thereof, in the rate of interest thereon or in any security therefor without the consent of the holder of such Bond, shall change or shall modify any of the rights or the obligations of any Fiduciary without its written assent thereto or shall reduce the percentages or otherwise affect the description of Bonds the consent of the holders of which is required to effect any such modification or amendment.

Section 903. Consent of Bondholders. The Authority at any time may adopt a resolution making a modification or amendment permitted by the provisions of Section 902 to take effect when and as provided in this Section. Upon the adoption of such resolution, a copy thereof, certified by the Secretary, shall be delivered to and shall be held by the Trustee for the inspection of the Bondholders. A copy of such resolution (or summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee shall be mailed by the Authority to Bondholders (but failure to mail such copy and request shall not affect the validity of the resolution when consented to as provided in this Section). Such resolution shall not be effective unless and until (a) there shall have been filed with the Trustee (1) the written consents of holders of the percentage of Outstanding Bonds specified in Section 902 and (2) a Counsel's Opinion stating that such resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution and will be valid and binding upon the Authority and enforceable in accordance with its terms upon its becoming effective as provided in this Section, and (b) a notice shall have been mailed as hereinafter provided in this Section. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. A certificate or certificates by the Trustee filed with the Authority that it has examined such proof and that such proof is sufficient under the provisions of Section 1202 shall be conclusive that the consents have been given by the

holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) provided that, notwithstanding the provisions of Section 1202, such consent may be revoked subsequently by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202. The fact that a consent has not been revoked likewise may be proved by a certificate by the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the holders of the required percentages of Bonds shall have filed their consents to the resolution, the Trustee shall make and shall file with the Authority and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the resolution (which may be referred to as a resolution adopted by the Authority on a stated date a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to Bondholders by the Authority by mailing such notice to Bondholders not more than ninety (90) days after the holders of the required percentages of Bonds shall have filed their consents to the resolution and the written statement of the Trustee provided for hereinabove is filed. The Authority shall file with the Trustee proof of mailing of such notice. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such resolution making such modification or amendment shall be deemed conclusively binding upon the Authority, the Trustee and the holders of all Bonds at the expiration of forty days after filing with the Trustee of the proof of the first mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such resolution in a legal action or equitable proceeding for such purpose commenced within such forty-day period, of which decree timely notice shall have been given to the Trustee; provided, however, that the Trustee and the Authority during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action or to refrain from taking such action with respect to such resolutions as they may deem expedient.

Section 904. Modifications by Unanimous Action. Notwithstanding anything contained in the foregoing provisions of this Article or Article VIII, the terms and the provisions of this Resolution or any resolution amendatory thereof or supplemental thereto and the rights and the obligations of the Authority and of the holders of any of the Bond thereunder may be modified or amended in any respect upon the adoption by the Authority and the filing with the Trustee of a resolution to that effect and the consent of the holders of all the Bonds then Outstanding affected by such modification or amendment, such consent to be accompanied by proof of the holding (at the date of such consent) of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. No notice to Bondholders either by mailing or by publication shall be required. No such modification or amendment shall change or shall modify any of the rights or the obligations of any Fiduciary without its written assent thereto.

Section 905. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding and shall be excluded for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Authority shall not be entitled with respect to such Bonds to give any consent or to take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a certificate of an Authority Officer, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 906. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII or this Article may and, if the Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the holder of any Bond Outstanding at such effective date and upon presentation of his Bond for the purpose at the principal office of the Trustee, suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority shall so determine, new Bonds so modified as in the opinion of the Authority to conform to such action shall be prepared, authenticated by the Trustee or the Registrar and delivered and, upon demand of the holder of any Bond then Outstanding, shall be exchanged without cost to such Bondholder, for Bonds then Outstanding upon surrender of such Bonds.

Section 907. Contracts or Indentures. The Authority, insofar as authorized by law, may and, if requested by the Trustee, shall enter into a contract or an indenture with the Trustee giving effect to any modification or amendment of this Resolution or any resolution amendatory thereof or supplemental thereto as hereinabove provided in Article VIII or in this Article.

## ARTICLE X

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 1001. Defaults. The occurrence of any of the following events is hereby defined as and declared to be and to constitute an “Event of Default”:

- (a) Default in the due and punctual payment of any interest on any Bond; or
- (b) Default in the due and punctual payment of the principal or the Redemption Price of any Bond, whether at the stated maturity thereof, or on the date called for redemption in accordance with the provisions of a Supplemental Resolution authorizing such Bond or the redemption date set therefor in accordance with this Resolution or Supplemental Resolution thereto; or
- (c) Failure by the Authority to observe and to perform any other covenant, conditions or agreement on the part of the Authority in this Resolution or in the Bonds and continuance of such failure for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or
- (d) The filing of a petition by the Authority seeking a composition of indebtedness under the Federal Bankruptcy Laws or under any other applicable law or statute of the United States of America or of the State; or
- (e) Failure by the Authority to comply with the provisions of this Resolution and a continuance of such failure for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Authority by the Trustee; or

Section 1002. Acceleration. Upon the occurrence of an Event of Default identified in Section 1001(a), (b) or (d) and its continuance for a period of thirty (30) days, the Trustee may and, upon the written request of the holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding and the interest accrued thereon to date of such acceleration immediately due and payable by notice in writing delivered to the Authority. Upon the occurrence of an Event of Default identified in Section 1001(c), the Trustee may and, upon written request of the owners of not less than a majority in aggregate principal amount of Bonds then Outstanding, shall declare the principal of all Bonds then Outstanding and the interest accrued thereon to the date of such acceleration immediately due and payable by notice in writing delivered to the Authority. Upon any such declaration, the principal of and such interest on all Bonds then Outstanding shall become immediately due and payable.

Section 1003. Other Remedies. Upon the occurrence of an Event of Default, the Trustee may also pursue any remedy available to it at law or in equity or by statute.



No remedy by the terms of this Resolution conferred upon or reserved to the Insurer, Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Insurer, the Trustee or to the Bondholders hereunder or now or hereafter existing at law, in equity or by statute.

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

No waiver of any default hereunder, whether by the Insurer, the Trustee or by the Bondholders, shall impair any rights or remedies consequent thereon.

Section 1004. Rights of Bondholders. If an Event of Default shall have occurred and be continuing, if requested to do so by the holders of not less than a majority in aggregate principal amount of any Bonds then Outstanding and if indemnified as provided in this Resolution, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee shall deem to be in the interests of the Bondholders and not contrary to law upon the advice of Counsel.

