

**SUPPLEMENT DATED OCTOBER 31, 2018 TO  
PRELIMINARY OFFICIAL STATEMENT DATED  
OCTOBER 24, 2018**

**relating to**

**\$61,935,000\***

**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY  
(CUMBERLAND COUNTY, NEW JERSEY)  
COUNTY GUARANTEED LEASE REVENUE BONDS  
(COUNTY CORRECTIONAL FACILITY PROJECT),  
SERIES 2018**

This Supplement dated October 31, 2018 (the “**Supplement**”) contains certain changes to the information set forth in the Preliminary Official Statement dated October 24, 2018 (the “**Preliminary Official Statement**”) prepared with respect to the above-captioned bonds (the “**Series 2018 Bonds**”). The information set forth herein must be read in conjunction with and as a supplement to the information in the Preliminary Official Statement.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Preliminary Official Statement.

Please note the following changes:

The following paragraph shall be added as a new, final paragraph under the section heading “AUTHORIZATION FOR THE SERIES 2018 BONDS AND LEASE AGREEMENT”:

“Notice of the adoption of the Resolution is scheduled to be published in a newspaper of general circulation in the County on November 1, 2018. In accordance with *N.J.S.A. 40:37A-62*, if no action or proceeding questioning the validity or proper authorization of the Series 2018 Bonds is commenced within twenty (20) days after publication of said notice (i.e., by November 21, 2018), all persons shall be barred and foreclosed from instituting any such action in the future and the Series 2018 Bonds shall be conclusively deemed to be valid and binding obligations. Neither the Authority nor the County has any expectation that such an action or proceeding will be commenced, however, no assurances can be given that such an action or proceeding will not be commenced. Any such action or proceeding, if commenced, could lead to a delay in the expected issuance date of the Series 2018 Bonds.”

**The date of this Supplement is October 31, 2018.**

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\* Preliminary, subject to change.

## NEW ISSUE – BOOK-ENTRY ONLY

Rating: S&P: “AA-”  
(See “RATING” herein)

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Authority (as hereinafter defined), assuming continuing compliance by the Authority and the County (each as hereinafter defined) with certain tax covenants described herein, under existing law, interest on the Series 2018 Bonds (as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 (the “Tax Cuts and Jobs Act”), signed into law on December 22, 2017 (as amended, the “Code”), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code. In the case of certain corporations that own the Series 2018 Bonds with tax years beginning prior to January 1, 2018, the interest thereon is not excludable in computing the alternative minimum tax as a result of the inclusion of interest on the Series 2018 Bonds in “adjusted current earnings.” For tax years beginning on or after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. In addition, interest on the Series 2018 Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on “excess net passive income” imposed on S corporations. Interest on the Series 2018 Bonds and any gain from the sale thereof are not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed. See “TAX MATTERS” herein.

\$61,935,000\*

**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY  
(CUMBERLAND COUNTY, NEW JERSEY)  
COUNTY GUARANTEED LEASE REVENUE BONDS  
(COUNTY CORRECTIONAL FACILITY PROJECT),  
SERIES 2018**

**Dated: Date of Delivery****Due: October 1, as shown on inside front cover**

The \$61,935,000\* aggregate principal amount of County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018 (the “Series 2018 Bonds”) are being issued by The Cumberland County Improvement Authority (the “Authority”), a political subdivision and public body corporate and politic of the State of New Jersey (the “State”), pursuant to: (i) the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State, and the acts amendatory thereof and supplemental thereto (the “Act”); (ii) a bond resolution of the Authority duly adopted on September 26, 2018 (the “Bond Resolution”); and (iii) a Trust Indenture, dated as of November 1, 2018 (the “Indenture”), between the Authority and U.S. Bank National Association, Edison, New Jersey, as trustee (the “Trustee”).

The Series 2018 Bonds will be issued in fully registered form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and a clearinghouse for securities transactions. Individual purchases of the Series 2018 Bonds will be made in book-entry only form (without certificates) in denominations of \$5,000 or any integral multiple thereof. The principal of the Series 2018 Bonds is payable on the respective maturity dates, in the years and in the amounts set forth on the inside front cover page hereof. Interest on the Series 2018 Bonds is payable semi-annually on April 1 and October 1 of each year (each, an “Interest Payment Date”), commencing April 1, 2019, until maturity or earlier redemption thereof at the rates set forth on the inside front cover page hereof. The principal or Redemption Price (as hereinafter defined) of the Series 2018 Bonds will be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

So long as Cede & Co. is the registered owner of the Series 2018 Bonds, payments of principal or Redemption Price of and interest on the Series 2018 Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as hereinafter defined) which will, in turn, remit such payments to the Beneficial Owners (as hereinafter defined) of the Series 2018 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2018 Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Series 2018 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Series 2018 Bond. Interest on any Series 2018 Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name the Series 2018 Bond is registered at the close of business on the 15th day of the calendar month immediately preceding the month in which such Interest Payment Date occurs (whether or not a business day).

The Series 2018 Bonds are being issued by the Authority to provide funds which will be used to pay: (i) the costs of acquisition of certain real property located in the City of Bridgeton, County of Cumberland, New Jersey (the “Project Site”); (ii) the costs of the development and construction of (a) an approximately 100,000 square foot, approximately 408-bed, correctional facility (the “Correctional Facility”) for use by the County of Cumberland, New Jersey (the “County”), and (b) an approximately 25,000 square foot, three-story holding center and criminal courtroom facility (the “Holding Center Facility”) and together with the Correctional Facility, the “Facility”) on the Project Site; (iii) the costs of equipping the Facility; (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility (items (i) through (iv) above shall be collectively referred to herein as the “Construction Project”); (v) capitalized interest on the Series 2018 Bonds; and (vi) the costs of issuance with respect to the issuance and sale of the Series 2018 Bonds (collectively, the “Project”). See “THE CONSTRUCTION PROJECT” herein for more information regarding the Construction Project.

The Authority will enter into a Lease Agreement, dated as of November 1, 2018, with the County (the “Lease Agreement”), pursuant to which the Authority will lease the Facility to the County. Pursuant to the Lease Agreement, the County will make certain Lease Payments (as defined in the Lease Agreement) to the Authority in an aggregate amount equal to the principal, redemption premium, if any, and interest on the Series 2018 Bonds as well as applicable Additional Lease Payments (as defined in the Lease Agreement) as the same become due and payable on each Lease Payment Date (as defined in the Lease Agreement). The Lease Payments due pursuant to the Lease Agreement are subject to annual appropriation of sufficient funds by the County Board of Chosen Freeholders in accordance with applicable State law.

The Series 2018 Bonds are special and limited obligations of the Authority payable solely from the Pledged Property (as defined in the Indenture), which includes, *inter alia*: (i) Revenues (as defined in the Indenture) which includes, among other things, the Lease Payments; (ii) the Funds and Accounts established under the Indenture (other than the Rebate Fund); and (iii) all other moneys, securities or funds pledged for the payment of the principal or redemption price of and interest on the Series 2018 Bonds in accordance with the terms and provisions of the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

The Series 2018 Bonds are also secured by the provisions of a Guaranty of the County (the “County Guaranty”), pursuant to which the County has unconditionally guaranteed the payment, when due, of the principal of and interest on the Series 2018 Bonds and will be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all taxable property within the jurisdiction of the County for the payment of the principal of, and interest on, the Series 2018 Bonds, when due, without limitation as to rate or amount, when required under the provisions of applicable law and the County Guaranty. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – County Guaranty” herein.

The Series 2018 Bonds are subject to redemption prior to maturity as described herein. See “DESCRIPTION OF THE SERIES 2018 BONDS” herein.

**THE SERIES 2018 BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE OR ANY SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY RELATING SOLELY TO THE PLEDGED PROPERTY, AND AS APPLICABLE UNDER AND LIMITED BY THE LEASE AGREEMENT AND THE COUNTY GUARANTY, THE COUNTY) AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF SAID STATE OR OF ANY SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY RELATING SOLELY TO THE PLEDGED PROPERTY, AND AS APPLICABLE UNDER AND LIMITED BY THE LEASE AGREEMENT AND THE COUNTY GUARANTY, THE COUNTY), EITHER LEGAL, MORAL OR OTHERWISE. THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2018 BONDS IS PAYABLE BY THE AUTHORITY FROM THE PLEDGED PROPERTY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE COUNTY, AS APPLICABLE UNDER AND LIMITED BY THE COUNTY GUARANTY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2018 BONDS. THE AUTHORITY HAS NO TAXING POWER.**

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to their making an informed investment decision.

The Series 2018 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of certain legal matters by Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Authority, and certain other conditions. Certain matters will be passed upon for the Authority by its counsel, Archer & Greiner, P.C., Haddonfield, New Jersey; for the County by Theodore E. Baker, Esq., Bridgeton, New Jersey, County Counsel and by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, County Bond Counsel; and for the Underwriters by Saul Ewing Arnstein & Lehr LLP, Princeton, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the Authority in connection with the issuance of the Series 2018 Bonds. It is expected that the Series 2018 Bonds will be available for delivery on or about November \_\_, 2018.