Section 1005. Rights of Bondholders to Direct Proceedings. Anything in this Resolution to the contrary notwithstanding, the owners of a majority in aggregate principal amount of any Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and the conditions of this Resolution or for the appointment of a receiver or any other proceeding hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Resolution.

Section 1006. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall be deposited into the Bond Service Fund after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, including legal fees, and all moneys in the Bond Service Fund together with all moneys in all the Funds, except the Rebate Fund, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amount due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds that shall have become due (other than principal of Bonds with respect to the payment of which moneys are held pursuant to the provisions of this Resolution), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and the interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of Section 1006(b) in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Section 1006(a).

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

Whenever the principal or the Redemption Price and the interest on all Bonds have been paid under the provisions of this Section and all fees, expenses, including legal fees, and charges of the Trustee have been paid, any balance remaining in the Bond Service Fund shall be paid to the Authority.

Section 1007. Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or

defendants any owners of the Bonds, and any recovery of judgment shall be for the equal benefit of the owners of the Outstanding Bonds.

Section 1008. Rights and Remedies of Bondholders. No owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Resolution, for the execution of any trust thereof or for the appointment of a receiver or to enforce any other remedy hereunder, unless (a) a default has occurred of which an officer in the Corporate Trust Department of the Trustee has been notified as provided in this Resolution, (b) such default shall have become an Event of Default and the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) such Bondholders have offered to the Trustee indemnity as provided in this Resolution; and (d) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its, his, her or their own name or names. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of this Resolution and to any action or cause of action for the enforcement of the Resolution, for the appointment of a receiver or for any other right or remedy hereunder. No one or more owners of the Bonds shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of this Resolution by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then Outstanding. Nothing contained in this Resolution, however, shall affect or impair the right of any Bondholder to enforce the payment of the principal or the Redemption Price of and the interest on any Bond at and after the maturity thereof or the redemption date set therefor or the obligation of the Authority to pay the principal or the Redemption Price of and the interest on each of the Bonds issued hereunder to the respective owners thereof at the time, at the place, from the sources and in the manner expressed in the Bonds.

Section 1009. Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under this Resolution by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then in and every such case the Authority and the Trustee shall be restored to their former respective positions and rights hereunder and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 1010. Waivers of Defaults. The Trustee in its discretion may waive any Event of Default hereunder and its consequences specified in 1002 and 1003 and may rescind any declaration of maturity of principal and shall do so upon the written request of the owners of: (a) a majority in aggregate principal amount of all Bonds then Outstanding with respect to which a default in the payment of principal or interest exists; or (b) a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other default; provided, however, that there shall not be waived (1) any Event of Default respecting the payment of the principal of any Bond at its maturity date or the redemption date prior to maturity, or (2) any Event of Default respecting the payment of the interest on any Bond, unless prior to such waiver or rescission, all

arrears of principal (due otherwise than by declaration) and interest, with interest (to the extent permitted by law) at the rate borne by the Bonds with respect to which such default shall have occurred on overdue installments of interest and all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default, including legal fees, shall have been paid or provided for. In case any such waiver or rescission or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 1011. Notice of Defaults; Opportunity of the Authority to Cure Defaults. No default specified in Section 1001(c) shall constitute an Event of Default hereunder until notice of such default by registered or certified mail shall be given by the Trustee or by the owners of not less than twenty-five (25%) in aggregate principal amount of the Bonds then Outstanding to the Authority, and the Authority shall have had thirty (30) days after receipt of such notice to correct such default or cause such default or caused such default to be corrected within the applicable period; provided, however, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default hereunder if corrective action capable of remedying such default is instituted by the Authority or the Bondholder within the applicable period and diligently pursued until such default is corrected.

## ARTICLE XI

### TRUSTEE, REGISTRAR AND PAYING AGENTS

Section 1101. Appointment of Trustee. TD Bank, National Association is hereby appointed to serve as Trustee for the Bonds, or such other commercial bank, trust company, national banking association, state bank or other banking institution doing business and having its principal office in the State of New Jersey and having trust powers as shall be subsequently appointed by the Authority to serve as trustee pursuant to a Supplemental Resolution, subject to the conditions contained in this Resolution. A copy of such Supplemental Resolution shall be certified by the Secretary or Assistant Secretary of the Authority and delivered to such bank, trust company, national banking association or other banking institution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the terms of this Resolution by delivering a written acceptance thereof to the Authority. By such acceptance, the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Bonds, but only, however, upon the terms and conditions set forth in this Resolution.

Section 1102. Appointment of Paying Agents. TD Bank, National Association is hereby appointed to serve as Paying Agent for the Bonds, or such other commercial banks, trust companies or national banking associations having trust powers as shall be subsequently appointed by the Authority to serve as Paying Agent pursuant to a Supplemental Resolution, subject to the conditions contained in this Resolution. Prior to issuance of any Additional Bonds the Chairman or Chairwoman of the Authority may appoint or, the Authority by a resolution may appoint any additional bank or trust company or national banking association that shall be acceptable to the Trustee as a Paying Agent for any Series of such Additional Bonds. Such Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by executing and by delivering to the Authority and to the Trustee a written acceptance thereof. The Trustee may be appointed and may act as a Paying Agent.

Section 1103. Appointment of Registrar. TD Bank, National Association is hereby appointed to serve as Registrar for the Bonds, or such other bank, trust company or national banking association doing business and having an office in the State of New Jersey or in the Borough of Manhattan, City and State of New York, if there be such a bank, trust company, or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution, as shall be subsequently appointed by the Authority to serve as Registrar pursuant to a Supplemental Resolution, subject to the conditions contained in this Resolution. Each Registrar shall signify its acceptance of the duties and the obligations imposed upon it by this Resolution by executing and by delivering to the Authority and to the Trustee a written acceptance thereof. The Trustee or the Paying Agent may be appointed and may act as Registrar.

Section 1104. Responsibilities of Fiduciaries. The recitals of fact contained herein and in any Bond, shall be taken as the statements of the Authority, and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or the sufficiency of this Resolution or of any Bond issued thereunder or in respect to the

security afforded by this Resolution, and no Fiduciary shall incur any responsibility in respect thereof. The Registrar shall, however, be responsible for its representation contained in its certificate of authentication of any Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of any Bonds for value or the application of the proceeds thereof, except to the extent such proceeds are paid to it, or the application of any moneys paid to the Authority or to others in accordance with this Resolution. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act that would involve it in expense or liability or to institute or to defend any action or suit in respect to this Resolution or Bonds, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

Section 1105. Property Held in Trust. All moneys and securities held by any Fiduciary at any time pursuant to the terms of this Resolution shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purpose and under the terms and conditions of this Resolution.