**CITIGROUP****ROOSEVELT & CROSS**

\*Preliminary, subject to change.

**\$61,935,000\***  
**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**  
**(CUMBERLAND COUNTY, NEW JERSEY)**  
**COUNTY GUARANTEED LEASE REVENUE BONDS**  
**(COUNTY CORRECTIONAL FACILITY PROJECT),**  
**SERIES 2018**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS\*\***

<u>Maturity *</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount *</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$545,000			
2021	570,000			
2022	600,000			
2023	630,000			
2024	660,000			
2025	695,000			
2026	725,000			
2027	765,000			
2028	800,000			
2029	840,000			
2030	885,000			
2031	930,000			
2032	975,000			
2033	1,025,000			
2034	1,075,000			
2035	1,130,000			
2036	1,185,000			
2037	1,245,000			
2038	1,305,000			

\$7,575,000\* \_\_\_\_% Term Bond due October 1, 2043,\* Priced to Yield \_\_\_\_% CUSIP Number\*\* \_\_\_\_\_

\$9,675,000\* \_\_\_\_% Term Bond due October 1, 2048,\* Priced to Yield \_\_\_\_% CUSIP Number\*\* \_\_\_\_\_

\$12,345,000\* \_\_\_\_% Term Bond due October 1, 2053,\* Priced to Yield \_\_\_\_% CUSIP Number\*\* \_\_\_\_\_

\$15,755,000\* \_\_\_\_% Term Bond due October 1, 2058,\* Priced to Yield \_\_\_\_% CUSIP Number\*\* \_\_\_\_\_

\* Preliminary, subject to change.

\*\* Registered trademark of American Bankers Association (“ABA”). CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2018 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 change after the issuance of the Series 2018 Bonds 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 Series 2018 Bonds.

**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**  
**2 North High Street**  
**Millville, New Jersey 08332**

**AUTHORITY MEMBERS**

<u><b>Name</b></u>	<u><b>Position</b></u>
Dale K. Jones. ....	Chairman
George M. Olivio .....	Vice Chairman
Albert B. Kelly .....	Secretary
Andre Lopez .....	Treasurer
Robert P. Nedohon, Jr. ....	Assistant Treasurer

**PRESIDENT/CEO**

Gerard Velazquez, III

**GENERAL COUNSEL**

Archer & Greiner, P.C.  
Haddonfield, New Jersey

**AUDITOR**

Romano, Hearing, Testa & Knorr  
Vineland, New Jersey

**BOND COUNSEL**

Parker McCay P.A.  
Mount Laurel, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**TRUSTEE, REGISTRAR AND PAYING AGENT**

U.S. Bank National Association  
Edison, New Jersey

**COUNTY OF CUMBERLAND, NEW JERSEY**  
**790 E. Commerce Street**  
**Bridgeton, New Jersey 08302**

**BOARD OF CHOSEN FREEHOLDERS**

Joseph Derella .....	Freeholder Director
Darlene Barber .....	Deputy Freeholder Director
Carol Musso .....	Freeholder
Joseph Sparacio .....	Freeholder
George Castellini .....	Freeholder
Jack Surrency .....	Freeholder
James Quinn .....	Freeholder

**COUNTY OFFICIALS**

Ken Mecouch  
County Administrator/Clerk of the Board of Chosen Freeholders

Gerald Seneski  
County Chief Financial Officer/Treasurer

Theodore E. Baker, Esq.  
County Counsel

**COUNTY AUDITOR**

Bowman & Company LLP  
Voorhees, New Jersey

**COUNTY BOND COUNSEL**

Wilentz, Goldman & Spitzer, P.A.  
Woodbridge, New Jersey

The information which is set forth herein has been provided by The Cumberland County Improvement Authority (the "Authority"), the County of Cumberland, New Jersey (the "County"), The Depository Trust Company, New York, New York ("DTC"), and by other sources which are believed to be reliable by the Authority, but the information provided by such sources is not guaranteed as to accuracy or completeness by the Authority. Certain general and financial information concerning the County is contained in APPENDICES "A" and "B" to this Official Statement. Such information has been furnished by the County. The Authority has not confirmed the accuracy or completeness of information relating to the County and the Authority disclaims any responsibility for the accuracy or completeness thereof.

Citigroup Global Markets Inc., as representative of itself and Roosevelt & Cross Incorporated (together, the "Underwriters") has provided the following sentence for inclusion in the Official Statement: The Underwriters have reviewed the Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Where the Constitution or statutes of the State of New Jersey are referred to, reference should be made to such Constitution or statutes for a complete statement of the matters referred to.

This Official Statement is submitted in connection with the sale of the Series 2018 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

No dealer, broker, salesman or any other person has been authorized by the Authority or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2018 Bonds, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2018 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the County since the date hereof.

**Neither the Bond Resolution nor the Indenture has been qualified under the Trust Indenture Act of 1939, as amended, and upon issuance, the Series 2018 Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon exemptions in such laws. The Series 2018 Bonds will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the Authority (subject to the limitations set forth above), will have passed upon the accuracy or adequacy of this Official Statement.**

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

This Official Statement is not to be construed as a contract or agreement between the Authority, the County, the Underwriters and the purchasers or the holders of any of the Series 2018 Bonds.

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2018 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 BONDS AT LEVELS ABOVE**

**THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE AUTHORITY, THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2018 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

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## OFFICIAL STATEMENT

Relating to

**\$61,935,000\***

**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY  
(CUMBERLAND COUNTY, NEW JERSEY)  
COUNTY GUARANTEED LEASE REVENUE BONDS  
(COUNTY CORRECTIONAL FACILITY PROJECT),  
SERIES 2018**

### INTRODUCTION

This Official Statement, which includes the cover page hereof and the Appendices attached hereto, is furnished by The Cumberland County Improvement Authority (the “Authority”), a public body corporate and politic and a political subdivision of the State of New Jersey (the “State”), to provide certain information relating to: (i) the Authority; (ii) the project described herein under the heading “THE CONSTRUCTION PROJECT”; (iii) the County of Cumberland, New Jersey (the “County”); and (iv) the \$61,935,000\* aggregate principal amount of County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018 (the “Series 2018 Bonds”) to be issued by 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 Indenture (as hereinafter defined) or the Lease Agreement (as hereinafter defined).

U.S. Bank National Association, Edison, New Jersey has been appointed by the Authority to serve as trustee, paying agent and registrar (the “Trustee”, the “Paying Agent” and the “Registrar”) for the Series 2018 Bonds pursuant to the Trust Indenture dated as of November 1, 2018 (the “Indenture”), between the Authority and the Trustee.

The Series 2018 Bonds shall be special and limited obligations of the Authority payable solely from and secured by its interest in the Pledged Property (as hereinafter defined), which includes, *inter alia*: (i) Revenues (as hereinafter defined) which includes, among other things, the Lease Payments to be paid by the County under the Lease Agreement between the Authority and the County dated as of November 1, 2018 (the “Lease Agreement”); (ii) the Funds and Accounts established under the Indenture (other than the Rebate Fund), including Investment Securities held in any such Funds or Accounts; and (iii) all other moneys, securities or funds pledged for the payment of the principal or redemption price of and interest on the Series 2018 Bonds in accordance with the terms and provisions of the Indenture. Pursuant to the County Guaranty (as hereinafter defined), the County, upon its endorsement of the Series 2018 Bonds, will be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all taxable property within the jurisdiction of the County without limitation as to rate or amount when required under the provisions of applicable law and the County Guaranty for the payment, when due, of the principal of and interest on the Series 2018 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

Copies of the Indenture, the Lease Agreement and the County Guaranty are on file at the offices of the Authority in Millville, New Jersey and at the principal corporate trust office of the Trustee in Edison, New Jersey, and reference is made to such documents for the provisions relating to, among other things, the terms of and the security for the Series 2018 Bonds, the custody and application of the proceeds of the Series 2018 Bonds, the rights and remedies of the holders of the Series 2018 Bonds, and the rights, duties and obligations of the Authority, the County and the Trustee.

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\* Preliminary, subject to change.

There follows in this Official Statement brief descriptions of the Series 2018 Bonds, the Indenture, the Lease Agreement, the County Guaranty and the Authority. Certain information concerning the County is attached to this Official Statement as APPENDIX “A”. Excerpts of the Report of Audit of Financial Statements of the County are attached to this Official Statement as APPENDIX “B”. The Authority has not confirmed the accuracy or completeness of the information relating to the County and the Authority disclaims any responsibility for the accuracy or completeness thereof.

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.

### **AUTHORIZATION FOR THE SERIES 2018 BONDS AND LEASE AGREEMENT**

The Series 2018 Bonds are issued pursuant to: (i) the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State (*N.J.S.A. 40:37A-44 et seq.*), and the acts amendatory thereof and supplemental thereto (the “Act”); (ii) a bond resolution of the Authority duly adopted on September 26, 2018 (the “Resolution”); and (iii) the Indenture.