Section 1106. Deposit of Funds. To the extent permitted by law, all moneys (not including securities) held by any Fiduciary may be deposited by it in demand or time deposit in its banking department or with such other banks or trust companies as may be designated by the Authority subject to the provisions of Section 1205 and in accordance with the provisions of the Governmental Unit Deposit Protection Act of New Jersey. Such funds so deposited shall be deposited in the name of the Fiduciary in trust and shall be credited to such Fiduciary for purposes of administering such moneys.

Section 1107. Evidence Supporting Action. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed and presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith. Whenever it shall be deemed necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authority Officer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Resolution upon the faith thereof, but in its discretion each Fiduciary in lieu thereof may accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to such Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authority Officer.

Section 1108. Compensation. Unless otherwise provided by contract, the Authority shall pay to each Fiduciary from time to time, reasonable compensation for all services rendered

by it hereunder, and also all its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, engineers, agents and employees, incurred in and about the performance of its powers and duties hereunder. The Authority shall indemnify and shall save each Fiduciary harmless against any loss, liability or expense, including but not limited to legal fees that it may incur in the exercise and the performance of its powers and duties hereunder and that are not due to its negligence or willful misconduct. Such indemnity provided to the Trustee shall survive defeasance pursuant to Section 1201.

Section 1109. Permitted Acts. Each Fiduciary may become the owner of or may deal in Bonds as fully and with the same rights as if it were not such Fiduciary, may act as depository for and may permit any of its officers or directors to act as a member of or in any other capacity with respect to any committee formed to protect the rights of Bondholders or to effect or to aid in any reorganization growing out of the enforcement of any Bonds or this Resolution, whether or not such committee shall represent the holders of a majority in principal amount of the Bonds Outstanding.

Section 1110. Resignation. Each Fiduciary or any successor thereof may at any time resign and be discharged of its duties and obligations hereunder by giving not less than forty-five (45) days written notice to the Authority, the Insurer and the Bondholders. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or the Bondholders as herein provided, in which event such resignation shall take effect immediately on the appointment of such successor.

Section 1111. Removal. (a) A Fiduciary or any successor thereof may be removed at any time by the holders of a majority in principal amount of Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, upon forty-five (45) days written notice by an instrument or concurrent instruments in writing signed and duly acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to the Authority and the Insurer. Such removal shall take effect upon the expiration of such forty-five (45) day period. Copies of each such instrument shall be delivered by the Authority to the Trustee and any successor thereof.

(b) The Authority may remove a Trustee at any time, except when there is an Event of Default that has not been remedied or no event, which the passage of time, or giving of notice would become an Event of Default, by filing with the Trustee an instrument signed by an Authority Officer, provided that no such removal of a Trustee by the Authority shall take effect until a successor shall have been appointed as provided in Section 1112.

(c) Any Paying Agent or Registrar may be removed by the Authority upon forty-five (45) days' written notice to such Paying Agent or Registrar, the Trustee and the Insurer. Such removal shall take effect upon the expiration of such forty-five (45) day period. Copies of each such instrument shall be delivered by the Authority to the Paying Agent or the Registrar and any successor thereof.

Section 1112. Successor. In case any Fiduciary or any successor thereof shall resign, shall be removed, shall become incapable of acting or shall be adjudged a bankrupt or an

insolvent or, if a receiver, a liquidator or conservator thereof or of its property shall be appointed or if any public officer shall take charge or control thereof or of its property or affairs, a successor may be appointed by the holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders, the Authority shall appoint forthwith a successor to act until such appointment is made by Bondholders. Copies of each such instrument and of any resolution of the Authority providing for any such appointment shall be delivered by the Authority to the successor and to the predecessor. Any appointment made by the Authority shall be superseded and revoked immediately and without further act by appointment subsequently made by Bondholders. If in a proper case no appointment of a successor shall be made within forty-five (45) days after the giving of written notice in accordance with Section 1110 and Section 1111 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Bondholder may apply to any court of competent jurisdiction for the appointment of such successor, and such court thereupon, after such notice, if any, as such court may deem proper and prescribe, may appoint such successor. Any successor appointed under the provisions of this Section shall be a bank or trust company or national banking association doing business and having its principal office located in the State of New Jersey or in the Borough of Manhattan, City and State of New York, and having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all duties required by this Resolution.

Section 1113. Transfer of Rights and Property to Successor. Any successor appointed under the provisions of Section 1112 shall execute, shall acknowledge and shall deliver to its predecessor and also to the Authority, an instrument accepting such appointment. Thereupon such successor shall become fully vested without any further act, deed or conveyance with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally appointed herein, but the Fiduciary ceasing to act nevertheless, on request by the Authority or such successor, shall execute, shall acknowledge and shall deliver such instruments of conveyance and further assurance and shall do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor all right, title and interest of such predecessor in and to any property held by it hereunder and shall pay over, shall assign and shall deliver to such successor any money or other property subject to the trusts and the conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyance and instruments in writing, so far as may be authorized by law on request shall be executed, shall be acknowledged and shall be delivered by the Authority.

Section 1114. Merger or Consolidation. Any company, in which any Fiduciary may be merged or with which it may be consolidated, any company resulting from any merger or consolidation to which it shall be a party or any company to which it may sell or may transfer all or substantially all of its corporate trust business, provided such company shall be a commercial bank or trust company or national banking association with trust powers qualified to be a



successor under the provisions of 1112, shall be such successor without any further act, deed or conveyance.

## ARTICLE XII

### MISCELLANEOUS

Section 1201. Defeasance. (a) If the Authority shall pay or shall cause to be paid or if otherwise there shall be paid to the holders of all Bonds the principal or the Redemption Price, if applicable, of and the interest due or to become due thereon at the times and in the manner stipulated therein and in this Resolution, then, at the option of the Authority expressed in an Officer's Certificate delivered to the Trustee, the pledge of any Revenues and other moneys, funds and securities pledged under this Resolution and all covenants, agreements and other obligations of the Authority to the Bondholders thereupon shall cease, shall terminate, shall become void and shall be discharged and satisfied. In such event and upon request of the Authority expressed in an Officer's Certificate delivered to the Trustee, the Trustee, the Registrar and any Paying Agent shall pay over or shall deliver to the Authority all moneys, funds or securities held by them pursuant to this Resolution that are not required for the payment of principal or Redemption Price of and interest due or to become due on the Bonds. If the Authority shall pay or shall cause to be paid or if there shall be paid otherwise to the holders of all Outstanding Bonds of a particular Series or maturity within a Series the principal or the Redemption Price of, and the interest due or to become due thereon at the times and in the manner stipulated therein and in this Resolution, then, at the option of the Authority expressed in an Officer's Certificate delivered to the Trustee, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Authority to the holders of such Bonds shall thereupon cease, shall terminate and shall become void and be discharged and satisfied. Upon the request of the Authority, the Trustee shall execute and shall deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction.

(b) Bonds and interest installments for the payment or the redemption of which moneys shall have been deposited with the Trustee or any escrow agent or any Paying Agent by or on behalf of the Authority whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section. All Outstanding Bonds of any Series or of any maturity within a Series prior to the maturity or the redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in Section 1201(a) if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption of such Bonds on such date to the Bondholders and the Insurer, (2) there shall have been deposited with the Trustee either cash in an amount that shall be sufficient or Investment Obligations (not redeemable at the option of the issuer), the principal of and the interest on which when due will provide moneys that, together with the moneys, if any, deposited with the Trustee at the same time shall be sufficient, based upon an accountant's verification, to pay when due the principal or the Redemption Price, if applicable, and the interest due and to become due on such Bonds on and prior to the redemption date or the maturity date thereof, as the case may be, (3) such provision for payment shall be made in a manner sufficient to redeem such Bonds on or before

the next mandatory tender date, if any, of such Bonds to be defeased and (4) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the holders of such Bonds stating that the deposit required by Section 1201(b)(2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or the Redemption Price, if applicable, on such Bonds. If at any time prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 that are not to be redeemed prior to their maturity or at any time prior to the mailing of the notice of redemption referred to in Section 1201(b) (1) with respect to any Bonds deemed to have been paid in accordance with this Section 1201 that are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise shall acquire any such Bonds and shall deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee immediately shall cancel all such Bonds so delivered. Such delivery of the Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or to redeem Bonds deemed paid in accordance with this Section 1201. The directions given by the Authority to the Trustee referred to in the preceding sentences also shall specify the portion, if any, of such proceeds to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section upon their maturity date or dates and the portion, if any, of such bonds so purchased or delivered and cancelled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section on any date or dates prior to their maturity. In the event that on any date as a result of any purchase, acquisition and cancellation of Bonds as provided in this Section, the total amount of moneys and investment obligations remaining on deposit with the Trustee under this Section is in excess of the total amount that would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy Section 1201(b)(2), the Trustee shall pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Resolution if requested by the Authority. Neither Investment Obligations nor cash deposited with the Trustee pursuant to Section 1201(b)(2), nor principal or interest payments on any such Investment Obligations, shall be withdrawn or shall be used for any purposes other than and shall be held in trust for the payment of the principal or the Redemption Price, if applicable, of and the interest on such Bonds, provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing such Bonds or otherwise existing under this Resolution and (B) to the extent such cash will be required for such purpose at a later date and to the extent practicable, shall be reinvested in Investment Obligations maturing at times in amounts sufficient to pay, when due, the principal or the Redemption Price, if applicable, of and the interest to become due on such Bonds on or prior to such redemption date or maturity date thereof, as the case may be and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Resolution; provided however, that no cash shall be reinvested as set forth above, unless the Authority shall obtain a written

opinion of Bond Counsel stating that such reinvestment will not affect the tax-exempt status of any Bonds. To the extent that the moneys or the principal and the interest on the Investment Obligations as referred to above are sufficient to provide for defeasance of all Outstanding Bonds, any additional moneys generated or available may be paid over to the Authority to be used for any lawful purpose free and clear of any trust, lien or pledge.

(c) Anything in this Resolution to the contrary notwithstanding, any moneys held by the Trustee, the Registrar or any Paying Agent in trust for the payment of the principal or the Redemption Price of and the interest on any of the Bonds remain unclaimed for four years after the date when such Bonds have become due and payable if such moneys were held by the Fiduciary at such date or for four years after the date of deposit of such moneys if deposited with the Fiduciary after such date when such Bonds become due and payable, at the written request of the Authority, shall be repaid by the Fiduciary to the Authority, as its absolute property and free from trust. Thereupon, the Fiduciary shall be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds.

Section 1202. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument that this Resolution may require or may permit to be signed and to be executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (a) the execution of any such instrument, (b) an instrument appointing any such attorney or of (c) the holding by any person of the Bonds, shall be sufficient for any purpose of this Resolution (except as otherwise expressly provided herein) if made in the following manner, but the Trustee nevertheless in its discretion may require further or other proof in cases where it deems the same desirable:

(1) The fact and the date of the execution by any Bondholder or his attorney of such instrument may be proved by a certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary; and

(2) The amount of Bonds transferable by delivery held by any person executing any instrument as a Bondholder and the numbers, the date and other indemnification thereof and the date of his holding such Bonds may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the Trustee, executed by the Trustee or by a member of a financial firm or by an officer of a bank or trust company or financial corporation or to her depository satisfactory to the Trustee, showing at the date therein mentioned that such person exhibited to such

member or officer or had on deposit with such depository the Bonds described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository satisfactory to the Trustee with respect to Bonds owned by it, if acceptable to the Trustee.

The ownership of Bond registered otherwise than to bearer and the amount, the numbers and other identification and the date of holding the same shall be proved by the registry books kept by the Registrar. Any request or consent by the holder of any Bonds shall bind all future holders of such Bonds in respect of anything done or suffered to be done.

Section 1203. Execution of Payment Documents. Every requisition, certificate or request of the Authority to be delivered to or filed with the Trustee under the provisions of this Resolution shall be signed by an Authority Officer. If the Consulting Engineer is an engineering firm, every certificate of the Consulting Engineer to be delivered to or filed with the Trustee under the provisions of this Resolution shall be signed in the firm's name by a member of the firm or by a person authorized by the firm to so sign. If the Consulting Engineer is a corporation, such certificate of the Consulting Engineer shall be signed in the name of the corporation by an authorized officer thereof and shall be attested in the name of such corporation by the seal thereof and the signature of a person duly authorized by such corporation to so attest. If the Consulting Engineer is an individual, such certificate of the Consulting Engineer shall be signed by the individual.

Section 1204. Preservation and Inspection of Documents. All requisitions, requests, certificates, opinions and other documents received by the Trustee under the provisions of this Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Consulting Engineer, the Accountant, any Bondholder and their agents and their representatives, any of whom may make copies thereof but any such reports, certificates, statements or other documents may be destroyed or otherwise disposed of at the election of the Trustee at any time six years after such date as the pledge of the Revenues created by this Resolution shall be discharged as provided in Section 1201.