The financing plan of the Authority regarding the Project (as hereinafter defined), the Series 2018 Bonds and the County Guaranty was reviewed by the Local Finance Board of the Division of Local Government Services within the State Department of Community Affairs (the “Local Finance Board”) at a meeting held on August 8, 2018. On said date, the Local Finance Board passed a resolution which stated, *inter alia*, that the method proposed for the funding of the costs of the Project and the terms of the financing, including the issuance by the County of the County Guaranty, were not unreasonable or impracticable and would not impose an unnecessary financial burden on the inhabitants within the County’s jurisdiction.

In connection with the issuance of the Series 2018 Bonds and the guaranty by the County of the payment of the principal thereof and interest thereon, the Board of Chosen Freeholders of the County duly adopted, in the manner provided for adoption of a bond ordinance as provided in the Local Bond Law, constituting Chapter 169 of the Pamphlet Laws of 1960 of the State, as amended (the “Local Bond Law”), a guaranty ordinance on August 28, 2018 which authorized the execution and delivery by the County of the Guaranty Agreement dated as of November 1, 2018 (the “County Guaranty”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – County Guaranty” herein.

In connection with the undertaking of the County’s obligations under the Lease Agreement, the Board of Chosen Freeholders of the County duly and finally adopted an ordinance on August 28, 2018, authorizing the execution and performance on behalf of the County of the County’s obligations under the Lease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Lease Agreement” herein.

### **PLAN OF FINANCE**

The Series 2018 Bonds are being issued by the Authority to provide funds which will be used to pay: (i) the costs of acquisition of certain real property located in the City of Bridgeton, County of Cumberland, New Jersey (the “Project Site”); (ii) the costs of the development and construction of (a) an approximately 100,000 square foot, approximately 408-bed, County correctional facility (the “Correctional Facility”), and (b) an approximately 25,000 square foot, three-story holding center and criminal courtroom facility (the “Holding Center Facility” and together with the Correctional Facility, the “Facility”) on the Project Site; (iii) the costs of equipping the Facility; (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility (items (i) through (iv) above shall be collectively referred to herein as the “Construction Project”); (v) capitalized interest on the Series 2018 Bonds, as further described herein under the heading “DEBT SERVICE REQUIREMENTS OF THE SERIES 2018 BONDS”; and (vi) the costs of issuance with respect to the

issuance and sale of the Series 2018 Bonds (collectively, the “Project”). Additional information regarding the Project appears below under the heading “THE CONSTRUCTION PROJECT”.

Pursuant to the Lease Agreement, upon completion of construction, the Authority will lease the Facility to the County. The County is required under the Lease Agreement to make certain Lease Payments to the Authority in an aggregate amount equal to the debt service on the Series 2018 Bonds. The Lease Payments received by the Authority will be pledged by the Authority to secure the Series 2018 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

## **THE CONSTRUCTION PROJECT**

The Facility will be located on the Project Site, which is located on South Burlington Road in the City of Bridgeton in the County. The Correctional Facility will consist of a central circulation path, with all the services necessary for normal daily operations such as education, medical, vocational training and visitation areas. In addition, the Correctional Facility will include a “Work Force/Step to Freedom” housing unit program. Once the Facility is completed, the existing County correctional facility will be demolished and a new secure parking lot and secure access passageway will be provided to connect the Holding Center Facility to the original County courthouse. The Holding Center Facility will include a vehicle sally port, holding cells, control room, criminal courtroom, judge’s chambers and deliberation room. Construction of the Facility is expected to be completed in the first quarter of 2020. Pursuant to a Project Development Agreement between the County and the Authority, the Authority will act as project manager for the Project.

The Authority will acquire a fee simple ownership interest in the real property comprising the Project Site and construct the Construction Project. The Authority will own the Facility during the term of the Series 2018 Bonds and lease it to the County pursuant to the Lease Agreement. Upon final maturity of the Series 2018 Bonds, subject to the satisfaction of certain conditions included in the Lease Agreement, the Authority will transfer ownership of the Facility and the Project Site to the County.

## **DESCRIPTION OF THE SERIES 2018 BONDS**

### **General**

The Series 2018 Bonds are issuable as fully registered bonds. The Series 2018 Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover page of this Official Statement and will be issued in book-entry only form. Individual purchases of the Series 2018 Bonds will be made in book-entry only form (without certificates) in denominations of \$5,000 or any integral multiple thereof. So long as The Depository Trust Company, New York, New York (“DTC”) or its nominee, Cede & Co., is the registered owner of the Series 2018 Bonds, payments of the principal or Redemption Price of, and interest on, the Series 2018 Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the “DTC Participants”) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Series 2018 Bonds is the responsibility of the DTC Participants and not the Authority or the Trustee. See “DESCRIPTION OF THE SERIES 2018 BONDS - Book-Entry Only System” below. In the event that the Series 2018 Bonds are no longer subject to the DTC Book-Entry Only System, the principal or Redemption Price of the Series 2018 Bonds will be payable upon surrender of the respective Series 2018 Bonds at the principal corporate trust office of the Trustee or at any other place that may be provided for such payment by the appointment of any other Trustee under the Indenture.

Interest on the Series 2018 Bonds, calculated on the basis of a 360-day year of twelve 30 day months, is payable on April 1 and October 1 (each, an “Interest Payment Date”) of each year, commencing on April 1, 2019, by check or draft of the Trustee, or, in the case of owners of \$1,000,000 or more in principal amount of Series 2018 Bonds which have submitted to the Trustee a written request therefor, by wire transfer of immediately available funds. Principal or Redemption Price of the Series

2018 Bonds will be paid, when due, upon presentation and surrender of the Series 2018 Bonds at the principal corporate trust office of the Trustee. Interest on any Series 2018 Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name the Series 2018 Bond is registered at the close of business on the 15th day of the calendar month immediately preceding the month in which such Interest Payment Date occurs (whether or not a business day) (the “Record Date”).

Any interest on any Series 2018 Bond which is payable, but is not punctually paid or provided for, on any Interest Payment Date (herein called “Default Interest”) shall forthwith cease to be payable to the person who is the Registered Owner on the relevant regular Record Date, and such Default Interest shall be paid to the person in whose name the Series 2018 Bond is registered at the close of business on a Special Record Date to be fixed by the Trustee, such date to be not more than fifteen (15) days nor less than ten (10) days prior to the date of proposed payment (the “Default Interest Payment Date”), and which Special Record Date shall be fixed by the Trustee within ten (10) days after the receipt by the Trustee of the written notice of the proposed payment from the Authority.

### **Optional Redemption\***

The Series 2018 Bonds maturing prior to October 1, 20\_\_ are not subject to redemption prior to their stated maturity dates. The Series 2018 Bonds maturing on and after October 1, 20\_\_ are subject to redemption prior to maturity at the option of the Authority, on or after October 1, 20\_\_, as a whole or in part on any date in such order of maturities as the Authority may direct and within a maturity by lot (or other customary method of selection determined by the Trustee) at a Redemption Price equal to one hundred percent (100%) of the principal amount of the Series 2018 Bonds to be redeemed, together with interest accrued to the redemption date, upon notice as set forth in the Indenture and described below.

### **Mandatory Sinking Fund Redemption\***

[The Series 2018 Bonds maturing on October 1, 20\_\_, October 1, 20\_\_, October 1, 20\_\_ and October 1, 20\_\_ are subject to scheduled mandatory sinking fund redemption by the Authority on October 1 of the years and in the amounts set forth below at a Redemption Price equal to one hundred percent (100%) of the principal amount thereof together with interest accrued to the redemption date: ]

### **Notice of Redemption**

The Trustee shall give notice, in the name of the Authority, of the redemption of Series 2018 Bonds called for redemption, which notice shall specify the maturities of the Series 2018 Bonds to be redeemed, the Redemption Price, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2018 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2018 Bonds so to be redeemed and, in the case of Series 2018 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2018 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Series 2018 Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, via first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to registered owners of any Series 2018 Bonds or portions of Series 2018 Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail or any defect in the notice to the registered owner of any Series 2018 Bonds which are to be redeemed shall not affect the validity of the proceedings for the redemption of any other Series 2018 Bonds.

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\* Preliminary, subject to change.

Any notice which is mailed in the manner described above shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

So long as the Series 2018 Bonds are registered in the name of Cede, as nominee of DTC, all notices with respect to the Series 2018 Bonds shall be given to DTC.

Any notice of redemption of the Series 2018 Bonds may state that it is conditioned upon there being available on the redemption date an amount of money sufficient to pay the Redemption Price of the Series 2018 Bonds to be redeemed, together with interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time to and including the redemption date if such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds being on deposit with the Trustee to pay the Redemption Price on the redemption date, the corresponding conditional notice of redemption shall be deemed to have been revoked *nunc pro tunc* and shall be deemed to be null and void as if never given and such Series 2018 Bonds or portions thereof shall continue to bear interest until paid at maturity at the same rate as they would have borne had they not been called for redemption.