Section 1205. Regulations Regarding Depositories, Security for Deposits, Investment of Funds and Valuation. (a) All moneys held by the Authority under this Resolution shall be deposited with one or more depositories in the name of the Authority. All moneys held by another Fiduciary shall be deposited with such Fiduciary or with one or more depositories in trust for such Fiduciary. All moneys deposited under the provisions of this Resolution with the Trustee or with any depository shall be held in trust and shall be applied only in accordance with the provisions of this Resolution;

(b) All moneys held by any depository under this Resolution may be placed in demand or in interest bearing time deposits as directed by the Authority, provided that such deposits shall permit the money so held to be available for use when needed. All moneys held by any Fiduciary may be deposited with its banking department on the demand or in interest bearing time deposits at the direction of the Authority provided that moneys on deposit are

available for use when needed. Such Fiduciary shall allow and shall credit on such money such interest, if any, as it customarily allows upon similar funds of similar size;

(c) To the extent no moneys are invested in Investment Obligations, all moneys held under this Resolution by the Trustee or by any Fiduciary or depository in a depository account shall be continuously and fully secured, to the extent not covered by insurance except for public depositories within the meaning of the Governmental Unit Deposit Protection Act, by causing to be lodged with the Trustee as collateral security direct obligations of or obligations guaranteed by the United States of America having a market value (exclusive of accrued interest) not less than the amount of such moneys. No moneys shall be deposited with any bank or trust company in an amount exceeding twenty-five percent (25%) of the amount that an officer of such bank or trust company shall certify to the Trustee and to the Authority as the combined capital and surplus of such bank or trust company;

(d) Moneys held in the Funds described in Section 502 shall be invested and reinvested by the Trustee at the written direction of the Authority to the fullest extent practicable in Investment Obligations maturing or redeemable at the option of the holder thereof no later than necessary to provide moneys when needed for payments to be made from such Funds or as more specifically provided herein;

(e) Investment Obligations in any Fund or account created under the provisions of this Resolution shall be deemed at all times to be part of such Fund or account and any profit realized from the liquidation of such investment shall be credited to such fund or account. Interest earned (net of that which represents a return of accrued interest paid in connection with the purchase of any investment), except as otherwise expressly provided herein, or any gain realized on any moneys or investments in the Funds and accounts shall be retained therein and where appropriate applied as a credit against the next succeeding deposit required to be made pursuant to Section 505 or paid out as otherwise provided in this Resolution. In computing the aggregate amount in any Fund or account, Investment Obligations therein shall be valued at the lower of cost or market value.

(f) Except as otherwise provided in this Resolution, the Trustee or any depository shall use its best efforts to sell at the best price obtainable or shall present for redemption any Investment Obligation held in any fund or account whenever it shall be necessary upon oral request immediately confirmed in writing from an Authority Officer in order to provide moneys to meet any payment or transfer from such Fund or account. The Trustee or any depository shall not be liable or responsible for any loss resulting from any such investment, sale, liquidation or presentation for investment made in the manner provided above.

Section 1206. Authorized Acts of Officers. The Chairman or Chairwoman, the Vice Chairman or Vice Chairwoman, the Executive Director or Superintendent, as applicable, the Secretary and the Treasurer of the Authority are and each of them hereby is, authorized and directed to do and perform all things and execute all papers in the name of the Authority and to make all payments necessary or in their opinion convenient so that the Authority may carry out its obligation under the terms of the Bonds or this Resolution. The Authority hereby authorizes

such officers to do and perform all things and execute all papers necessary to deliver and sell Bonds under this Resolution.

Section 1207. Effective Date. This Resolution shall be effective immediately and the Funds established by Article V shall be funded upon the issuance of the Initial Bonds of the Authority.

CERTIFICATE

I, the undersigned Secretary of the Logan Township Municipal Utilities Authority, a body corporate and politic of the State of New Jersey, HEREBY CERTIFY that the foregoing resolution is a true copy of an original resolution which was duly adopted by said Authority at a meeting duly called and held on November 21, 2017, and at which a quorum was present and acted throughout, and that said copy has been compared by me with the original resolution recorded in the records of the Authority and that it is a correct transcript thereof and of the whole of said resolution, and that said original resolution has not been altered, amended or repealed but is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

LOGAN TOWNSHIP MUNICIPAL UTILITLIES  
AUTHORITY

By: \_\_\_\_\_  
Secretary



**EXHIBIT A**

No. R-\_\_\_\_

\$

UNITED STATES OF AMERICA  
STATE OF NEW JERSEY

THE LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY  
Sewer System Revenue Bond, Series \_\_\_\_\_

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

INTEREST RATE PER ANNUM:

MATURITY DATE:

CUSIP:

DATED DATE:

AUTHENTICATION DATE:

THE LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY (hereinafter called the "Authority"), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey, hereby acknowledges itself indebted and for value received promises to pay to the REGISTERED OWNER, or registered assigns the PRINCIPAL AMOUNT on the MATURITY DATE, unless paid earlier as provided below, with interest from the DATED DATE at the INTEREST RATE PER ANNUM stated above, payable on \_\_\_\_\_, and on the first day of the next succeeding \_\_\_\_\_ or \_\_\_\_\_, thereafter to and including the MATURITY DATE (the "Interest Payment Dates"). If any payment date for principal, premium or interest shall not be a Business Day, then the payment thereof may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date. The principal or the redemption price, when due, will be payable upon surrender of this bond at the corporate trust office of \_\_\_\_\_, \_\_\_\_\_, New Jersey, or its successors (the "Trustee", the "Registrar" and the "Paying Agent") as Paying Agent. Principal, redemption price, if any, and interest are payable in any coin or currency of the United States of America that at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of a duly authorized issue of Bonds (each herein called "Bond") of the Authority authorized and issued under and pursuant to the Municipal and County Utilities

Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, and the acts amendatory thereof and supplemental thereto (hereinafter called the “Act”) and under and in accordance with a resolution of the Authority adopted on \_\_\_\_\_, 2017 and entitled, “Resolution Authorizing the Issuance of Sewer System Revenue Bonds of The Logan Township Municipal Utilities Authority,” as amended and supplemented (hereinafter called the “Bond Resolution”). A copy of the Bond Resolution is on file at the office of the Authority and at the corporate trust office of the Trustee.

This Bond is a direct and special obligation of the Authority and is one of a Series of the Bonds limited to \$\_\_\_\_\_ in aggregate principal amount that bear the DATED DATE specified above of like tenor except as to maturity, rate of interest, denomination, registration and number. This Bond is a Bond within the meaning of the Bond Resolution.

Pursuant to the Bond Resolution, the Authority hereafter may issue additional bonds (hereinafter called “Additional Bonds”) for the purposes, in the amounts and on the conditions prescribed in the Resolution. All Bonds issued and to be issued under the Bond Resolution, including all Bonds and all Additional Bonds, are and will be secured equally by the pledge of funds and revenues provided in the Bond Resolution except as otherwise expressly provided in or pursuant to the Bond Resolution. However, the power and the obligation of the Authority to cause Revenues (as such term is defined in the Bond Resolution) or other funds to the payment of the principal or redemption price of or interest on the Bonds are subject to the prior obligation of the Authority to provide from such Revenues or other funds amounts for the payment of Operating Expenses.

Reference to the Bond Resolution, to any and all modifications and amendments thereof and to the Act is made for a description of the nature and the extent of the security for the Bonds, the funds or the revenues pledged, the nature, the extent and the manner of enforcement of the pledge, the rights and the remedies of the holders of the Registered Owners of the Bonds with respect thereto, including the right to accelerate the obligation to make payment on the Bonds, the terms and the conditions upon which the Bonds are issued and a statement of rights, the duties, the immunities and the obligations of the Authority and of the Trustee.

To the extent and in the respects permitted by the Bond Resolution, the provisions of the Bond Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action on behalf of the Authority taken in the manner and subject to the conditions and the exceptions prescribed in the Bond Resolution. The pledge of the Revenues and other obligations of the Authority under the Bond Resolution may be discharged at or prior to the maturity or the redemption of the Bonds upon provision for the payment thereof on the terms and the conditions set forth in the Bond Resolution.

The principal of the Bonds may be declared due and payable whether or not in advance of maturity, and any such declaration and its consequences may be annulled, as provided in the Act and in the Bond Resolution.

Unless otherwise defined herein, capitalized terms used in this Bond shall have the meaning given them in the Bond Resolution. The following terms are defined as follows:

"Business Day" means a day (i) on which banking institutions in any of the cities in which the principal corporate trust offices of the Trustee and the Paying Agent are located are not required or authorized to remain closed and (ii) on which the New York Stock Exchange is not closed.

"Paying Agent" means \_\_\_\_\_ Bank, or any successor or successors designated for the Bonds from time to time pursuant to Section 1102 of the Bond Resolution.

Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months. From and after the date on which this Bond becomes due, any unpaid principal will bear interest at such rate until paid or duly provided for.

The principal of and premium, if any, on this Bond are payable when due by check or draft to the REGISTERED OWNER hereof but only upon presentation and surrender of this Bond at the office of the Paying Agent. Interest on this Bond is payable by check or draft mailed on the applicable payment date by the Paying Agent to the REGISTERED OWNER, determined as of the close of business on the applicable record date, at its address as shown on the registration books, except on the Maturity Date, in which case interest shall be payable upon presentation and surrender of this Bond.

The record date for payment of interest on this Bond is the day of the month that is fifteen days immediately preceding the date on which the interest is to be paid, provided that with respect to overdue interest or interest payable on redemption of this Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date may be not more than thirty (30) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten (10) days before the special record date. The Paying Agent will promptly certify to the Authority and the Trustee that it has mailed such notice to all Bondholders, and such certificate will be conclusive evidence that notice was given in the manner required hereby.

The Bonds maturing on or after \_\_\_\_\_ are subject to redemption prior to maturity, at the option of the Authority, commencing on \_\_\_\_\_, as a whole or in part at any time upon notice, as provided herein, at the redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed) hereinafter indicated plus accrued interest thereon to the date fixed for redemption.

Redemption Period (both dates inclusive)	<u>Redemption Price</u>
_____ to _____	_____ %
_____ to _____	_____ %
_____ to _____	_____ %

The Bonds maturing on \_\_\_\_\_, in the years \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund installments that are required to be made in amounts sufficient to redeem on \_\_\_\_\_ of each year the principal amount of such Bonds as shown below at a redemption price equal to 100 % of the principal amount thereof, plus interest thereon accrued and unpaid to the date fixed for redemption, in the respective principal amounts set forth in the following table:

\$ \_\_\_\_\_ Bonds Maturing on \_\_\_\_\_, \_\_\_\_\_

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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\$ \_\_\_\_\_ Bonds Maturing on \_\_\_\_\_, \_\_\_\_\_

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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\$ \_\_\_\_\_ Bonds Maturing on \_\_\_\_\_, \_\_\_\_\_

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
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Any notice required by this Bond to be given to Bondholders shall be effective when given, notwithstanding when or if any such notice is received by any Bondholder.

If less than all of this Bond is to be called for redemption, the portion thereof to be redeemed shall be selected as provided in the Bond Resolution. If less than all of the principal amount of this Bond is to be redeemed, upon surrender of this Bond to the Paying Agent, there will be issued to the REGISTERED OWNER, without charge, a new bond or, at the option of the REGISTERED OWNER, Bonds for the unredeemed principal amount.

In the event that the Trustee is required or is authorized, or has received notice from the Authority of its election to redeem Bonds, the Trustee will, in accordance with the terms of the Bonds and the Bond Resolution, select the Bonds to be redeemed and will give notice in the name of the Authority of the redemption of such Bonds. Such notice will set forth the information which is required by the terms of the Bond Resolution and will be given by the Trustee by mailing a copy of such notice, postage prepaid, not less than 30 days before such redemption date, to the Registered Owner of any of the Bonds which are to be redeemed, at his last address, if any, appearing upon the registry books kept by the Registrar, but receipt of such mailing shall not be a condition precedent to such redemption and failure so to mail such notice shall not affect the validity of the proceedings for the redemption of the Bonds.

Notice of redemption having been duly mailed, this Bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, if moneys for the redemption have been deposited with the Trustee, then, from and after the date fixed for redemption, no interest on this Bond (or such portion) will accrue.

With respect to any redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys are not received, such notice shall be of no force and effect, the Authority shall not redeem such bonds and the Paying Agent shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

This Bond is transferable by the REGISTERED OWNER, in person or by its attorney duly authorized in writing, at the office of the Paying Agent, upon surrender of this Bond to the Paying Agent for cancellation. Upon the transfer, a new Bond or Bonds in the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This Bond may also be exchanged at the office of the Paying Agent for a new Bond or Bonds in Authorized Denominations in the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any.

This Bond is issuable only in fully registered form and shall be in Authorized Denominations of \$5,000 or any integral multiple thereof.

The Authority, the Trustee and the Paying Agent may treat the REGISTERED OWNER as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING THE BOND SHALL BE LIABLE PERSONALLY ON THE BONDS BY REASON OF THE ISSUANCE THEREOF.