If, on the redemption date, moneys for the redemption of all the Series 2018 Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if a notice of redemption shall have been given as aforesaid, then from and after the redemption date interest on the Series 2018 Bonds or portions thereof so called for redemption shall cease to accrue and become payable.

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

**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.**

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 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 Series 2018 Bonds, in the aggregate principal amount of such maturity of the Series 2018 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, 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 Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018 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 Series 2018 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 Series 2018 Bonds, except in the event that use of the book-entry only system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 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 Series 2018 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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 Series 2018 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 Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2018 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, to the extent provided with funds to make such payment by the Authority or the County), 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 Series 2018 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, Series 2018 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, Series 2018 Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2018 Bonds, as nominee of DTC, references herein to the Bondholders or Registered Owners of the Series 2018 Bonds (excluding all references thereto under the heading "TAX MATTERS" herein) means Cede & Co., not the Beneficial Owners of the Series 2018 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 COUNTY, THE TRUSTEE AND THE UNDERWRITERS 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 SERIES 2018 BONDS (1) PAYMENTS OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018 BONDS, OR (2) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2018 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 SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.**

**NONE OF THE AUTHORITY, THE COUNTY, THE TRUSTEE OR THE UNDERWRITERS 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 NOMINEE OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PRICE OR INTEREST ON SERIES 2018 BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEE 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 SERIES 2018 BONDS; (E) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2018 BONDS; OR (F) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2018 BONDS.**

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS

### General

The Series 2018 Bonds shall be special and limited obligations of the Authority payable solely from and secured by its interest in the Pledged Property (as described below). The Series 2018 Bonds are not payable from general funds of the Authority and shall not constitute a legal or equitable pledge or lien or encumbrance upon any of the assets or property of the Authority or upon any of its income, receipts, or revenues, except as provided in the Indenture. The full faith and credit of the Authority are not pledged, either expressly or by implication, to the payment of the Series 2018 Bonds. The Authority has no taxing power. The Authority has no claim on revenues or receipts of the State or any agency or political subdivision thereof (except the County to the extent of the County's obligations under the Lease Agreement and the County's obligations under the County Guaranty).

"Revenues" are defined in the Indenture to mean: (i) all amounts, including Lease Payments, received by the Authority from the County under the Lease Agreement, and any other agreement with respect to any Additional Project; (ii) any moneys or securities held pursuant to the Indenture and paid or required to be paid into the Debt Service Fund; (iii) any payments made by the County to the Authority pursuant to the County Guaranty or the Indenture; (iv) interest received on any moneys or Investment Securities held under the Indenture (other than in the Rebate Fund) and required to be paid into the Revenue Fund pursuant to the Indenture; and (v) any other amounts received from any other source by the Authority and pledged by the Authority as security for the payment of a particular Series of Bonds pursuant to a Supplemental Indenture.

"Pledged Property" is defined in the Indenture to mean: (i) the Revenues; (ii) the Funds and Accounts established under the Indenture (other than the Rebate Fund), including Investment Securities held in any such Funds or Accounts; and (iii) all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Indenture.

Under the Indenture, Refunding Bonds may be issued for the refunding of any Bonds outstanding under the Indenture on a parity basis with the Series 2018 Bonds. See APPENDIX "C" for the requirements that must be met prior to the issuance of Refunding Bonds.

The Lease Payments to be made by the County pursuant to the Lease Agreement shall be in an amount equal to the amount of the principal or Redemption Price of, and interest on, the Series 2018 Bonds due on each Lease Payment Date. In addition, the County agrees to make Additional Lease Payments (including, but not limited to, administrative expenses of the Authority with respect to the Series 2018 Bonds incurred by the Authority from time to time) as and when the same become due and payable upon demand pursuant to the terms of the Lease Agreement. Pursuant to the Lease Agreement, the County has covenanted to budget in each fiscal year amounts for the purpose of satisfying the Lease Payments to be made by the County to the Authority pursuant to the terms of the Lease Agreement. Nevertheless, the obligation for the payment of the Lease Payments and all other amounts required to be paid by the County under the Lease Agreement is subject to the annual appropriation of sufficient funds by the County Board of Chosen Freeholders in accordance with applicable State law. In the event that the Lease Payments required to be paid by the County under the Lease Agreement are not appropriated and paid, the County shall be obligated to levy *ad valorem* taxes on all taxable property within the jurisdiction of the County without limitation as to rate or amount pursuant to the County Guaranty. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Lease Agreement" and "– County Guaranty" herein.

The Lease Payments (excluding Additional Lease Payments) include only scheduled payments of principal of the Series 2018 Bonds (including Sinking Fund Installments, if any, and payments of



principal upon maturity of serial maturity Series 2018 Bonds) and scheduled payments of interest on the Series 2018 Bonds.

No recourse shall be had for the payment of the principal of or interest on the Series 2018 Bonds or for any claim based thereon or on the Indenture against any member or officer of the Authority, the County or any person executing the Series 2018 Bonds. No member, officer or employee of the Authority or the County or any person executing the Series 2018 Bonds shall be liable personally on the Series 2018 Bonds by reason of the issuance thereof.

The security interest granted and the pledge and assignment made in the Indenture and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of the Series 2018 Bonds and any Additional Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Series 2018 Bonds or Additional Bonds over any other thereof, all except as expressly provided in or permitted by the Indenture.

### **Acquisition Fund**

Amounts deposited in the Acquisition Fund established under the Indenture are to be held by the Trustee in trust and applied to pay the Costs of the Construction Project. Pending such application, amounts in the Acquisition Fund are pledged to secure the payment of the principal of and interest on the Series 2018 Bonds.

### **Lease Agreement**

The Authority and the County have entered into the Lease Agreement in order to secure the Series 2018 Bonds. With respect to the Series 2018 Bonds, pursuant to the terms of the Lease Agreement, the County is required to make Lease Payments to the Authority on each Lease Payment Date in an amount equal to the debt service payable on the Series 2018 Bonds on the immediately succeeding Interest Payment Date, Principal Installment Date or Sinking Fund Installment due date, as the case may be, subject to a credit for investment earnings and certain other amounts received by the Trustee as provided therein. Lease Payment Dates occur thirty (30) days prior to each Interest Payment Date, Principal Installment Date or Sinking Fund Installment due date, as applicable. In addition, the County is required to make Additional Lease Payments to cover certain administrative expenses of the Trustee and the Authority and other professional fees and the Rebate Amount, if any.

The Lease Agreement provides that the cost and expense of the performance by the County of its obligations under the Lease Agreement and the incurrence of any liabilities of the County under the Lease Agreement including, without limitation, the obligation for the payment of all Lease Payments and all other amounts required to be paid by the County under the Lease Agreement is subject to the annual appropriation of sufficient funds by the County Board of Chosen Freeholders in accordance with applicable State law. In the event that the Lease Payments required to be paid by the County under the Lease Agreement are not appropriated and paid, the County shall be obligated to levy *ad valorem* taxes on all taxable property within the jurisdiction of the County without limitation as to rate or amount pursuant to the County Guaranty.

The Board of Chosen Freeholders of the County duly and finally adopted an ordinance on August 28, 2018, authorizing the execution and performance on behalf of the County of the County's obligations under the Lease Agreement.

An Event of Default under the Lease Agreement shall not give rise to an Event of Default under the Indenture.

## County Guaranty

In connection with the issuance of the Series 2018 Bonds and the guaranty by the County of the payment of the principal of and interest thereon, the Board of Chosen Freeholders of the County duly authorized by ordinance, in the manner provided for adoption of a bond ordinance as provided in the Local Bond Law, the County Guaranty. Upon the endorsement of the Series 2018 Bonds by the County, the County will be unconditionally and irrevocably obligated to pay the principal of and interest on the Series 2018 Bonds, when due. Furthermore, upon the endorsement of the Series 2018 Bonds by the County, the County will be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all taxable real property within the jurisdiction of the County for the payment of the principal of and interest on the Series 2018 Bonds, when due, without limitation as to rate or amount, when required under the provisions of applicable law and the County Guaranty.

## MARKET PROTECTION

In addition to the issuance of the Series 2018 Bonds, prior to the conclusion of calendar year 2018, the Authority anticipates issuing a series of County General Obligation Revenue Bonds (Technical High School Project), in an aggregate principal amount not expected to exceed \$26,200,000. Such bonds, if issued, are expected to be secured by loan payments to the Authority from the County, with such payments to constitute unconditional general obligations of the County. In addition, the County anticipates issuing \$6,350,000 principal amount of Bond Anticipation Notes prior to the conclusion of the calendar year.

## BOND INSURANCE

The Series 2018 Bonds or certain maturities thereof may or may not be issued with bond insurance, and the decision whether to use bond insurance on all or a portion of the Series 2018 Bonds will be subject to market conditions at the time of pricing of the Series 2018 Bonds.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2018 Bonds:

### Sources of Funds:

Principal Amount of Series 2018 Bonds .....	\$ _____
[Net] Original Issue [Premium/Discount] .....	_____
<b>TOTAL SOURCES OF FUNDS .....</b>	<b>\$ _____</b>

### Uses of Funds:

Deposit to Acquisition Fund .....	\$ _____
Deposit of Capitalized Interest to Debt Service Fund .....	\$ _____
Costs of Issuance* .....	\$ _____
<b>TOTAL USES OF FUNDS .....</b>	<b>\$ _____</b>

\*Consists of Underwriters' discount along with legal, municipal advisory, printing, rating agency, accounting, Trustee and Authority fees and other fees and expenses allocable to the Series 2018 Bonds.

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## DEBT SERVICE REQUIREMENTS OF THE SERIES 2018 BONDS

Year Ending (December 31)	Series 2018 Bonds Principal	Series 2018 Bonds Interest*	Total Debt Service**
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
2058			
Total:			

\* Reflects capitalized interest on the Series 2018 Bonds through \_\_\_\_\_.

\*\* Includes the Series 2018 Bonds only; the Authority and the County have other outstanding indebtedness. With respect to the Authority, see “THE AUTHORITY – Outstanding Authority Bonds” herein. With respect to the County, see APPENDICES “A” and “B”.

## THE AUTHORITY

### Creation and Powers

The Authority is a public body corporate and politic of the State and was created by a resolution of the Board of Chosen Freeholders of the County of Cumberland, New Jersey adopted on December 30, 1980, pursuant to the Act.

The Authority has broad powers under the Act including, among others, the following: to sue and be sued; to enter into leases and contracts; to acquire property by any lawful means, including the exercise of the power of eminent domain; to hold, operate and administer its property; to issue its negotiable bonds and to secure their payment and the rights of holders thereof under a bond resolution; to enter into contracts; to charge and collect charges for use of its facilities and to revise such charges which the Act requires to be charged such that the revenues of the Authority will at all times be adequate to pay all administrative expenses, to pay punctually the principal of and interest on any bonds and to maintain reserves and sinking funds therefor, as may be required by the terms of any contracts with Bondholders; and to make and enforce rules and regulations for the management of its business and affairs.

The Authority was established as an instrumentality of the State for, among other purposes, the purpose of providing for the construction of public buildings, transportation facilities, the acquisition of equipment and the acquisition of property owned by the federal government. Subsequent amendments to the Act permit the Authority to provide for the construction of convention halls, solid waste disposal facilities, recreational/entertainment centers, low and moderate income housing, to plan, initiate and carry out redevelopment projects and to provide financing on behalf of certain non-profit entities. The Authority currently is the implementing agency for the County's Solid Waste Management Plan and develops and administers solid waste and recycling facilities and programs in the County, including a 75-acre landfill and a pretreatment facility.

The Authority's mailing address is 2 North High Street, Millville, New Jersey 08332.

### Management

The governing body of the Authority consists of five members appointed by the Board of Chosen Freeholders of the County. The Authority's staff is supervised by the Authority's President/Chief Executive Officer. Gerard Velazquez, III has served as President/Chief Executive Officer of the Authority since April 1, 2013. The present members of the governing body of the Authority, their offices and the expiration dates of their terms as members are as follows:

<u>Name</u>	<u>Office</u>	<u>Expiration of Term</u>
Dale K. Jones	Chairman	February 2022
George M. Olivio	Vice Chairman	February 2023
Albert B. Kelly	Secretary	February 2020
Andre Lopez	Treasurer	February 2021
Robert P. Nedohon, Jr.	Assistant Treasurer	February 2019

### Outstanding Authority Bonds

In August 2006, the Authority issued its Solid Waste System Revenue Bonds (Series 2006), in the initial aggregate principal amount of \$24,485,000 (the "Series 2006 Bonds"), to finance improvements to the Authority's solid waste complex and disposal system, along with other improvements. A portion of the Series 2006 Bonds were advance refunded by the Authority's \$14,595,000 County Guaranteed Solid Waste System Revenue Refunding Bonds, Series 2015A (the "Series 2015A Bonds"). No Series 2006 Bonds remain outstanding. **The Series 2015A Bonds are not secured by the Revenues or any other**

**Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** The payment of the principal of and the interest on the Series 2015A Bonds is guaranteed by the County pursuant to a guaranty agreement executed and delivered by the County and the Authority in connection with the issuance of the Series 2015A Bonds. As of October 1, 2018, \$13,260,000 principal amount of Series 2015A Bonds remained outstanding.

In October 2009, the Authority issued its Local Unit Program Bonds (Vineland Electric Utility Project), Series 2009A and Local Unit Program Bonds (Vineland Electric Utility Project), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (collectively, the “Series 2009 Bonds”) in the initial aggregate principal amount of \$60,000,000. The Series 2009 Bonds were issued for the benefit of the City of Vineland, County of Cumberland, New Jersey (the “City of Vineland”) and are secured by payments due to the Authority from the City of Vineland. **The Series 2009 Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** As of October 1, 2018, \$57,500,000 principal amount of Series 2009 Bonds remained outstanding.

In May 2014, the Authority issued its County-Guaranteed Revenue Bonds (Facilities Acquisition Project), Series 2014, in the initial aggregate principal amount of \$17,955,000 (the “Series 2014 Lease Revenue Bonds”), to finance the construction of an employment and training facility and the acquisition of an office building. **The Series 2014 Lease Revenue Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** The payment of the principal of and the interest on the Series 2014 Lease Revenue Bonds is guaranteed by the County pursuant to a guaranty agreement executed and delivered by the County and the Authority in connection with the issuance of the Series 2014 Lease Revenue Bonds. As of October 1, 2018, \$16,325,000 principal amount of Series 2014 Lease Revenue Bonds remained outstanding.

In October 2014, the Authority issued its County General Obligation Revenue Bonds (Technical High School Project), Series 2014, in the initial aggregate principal amount of \$63,890,000 (the “Series 2014 Technical School Bonds”), to finance the construction of a new County technical school. **The Series 2014 Technical School Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** The payment of the principal of and the interest on the Series 2014 Technical School Bonds is secured by loan repayments to be made by the County to the Authority pursuant to a loan agreement executed and delivered by the County and the Authority in connection with the issuance of the Series 2014 Technical School Bonds, which loan agreement is secured by an unconditional general obligation bond of the County issued by the County to the Authority. As of October 1, 2018, \$58,670,000 principal amount of Series 2014 Technical School Bonds remained outstanding.

In August 2015, the Authority issued its Revenue Bonds (State Office Buildings Project), Series 2015, in the initial aggregate principal amount of \$3,975,000 (the “Series 2015 State Office Building Bonds”), to finance the renovation of a portion of an existing facility in the County to be utilized through a lease by certain state agencies. **The Series 2015 State Office Building Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** As of October 1, 2018, \$3,535,000 principal amount of Series 2015 State Office Building Bonds remained outstanding.

In May 2017, the Authority issued indebtedness in connection with a financing involving the New Jersey Environmental Infrastructure Trust to finance a solid waste project (the “Series 2017A NJEIT Bonds” and the “Series 2017B NJEIT Bonds”). **Neither the Series 2017A NJEIT Bonds nor the Series 2017B NJEIT Bonds are secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** The Authority’s Series 2017A NJEIT Bonds and Series 2017B NJEIT Bonds were initially issued in the aggregate principal amount of \$10,185,515. As of October 1, 2018, \$2,420,000 principal amount of the Series 2017A NJEIT Bonds remained outstanding and \$7,000,336 principal amount of the Series 2017B NJEIT Bonds remained outstanding.

In October 2017, the Authority issued its Revenue Bonds (Office Building Acquisition Project), Series 2017 (Federally Taxable) in the principal amount of \$12,000,000 (the “Series 2017 Office Building Bonds”) to finance the acquisition of an existing industrial/office complex in the City of Vineland. The payment of the principal of and the interest on the Series 2017 Office Building Bonds is derived from lease payments made to the Authority by the tenants that rent space in the industrial/office complex. **The Series 2017 Office Building Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** As of October 1, 2018, \$12,000,000 principal amount of Series 2017 Office Building Bonds remained outstanding.

In December 2017, the Authority issued its City General Obligation Lease Revenue Bonds (Vineland Public Safety Building Project), Series 2017, in the initial aggregate principal amount of \$21,935,000 (the “Series 2017 Vineland Public Safety Facility Bonds”), to finance the acquisition of property and the development and construction of a public safety facility in the City of Vineland. The payment of the principal of and the interest on the Series 2017 Vineland Public Safety Facility Bonds is derived from lease payments made by the City to the Authority. **The Series 2017 Vineland Public Safety Facility Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** As of October 1, 2018, \$21,935,000 principal amount of Series 2017 Vineland Public Safety Facility Bonds remained outstanding.

On September 13, 2018, the Authority issued its Revenue Bonds (Facilities Renovation Project), Series 2018, in the principal amount of \$3,200,000 (the “Series 2018 Facilities Renovation Project Bonds”) to finance various renovations and improvements to the existing industrial/office complex in the City of Vineland for use by the City of Vineland. The payment of the principal of and the interest on the Series 2018 Facilities Renovation Project is secured by lease payments to be made to the Authority by the City of Vineland. **The Series 2018 Facilities Renovation Project Bonds are not secured by the Revenues or any other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.** As of October 1, 2018, the entire principal amount of Series 2018 Facilities Renovation Project Bonds remained outstanding.

In addition to the indebtedness described above, the Authority has other indebtedness, including certain capital leases, none of which is secured by the Revenues or other Pledged Property pledged under the Indenture as security for the Series 2018 Bonds.

## LITIGATION

### Authority

In the opinion of Archer & Greiner, P.C., Haddonfield, New Jersey, General Counsel to the Authority, there is no litigation pending or, to the best of their knowledge, threatened to restrain or enjoin the issuance or sale of the Series 2018 Bonds or in any way contesting the validity or affecting the authority for the issuance of the Series 2018 Bonds, the adoption of the Resolution or the authorization, execution and delivery by the Authority of the Indenture, the Lease Agreement or any other financing document to which the Authority is a party, or the existence or powers of the Authority.

### County

In the opinion of Theodore E. Baker, Esq., Bridgeton, New Jersey, County Counsel, there is no litigation pending or, to the best knowledge of County Counsel, threatened to restrain or enjoin the County from entering into or delivering the Lease Agreement or the County Guaranty or in any way contesting or affecting the Project. Also, there is no litigation pending or, to the best knowledge of County Counsel, threatened that would have a material and adverse impact on the financial condition of the County if adversely decided.

## TAX MATTERS

### Federal Tax Matters

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Authority, assuming continuing compliance by the Authority and the County with their respective tax covenants described below, under existing law, interest on the Series 2018 Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 (“Tax Cuts and Jobs Act”), signed into law on December 22, 2017 (as amended, the “Code”), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations pursuant to Section 55 of the Code.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for “adjusted current earnings” set forth in Section 56(g) of the Code is required in determining a corporation’s alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the “adjusted current earnings” of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Series 2018 Bonds, is included in computing “adjusted current earnings” of those corporations. Accordingly, a portion of the interest on the Series 2018 Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Series 2018 Bonds is included in computing such corporation’s alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the “dividend equivalent amount” for the taxable year. Interest on the Series 2018 Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the “dividend equivalent amount” of such corporation.

In addition, passive investment income, including interest on the Series 2018 Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering its opinion, Bond Counsel has assumed continuing compliance by: (i) the Authority with the covenants contained in the Indenture, the Lease Agreement and in the Certificate as to Nonarbitrage and Other Tax Matters (“Nonarbitrage Certificate”) that it will comply with the applicable requirements of the Code; and (ii) the County with the covenants contained in the Lease Agreement and the Nonarbitrage Certificate that it will comply with the applicable requirements of the Code. These covenants relate to, *inter alia*, the use and investment of proceeds of the Series 2018 Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Authority or the County to comply with such covenants could result in the interest on the Series 2018 Bonds being subject to federal income tax from the date of issue. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Series 2018 Bonds that may affect the tax-exempt status of the interest on the Series 2018 Bonds.

Ownership of the Series 2018 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, controlled foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who

otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Series 2018 Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Series 2018 Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the modified adjusted gross income of the taxpayer and certain other individuals. Modified adjusted gross income means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Series 2018 Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than “qualified tax-exempt obligations” as defined in Section 265(b)(3) of the Code. The Series 2018 Bonds are *not* “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code.

Owners of the Series 2018 Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

### **Tax Accounting Treatment of Discount Bonds**

The initial public offering price to be paid for certain Series 2018 Bonds may be less than the amount payable on such Series 2018 Bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Series 2018 Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year. However, such accrued interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation’s alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, holders of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. In the event of the sale or other taxable disposition of a Discount Bond prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted



upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income. Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

### **Tax Accounting Treatment of Premium Bonds**

The initial public offering price to be paid for certain Series 2018 Bonds may be greater than the stated redemption price on such Series 2018 Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

### **New Jersey Tax Matters**

Bond Counsel is also of the opinion that interest on the Series 2018 Bonds and any gain from the sale thereof are not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, any such proposal would apply to bonds or notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2018 Bonds.

PROSPECTIVE PURCHASERS OF THE SERIES 2018 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE SERIES 2018 BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

## **PLEDGE OF THE STATE 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 authorities organized thereunder to fix, establish, charge and collect service charges and to fulfill the terms of any agreements made with holders of obligations of authorities or in any way impair the rights and remedies of such holders, until such obligations, together with 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.

## **NEGOTIABILITY OF THE SERIES 2018 BONDS**

Section 24 of the Act, *N.J.S.A. 40:37A-67*, provides that any bond or obligation issued pursuant to the Act shall be fully negotiable within the meaning and for all purposes of the negotiable instruments law of the State and each holder or owner of such bond or other obligation, or of any coupon appurtenant thereto, by accepting such bond or coupon shall be conclusively deemed to have agreed that such bond, obligation or coupon is and shall be fully negotiable within the meaning and for all purposes of said negotiable instruments law.

## **SERIES 2018 BONDS NOT A DEBT OF THE STATE**

The Series 2018 Bonds shall not in any way be a debt or liability of the State or any political subdivision thereof or create or constitute any indebtedness, liability or obligation of the State or any political subdivision thereof other than the obligation of: (i) the Authority, which has no taxing power, which obligation is limited to the Pledged Property and (ii) the County, which, in addition to its obligations under the Lease Agreement, which are subject to annual appropriation, has pledged pursuant to the County Guaranty its full faith and credit and will be obligated to levy *ad valorem* taxes on all taxable property within the jurisdiction of the County in an amount sufficient to provide for payment under the County Guaranty as is needed to pay, when due, the principal of and interest on the Series 2018 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

## **CONTINUING DISCLOSURE**

In accordance with the provisions of Rule 15c2-12, as amended (the “Rule”), promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, as amended, in connection with the issuance of the Series 2018 Bonds, the County and the Authority will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), substantially in the form set forth in APPENDIX “E” hereto.

The County has previously entered into written undertakings to providing ongoing disclosure pursuant to the requirements of the Rule. Within the five years immediately preceding the date of this Official Statement, the County previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, with respect to all or some of the affected issues: (i) audited financial information, as required, for the year ending December 31, 2013; (ii) annual debt statements, as required, for the year ending December 31, 2013; and (iii) its adopted budget for fiscal year ending December 31, 2018. While an auditor’s compilation report for the year ending December 31, 2013, which contains the County’s financial data, was filed on July 16, 2014, the final audited financial information was not filed until March 7, 2016. Additionally, in certain instances, the County may not have associated all filings with all outstanding issues for which such filings may have been required. The County has subsequently filed such items contained in (i), (ii) and (iii) above, along with the required event notices. The County has also failed to timely file various required notices regarding (a) its bond issuer rating changes; (b) certain bond insurer rating changes; and (c) notices regarding its failure to file certain financial information and operating data, but the County has subsequently filed such notices. The County appointed Phoenix Advisors, LLC in October of 2014 to serve as continuing disclosure agent.

The Authority has previously entered into written undertakings to provide ongoing disclosure pursuant to the requirements of the Rule. Within the five years immediately preceding the date of this Official Statement, the Authority previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2015 and 2016; (ii) operating data for the fiscal years ending December 31, 2014, 2015, and 2016 with respect to the “Facilities” (as defined in the Official Statement for the Series 2014 Lease Revenue Bonds) and (iii) adopted budgets for the Facilities for fiscal years ending December 31, 2015 (which represented the first full fiscal year budget adopted with respect to the Facilities), 2016 and 2017. Additionally, the Authority previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) adopted budgets, all as described above, and late filing notices and/or event notices in connection with certain bond insurer rating changes in 2013 and 2014. Such notices of events and late filings have since been filed. The Authority appointed Phoenix Advisors, LLC in December of 2017 to serve as continuing disclosure agent.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the Authority and the County should be considered with reference to Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”), 11 U.S.C. Sections 901 to 946. Under Chapter 9 of the Bankruptcy Code, a municipality, which is a political subdivision or public agency or instrumentality of a state, that is insolvent or unable to meet its debts may file a petition in a United States Bankruptcy Court (the “Bankruptcy Court”) to adjust the debt of the municipality. Chapter 9 of the Bankruptcy Code does not permit the municipality to liquidate its assets and distribute the proceeds of its assets to its creditors. Chapter 9 of the Bankruptcy Code permits a financially distressed municipality to seek protection from its creditors by staying the commencement or continuation of certain actions against the municipality while it formulates and negotiates a plan of adjustment of its debts which can be binding on a dissenting minority of creditors if it is acceptable to the majority of creditors. Should the Authority or the County file a petition in the Bankruptcy Court under Chapter 9 of the Bankruptcy Code prior to the payment in full of the principal of and interest on the Series 2018 Bonds, the holders of the Series 2018 Bonds would be considered creditors and would be bound by the municipality’s plan of adjustment of its debt.