THE BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR A LIABILITY OF THE STATE OF NEW JERSEY 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.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or the statutes of the State of New Jersey or the Bond Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that this issue of Bonds, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution or such statutes.

This Bond shall not be entitled to any security or benefit under the Bond Resolution or be valid or become obligatory for any purpose unless the certificate of authentication herein has been duly executed by the Trustee.

IN WITNESS WHEREOF, THE LOGAN TOWNSHIP MUNICIPAL UTILITIES AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman [Chairwoman] or Vice Chairman [Vice Chairwoman] and its corporate seal to be hereunto affixed, impressed or otherwise reproduced and attested by the real or facsimile signature of its Secretary or Assistant Secretary, all as of the DATED DATE set forth above.

THE LOGAN TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

ATTEST:

\_\_\_\_\_  
(Assistant) Secretary

By: \_\_\_\_\_  
[Vice] Chairwoman [Chairman] [Executive  
Director][Superintendent]

[FORM OF CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within-mentioned Bond Resolution and is one of the Sewer System Revenue Bonds, Series \_\_\_\_\_ of the Logan Township Municipal Utilities Authority.

[Trustee], as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF ASSIGNMENT]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers this Bond to:

\_\_\_\_\_ [please print or type name and address of assignee]

\_\_\_\_\_ [Social Security or Other Identifying Number of Assignee]

and hereby irrevocably constitutes and appoints \_\_\_\_\_, as attorney-in-fact, to transfer it on the books of kept for registration of the bond, with full power of substitution.

Dated:

Signature Guaranteed:

\_\_\_\_\_  
Bank, Trust Company or Brokerage Firm

By: \_\_\_\_\_  
Authorized Signatory

NOTICE: Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee and the Paying Agent, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Trustee or the Paying Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable law.

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entirety
- JT TEN - as joint tenants with rights of survivorship and not as tenants in common
- UNIF GIFT MIN ACT - Uniform Gifts to Minors Act \_\_\_\_\_ (State)  
\_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

Additional abbreviations may also be used though not set forth in the list above.

## **EXHIBIT B**

### **INITIAL PROJECT DESCRIPTION**

The Authority intends to finance (i) improvements to the Authority's water reclamation facility (the "Facility") consisting of the construction of an additional sequencing batch reactor ("SBR") tank and related mechanical and electrical improvements, the expansion of the existing SBR equipment building to house the new SBR equipment, the installation of a new emergency generator, and all work, costs and expenses necessary for or related to the development, construction and equipping of such improvements, and (ii) the costs and expenses incurred by the Authority in connection with the issuance and delivery of bonds to fund the improvements, including the payment of a municipal bond insurance premium, if any, and the funding of a debt service reserve fund (collectively, the "Initial Project").

The purpose of the Initial Project is to increase the capacity of the Facility by 0.5 million gallons per day (mgd); from 2.0 mgd to 2.5 mgd.



APPENDIX C

Form of Legal Opinion of Bond Counsel

June \_\_, 2018

Logan Township Municipal Utilities Authority  
Logan Township, New Jersey

Dear Authority Members:

We have examined a record of proceedings relating to the issuance of \$ \_\_\_\_\_ original principal amount of Sewer System Revenue Bonds, Series 2018 (the “Bonds”) of the Logan Township Municipal Utilities Authority (the “Authority”), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey.

The Bonds are authorized to be issued pursuant to: (i) the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of New Jersey of 1957, as amended and supplemented (the “Act”) and (ii) a bond resolution of the Authority, duly adopted November 21, 2017, entitled “Resolution Authorizing the Issuance of Sewer System Revenue Bonds of the Logan Township Municipal Utilities Authority” (the “General Bond Resolution”), as amended and supplemented, including by a certificate of the Superintendent dated the date of sale of the Bonds (the “Award Certificate” and together with the General Bond Resolution, the “Resolution”).

The Bonds are dated June \_\_, 2018, are issued in the original principal amount of \$ \_\_\_\_\_, and shall mature and bear interest at the respective rates set forth on the inside front cover page of the Official Statement dated June \_\_, 2018 (the “Official Statement”) and issued in conjunction with the sale of the Bonds. Interest on the Bonds is payable on May 1 and November 1 in each year, commencing November 1, 2018, until final maturity thereof. The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, Jersey City, New Jersey. The Bonds are subject to redemption prior to maturity as set forth in the Official Statement.

As the basis for the opinions which are set forth below, we have examined such matters of law, including the Act, such documents, including the Resolution, and such other statutes, resolutions, certificates and records of the Authority as we have considered necessary in order to enable us to express the opinions hereinafter set forth. As to matters of fact, we have relied upon the representations of the Authority, and, where we have deemed appropriate, representations or certifications of public officials. Further, in expressing such opinions, we have relied upon the genuineness, truthfulness, and completeness of the resolutions, documents, certificates and records referred to above.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Authority had and has the right and power under the Act to adopt the General Bond Resolution execute and deliver the Award Certificate and the General Bond Resolution has been duly adopted and the Award Certificate executed by the Authority, are each in full force and effect, are valid and binding upon the Authority and enforceable in accordance with its respective terms.

2. The Bonds have been duly authorized and issued by the Authority and constitute a legal, valid and binding direct and special obligation of the Authority, payable solely out of amounts which may be withdrawn from the special funds of the Authority, and such amounts have been pledged to the payment thereof to the extent and in the manner provided in the General Bond Resolution.

3. On the date hereof, the Authority has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Authority continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Authority in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

The opinions expressed in paragraphs 1, 2 and 3 above are qualified to the extent that the enforceability of the Resolution and the Bonds may be limited by any applicable bankruptcy,

moratorium or similar laws relating to the enforcement of creditors' rights or the application of general principals of equity by a court of competent jurisdiction.

This opinion is given as of the date hereof and we assume no obligation to update or supplement the opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur, or for any reason whatsoever.

Very truly yours,

## APPENDIX D

### Form of Continuing Disclosure Document

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**CONTINUING DISCLOSURE AGREEMENT**

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**By and Between**

**Logan Township Municipal Utilities Authority**

**and**

**Phoenix Advisors, LLC**

**as Dissemination Agent for**

**\$ \_\_\_\_\_**

**Logan Township Municipal Utilities Authority  
Sewer System Revenue Bonds, Series 2018**

## CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (the "Agreement"), dated as of \_\_\_ 1, 2018, is by and between the Logan Township Municipal Utilities Authority (the "Authority") and Phoenix Advisors, LLC, Bordentown, New Jersey as dissemination agent (the "Dissemination Agent") for the Authority's Sewer System Revenue Bonds, 2018 (the "Bonds") issued by the Logan Township Municipal Utilities Authority (the "Authority") on the date hereof.