Reference should also be made to *N.J.S.A. 52:27-40 et seq.* which provides that any “political subdivision” of the State as defined therein, which includes the Authority and the County, has the power to file a petition with the Bankruptcy Court under Chapter 9 of the Bankruptcy Code provided the “political subdivision” has obtained approval of the Local Finance Board. Section 903 of the Bankruptcy Code, 11 U.S.C. Section 903, specifically provides that Chapter 9 of the Bankruptcy Code does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality; provided, however, that a state law prescribing a method of composition of indebtedness of the municipality may not bind any creditor that does not consent to such composition and that a judgment entered under such state law may not bind a creditor that does not consent to such composition.

### **APPROVAL OF LEGAL PROCEEDINGS**

The issuance by the Authority of the Series 2018 Bonds is subject to the approval of certain legal matters by Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Authority. The opinion of Bond Counsel is expected to be delivered in substantially the form included as APPENDIX “D” to this Official Statement. Certain legal matters will be passed on for the Authority by its counsel, Archer & Greiner, P.C., Haddonfield, New Jersey; for the County by Theodore E. Baker, Esq., Bridgeton, New Jersey, County Counsel and by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, County Bond Counsel; and for the Underwriters by their counsel, Saul Ewing Arnstein & Lehr LLP, Princeton, New Jersey.

The various legal opinions and/or certifications to be delivered concurrently with the delivery of the Series 2018 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, nor does the rendering of an opinion and/or certification guarantee the outcome of any legal dispute that may arise out of the transaction.

### **LEGALITY FOR INVESTMENT**

The Act provides that: (i) the State and all public officers, municipalities, counties, political subdivisions and public bodies and agencies thereof; (ii) all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking or investment business; (iii) all insurance companies, insurance associations, and other persons carrying on an insurance business; and (iv) all executors, administrators, guardians, trustees and other fiduciaries in the State may legally invest any sinking funds, moneys or other funds belonging to them or within their control in the obligations of authorities organized thereunder, including the Series 2018 Bonds, and that such obligations are authorized security for any and all public deposits.

### **RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned its municipal bond rating of "AA-" to the Series 2018 Bonds.

Generally, rating agencies base their ratings on information and materials so furnished and on investigations, studies and assumptions by the rating agencies. The rating assigned to the Series 2018 Bonds reflects only the view of S&P at the time such rating was issued, and an explanation of the significance of such rating and the corresponding outlook may be obtained only from S&P. Such rating is not a recommendation to buy, sell or hold the Series 2018 Bonds and may be subject to revision or withdrawal at any time. There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2018 Bonds.

None of the Authority, the County or any of the Underwriters has undertaken any responsibility to maintain any particular rating on the Series 2018 Bonds.

### **INDEPENDENT AUDITORS**

An Excerpt of Report of Audit of Financial Statements of the County for the years ended December 31, 2017, 2016, 2015, 2014 and 2013 is included in APPENDIX "B" to this Official Statement. The financial statements of the County for such years have been audited by Bowman & Company LLP, Voorhees, New Jersey, independent certified public accountants, as stated in the excerpt of their report appearing in Appendix "B" to this Official Statement.

### **UNDERWRITING**

Citigroup Global Markets Inc., on behalf of itself and Roosevelt & Cross Incorporated (collectively, the "Underwriters"), has agreed, pursuant to a Bond Purchase Contract with the Authority dated \_\_\_\_\_, 2018 (the "Bond Purchase Contract"), subject to certain conditions, to purchase the Series 2018 Bonds from the Authority. The purchase price for the Series 2018 Bonds shall be \$ \_\_\_\_\_ (representing the principal amount of the Series 2018 Bonds, [plus/less] [net] original issue [premium/discount] in the amount of \$ \_\_\_\_\_, less an Underwriters' discount in the amount of \$ \_\_\_\_\_). The Underwriters are obligated to purchase all of the Series 2018 Bonds if any Series

2018 Bonds are purchased. The obligation of the Underwriters to accept delivery of the Series 2018 Bonds is subject to various conditions contained in the Bond Purchase Contract.

The initial public offering yields for the Series 2018 Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2018 Bonds to certain dealers (including dealers depositing bonds into investment trusts) and certain dealer banks acting as agents at yields higher than the public offering yields stated on the inside front cover page hereof for the Series 2018 Bonds.

Citigroup Global Markets Inc., one of the Underwriters of the Series 2018 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority and/or the County for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities of the Authority and the County.

#### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the Authority with respect to this transaction (the "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 this 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.

#### **CERTAIN RELATIONSHIPS**

Parker McCay P.A., Bond Counsel to the Authority, from time to time provides legal services to the Underwriters in matters unrelated to the Series 2018 Bonds.

#### **APPENDICES**

APPENDIX "A" to this Official Statement consists of certain general and financial information with respect to the County which has been provided by the County from public documents of the County and from other official documents or publications which are referred to therein. Neither the Authority, the Municipal Advisor nor either of the Underwriters has confirmed the accuracy or completeness of said information, and the Authority, the Municipal Advisor and the Underwriters disclaim any responsibility for the accuracy or completeness thereof.

APPENDIX "B" to this Official Statement consists of Excerpts of the Report of Audit of Financial Statements of the County which have been provided by Bowman & Company LLP, independent auditor of the County. A copy of the complete Report of Audit of Financial Statements of the County may be obtained upon request to the office of the Chief Financial Officer of the County. Neither

the Authority, the Municipal Advisor nor either of the Underwriters has confirmed the accuracy or completeness of said information, and the Authority, the Municipal Advisor and the Underwriters disclaim any responsibility for the accuracy or completeness thereof.

APPENDIX “C” to this Official Statement consists of the proposed forms of the Indenture and the Lease Agreement.

APPENDIX “D” to this Official Statement consists of the proposed form of opinion of Bond Counsel to the Authority.

APPENDIX “E” to this Official Statement consists of the form of the Continuing Disclosure Agreement.

### **MISCELLANEOUS**

The execution and delivery of this Official Statement has been duly authorized by the Authority. Concurrently with the delivery of the Series 2018 Bonds, the Authority will furnish a certificate to the effect that nothing has come to the Authority’s attention that would lead the Authority to believe that the Official Statement, in final form, contains any untrue statement of a material fact or omits to state any information necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Certain information contained in the Official Statement has been obtained from sources other than the Authority. All quotations from and summaries and explanations of provisions of laws, statutes, resolutions and agreements herein do not purport to be complete and reference should be made to said laws, statutes, resolutions and agreements for a full and complete statement of their provisions.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2018 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The execution and the delivery of this Official Statement has been duly authorized by the Authority.

### **THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**

By: \_\_\_\_\_  
Gerard Velazquez, III  
President/Chief Executive Officer

**APPENDIX A**

**CERTAIN INFORMATION CONCERNING THE COUNTY OF CUMBERLAND, NEW  
JERSEY**

## GENERAL INFORMATION ON THE COUNTY

Cumberland County (the "County") is located in the southwestern corner of the State of New Jersey, equidistant from New York City and Baltimore-Washington (120 miles) and 35 miles from the Philadelphia-Camden area and Atlantic City. Its 489.3 square miles are bordered by Salem, Gloucester, Atlantic and Cape May Counties. The County is within 300 miles of 1/3 of the nation's population.

The County, for census taking and reporting purposes, is classified as a Metropolitan Statistical Area (MSA) and as such is identified in census reports as the Vineland-Millville-Bridgeton, New Jersey MSA. It is one of three MSA's comprising the Philadelphia-Camden-Vineland, PA-NJ-DE-MD Combined Statistical Area (CSA) which had a 2010 population of approximately 6,533,683 persons, and exerts a major influence on the County's economic and social system. The County has 14 incorporated areas. These municipalities consist of three cities, one borough and ten townships. For statistical purposes, all are considered a part of the MSA.

The Cumberland County College, the Cumberland County Technical Education Center, the County Office of Employment and Training, the Cumberland County Economic Development Board and programs offered by state and federal agencies provide a constant supply of skilled industrial, commercial and service workers trained to meet specific needs. Most programs are of little or no cost to employers. The County's commercial and industrial job opportunities are centered in the cities of Bridgeton, Millville and Vineland. The remainder of the County supports the agriculture, sand mining, health sciences, advanced manufacturing, transportation, hospitality and retail enterprises.

### Population (1)

Bridgeton, Millville and Vineland are the urban core of the County. Vineland is the largest city in the state in land area (69.5 square miles) with a 2010 population of 60,724. Neighboring Millville (43.0 square miles) has a population of 28,400. Bridgeton, the County seat, has a population of 25,349. Maurice River is the largest Township with a population of 7,976; Upper Deerfield is the second largest of the Townships with a population of 7,660; and Fairfield is the third largest Township with a population of 6,295. The following population counts and estimates are from both the U.S. Census and ESRI, one of the nation's largest demographic and economic forecasting clearing houses.

2017 Estimated Population (ESRI) .....	158,706
2016 Estimated U.S. Census Bureau .....	153,797
2010 Decennial Census .....	156,898
2000 Decennial Census .....	146,438
1990 Decennial Census .....	138,053
1980 Decennial Census .....	132,866

<sup>1</sup> Source: U.S. Census Bureau, 2010 Population.



## Labor Force (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Labor Force	66,400	67,200	67,033	66,125	67,900
Employment	61,800	62,200	60,917	59,308	59,600
Unemployment	4,600	5,000	6,180	6,817	8,300
Unemployment Rate	7.0%	7.5%	9.1%	10.3%	12.2%

<sup>1</sup> Source: State of New Jersey Department of Labor

## COUNTY AGE CHARACTERISTICS – 2010 and 2017

AGE/YEARS	TOTAL 2010	PERCENTAGE OF POPULATION	ESTIMATED TOTAL 2017	PERCENT OF POPULATION
Under 15	31,222	19.9	30,472	19.2
15-24	21,495	13.7	19,997	12.6
25-34	22,593	14.4	24,441	15.4
35-44	22,280	14.2	20,949	13.2
45-54	22,280	14.2	20,473	12.9
55-64	17,416	11.1	18,886	11.9
65+	19,612	12.5	23,488	14.8
TOTAL POP	156,898	100.0	158,706	100.0

Source: ESRI, 2017 data and U.S. Census

## Transportation

The County is located less than one hour's drive from Philadelphia, Wilmington and Atlantic City, and is situated in the Delaware Valley and the Northeast corridor.

Eighty-four miles of state highways, including Routes #47, #49, #77 and #55 (a four-lane freeway) bisect the County, east-west and north-south. These routes make connections with U.S. Highway #40 as well as the New Jersey Turnpike, Interstate #295 and Interstate #42 (the Atlantic City Expressway). The County-maintained roads, totaling 556 miles, provide much of the highway transportation.

The link-up of Route #55 from Port Elizabeth in the southern part of the County to the Route #42 Freeway stretch in southern Gloucester County is the main artery into and out of the County. This uninterrupted road link to the Philadelphia metropolitan area has added a new dimension to the County's transportation network. The County's historic geographic isolation from urban population centers of the East Coast has ended, enabling the County's businesses to gain speedy access to those markets.

NJ Transit runs four fixed bus routes through several municipalities in the County:

- **Route # 313** Cape May to Philadelphia runs through Maurice River Township, Millville and Vineland;
- **Route # 408** Millville to Philadelphia runs through Millville and Vineland;
- **Route # 410** Bridgeton to Philadelphia runs through Bridgeton and Upper Deerfield;
- **Route # 553** Upper Deerfield to Atlantic City runs through Upper Deerfield, Bridgeton, Fairfield, Millville and Vineland.

The County operates the Cumberland Area Transit Service (CATS), a demand-response service for the elderly and disabled, veterans and, with limitations, for the general public in small buses.

Five commercially licensed airfields are located in the County, including Millville Airport, the second largest in the state with its two runways in excess of 5,000 feet long, capable of handling large jets.

Rail service is handled by Conrail and Winchester & Western Railroads, providing freight transportation to most of the County's municipalities. The Winchester and Western Railroad, a short-line carrier, has shown steady growth in the number of annual carloads since taking over much of Conrail's local freight service in 1987.

As required by the Federal government, transportation planning and decision-making for urbanized areas is carried out through Metropolitan Planning Organizations (MPO). On July 1, 1993, the South Jersey Transportation Planning Organization (SJTPO) was designated the MPO for the southern New Jersey counties of Atlantic, Cape May, Cumberland and Salem. The SJTPO was formed to allow a stronger regional approach to solving transportation problems and brings new opportunities to southern New Jersey. MPOs coordinate the planning activities of participating agencies in the region. The MPOs have become partners with state government in deciding how available federal transportation dollars are spent and bring transportation decisions closer to those served. The County prepares yearly revisions to the Transportation Improvement Program for the next five-year period.

## **Industries/Economic Development**

The growth of industrial activity in the County in the Twenty-first Century has been marked by an increase in the number of advanced manufacturing establishments and workers, total wages paid to employees of manufacturers and a many fold increase in the "value added" to manufactured products. The fact that average family income in the County is well below state average is attributable to the seasonality of much of the area's industrial employment and the fact that less than average weekly wages are paid by the County's leading industrial groups.

Manufacturing establishments in the County provide employment for more than 7,428 workers, or 11.7% of the labor force. The County's high proportion of manufacturing workers is partially explained by the fact that the County's tri-city area is a relatively self-contained urban community in which an unusual amount of manufacturing activity is concentrated. All the essential elements of a "home-grown" industrial complex appear to be present in the County.

The Cumberland Empowerment Zone Corporation (CEZ) was established in 1999 following Round II Empowerment Zone designation by the U.S. Department of Housing & Urban Development. The CEZ is unique in that it is the only county-based Empowerment Zone in the nation. It was spawned through a cooperative effort of four municipalities (Bridgeton, Millville, Vineland and Commercial Township), the County, and the State of New Jersey.

The goal of the Empowerment Zone program is to expand economic opportunity in targeted communities and neighborhoods in the County. A number of important local projects and initiatives have been funded by the CEZ. These include expansion of industrial parks, neighborhood redevelopment projects, transportation and infrastructure investment, small business training and support, business loan and incentive programs and many other community development projects. The CEZ has been recognized as one of the top performing empowerment zones in the nation.

During the last 10 years, the CEZ has funded over 130 job-creating projects throughout the County. The CEZ has leveraged \$25.6 million in federal dollars with \$223.8 million in public and private funding to fund and support the creation of over 1,400 present and anticipated job opportunities for residents of the most distressed communities in the County. The CEZ has been a demonstrated catalyst for change, committed to improving the quality of life for County residents.

In 2004, the Inspira Health Network's new regional hospital opened near the Cumberland County College in Vineland. This new hospital has helped improve the health services as well as the economic profile of the County. The hospital currently employs 2,900 persons in a diverse range of professions. Its workforce has expanded significantly since its inception and is the County's largest employer. Adjacent to the hospital is a private rehabilitation clinic and other medical offices. Various additional new buildings are planned at the College and will help to make the interchange at Route 55/Sherman Avenue one of the employment hubs of the eastern part of the County.

Even though industry has played a dominant role in the County's economic activity, the importance of the area's agricultural pursuits cannot be minimized. The County has retained its position as New Jersey's leading county in terms of the value of agricultural products sold. The fertile land and active rural work force has led to the establishment of major food processing, freezing, storage and distribution plants bearing the names of Seabrook Brothers & Sons, Manischewitz, Venice Maid, Pappas, Plochman, Cumberland Dairy and White Wave. Cumberland Dairy, for instance, employs 100 people making the milkshake blends used by hundreds of fast food establishments within a 150-mile radius. White Wave established a soy processing plant in Bridgeton. Vineland is the home of the largest farmers' cooperative produce auction east of the Mississippi.

The latest (2012) US Census of Agriculture ranked the County as New Jersey's highest grossing county with a market value of agricultural products sold totaling over \$170 million. The County is the largest producer of nursery and horticulture products in the state, producing nearly \$100 million worth (wholesale) of plants annually. The County also has higher sales of vegetables than any other county in the state, totaling over \$43 million in 2012. In total, agriculture employs better than 5,000 people in the County and contributes roughly \$2 billion to the County economy in sales, payroll and expenditures.

The Rutgers Agricultural Research and Extension Center in Upper Deerfield generates and dispenses research applicable to the production of high-quality vegetable crops, ornamentals, field crops, and tree and small fruits, with special emphasis on crop protection and integrated pest management. The center stimulates the production of crops with maximum benefit to the New Jersey economy and minimum risk to the environment.

Another Rutgers facility in the County is The Rutgers Food Innovation Center (FIC), a unique food business incubation and economic development accelerator program. FIC is a distinctive food industry resource focused on developing, commercializing, marketing and selling food and beverage products. Since the County is one of the leading counties of agricultural products sold, the Food Innovation Center will enhance the types of produce that will be grown in the County.

As a companion project to the FIC, a new, 30,000 s.f. food specialization center will begin construction this year. The center will provide a location for food business startups as well as established food companies. The new facility will bring up to 190 new jobs to the Bridgeton area and Cumberland County.

The glass industry is still present in the County. Durand International, the largest family owned glass manufacturer in France, constructed their first American Manufacturing facility in the City of Millville in 1982. Durand specializes in fine quality crystal tableware and gift