### WITNESSETH

WHEREAS, Rule 15c2-12 (as hereinafter defined) of the Securities and Exchange Commission (S.E.C) provides that it is unlawful for any broker, dealer or municipal securities dealer (hereinafter, a "Participating Underwriter") to act as an underwriter for the Bonds unless the Participating Underwriter complies with the requirements of Rule 15c2-12 or is exempted from its provisions; and

WHEREAS, Rule 15c2-12 requires, among other things, that a Participating Underwriter shall not purchase or sell the Bonds unless the Participating Underwriter has reasonably determined that an "obligated person" (within the meaning of Rule 15c2-12) has undertaken, in a written agreement for the benefit of the Bondholders (as hereinafter defined), to provide certain information relating to such "obligated person"; and

WHEREAS, the Authority has determined that it is or will be an "obligated person" with respect to the Bonds within the meaning of Rule 15c2-12 and is therefore required to cause the delivery of the information described in this Agreement to the municipal securities marketplace for the period of time specified in this Agreement; and

WHEREAS, the Dissemination Agent and the Authority are entering into this Agreement for the benefit of Bondholders.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Authority and the Dissemination Agent agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Agreement is being executed and delivered by the Authority for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"EMMA" means the MSRB's (as hereinafter defined) Electronic Municipal Markets Access System.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Agreement.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to Rule 15c2-12. Effective July 1, 2009 and until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" or "Rule 15c2-12" shall mean Rule 15c2-12(b) (5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Township" means the Township of Logan, in the County of Gloucester, New Jersey.

### SECTION 3. Provision of Annual Reports.

(a) The Authority hereby undertakes for the benefit of the Bondholders and Beneficial Owners of the Bonds to either provide directly (with a copy to the Dissemination Agent) or to cause to be provided through the Dissemination Agent, to the MSRB through EMMA in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, no later than November 1 after the end of each fiscal year, commencing with the fiscal year ending January 31, 2019, the Annual Report relating to such fiscal year consistent with Section 4 hereof, together with audited financial statements of the Authority for such fiscal year if audited financial statements are then available and if audited financial statements are not then available unaudited financial statements; provided, however, that if audited financial statements are



not then available, such audited financial statements shall be provided when they become available.

(b) No later than fifteen (15) days prior to the date of each year specified in subsection 3(a), a copy of the Annual Report, complete to the extent required in Section 3(a), shall be provided by the Authority to the Dissemination Agent.

(c) If the Dissemination Agent fails to receive a copy of the Annual Report by the date which is fifteen (15) days prior to the date required in clause (a) above, the Dissemination Agent shall promptly send written notice to the Authority advising of such failure. Whether or not such notice is given or received, if the Dissemination Agent fails to receive the Annual Report by the first day of the month in which such Annual Report was due, the Dissemination Agent shall promptly send a notice to the MSRB, in electronic format, substantially in the form attached hereto as Exhibit A, together with identifying information as prescribed by the MSRB, with a copy thereof to the Authority.. If the Dissemination Agent receives the Annual Report accompanied by a written request from the Authority that the Dissemination Agent file the Annual Report, the Dissemination Agent shall so file the Annual Report within five (5) business days of the receipt thereof.

SECTION 4. Content of Annual Reports. The Authority Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, commencing with the audit for the year ending January 31, 2019, prepared in accordance with generally accepted accounting standards (GAAS) as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5A of Title 40A of the New Jersey Statutes. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) The (i) financial information and operating data pertaining to the Authority set forth in the Official Statement dated June \_\_, 2018 prepared in connection with the sale of the Bonds under the headings "The Sewer System".

The Annual Report may be submitted by the Authority, or on behalf thereof, as a single document or as separate documents comprising a package. Any or all of the items which must be included in the Annual Report may be incorporated by reference from other documents, including official statements delivered in connection with other financings issued on behalf of the Authority or related public entities thereof, which have been made available to the public on EMMA or filed with the SEC. The Authority shall clearly identify each such other document so incorporated by reference. The Annual Report for any Fiscal Year containing any modified operating data or financial information for a prior Fiscal Year shall

explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such Fiscal Year.

SECTION 5. Reporting of Significant Events.

(a) The Authority agrees that it will promptly file, or shall cause the Dissemination Agent to promptly file, in a timely manner not in excess of ten (10) Business Days after the occurrence of any of the following events, with the MSRB through EMMA, notice of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Authority.
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) Notices of the occurrence of a Listed Event shall be filed with the MSRB through EMMA in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution. Copies of the notices of the occurrence of a Listed Event shall be filed with the Dissemination Agent.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice (or cause the Dissemination Agent to give such notice) of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a new Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent upon appointing a new Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC, Bordentown, New Jersey.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Authority and the Dissemination Agent may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3, 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority or the Dissemination Agent from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Authority to comply with any provision of this Agreement any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Agreement in the event of any failure of the Authority to comply with this Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and to the extent permitted by law, the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Compensation. The Authority shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable charges, expenses, counsel fees and other disbursements, including those of its attorney's, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 13. Beneficiaries. This Agreement shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and the Bondholders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Agreement shall be governed by and construed in accordance with the federal securities laws and the laws of the State of New Jersey without regard to principles of conflict of laws.

SECTION 15. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, (i) the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and (ii) the Authority and the Dissemination Agent shall engage in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid, legal and enforceable provisions the effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 16. Counterparts. This Agreement may be executed in one or more counterparts, and when the Authority and the Dissemination Agent have each executed and delivered at least one counterpart, this Agreement shall become binding on the Authority and the Dissemination Agent and such counterparts shall be deemed to be one and the same documents

LOGAN TOWNSHIP MUNICIPAL  
UTILITIES AUTHORITY

By: \_\_\_\_\_  
Chairman

PHOENIX ADVISORS LLC, acting in the capacity  
of Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF NOTICE TO THE MSRB OF  
FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: Logan Township Municipal Utilities Authority

Name of Bond Issue: \$\_\_\_\_\_ Sewer System Revenue Bonds, Series 2018

Date of Issuance: \_\_\_\_\_, 2018

NOTICE IS HEREBY GIVEN that the Obligated Person has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2018. The Obligated Person anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

PHOENIX ADVISORS, LLC, acting in  
the capacity of Dissemination Agent

By: \_\_\_\_\_

APPENDIX E

Specimen Municipal Bond Insurance Policy





**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN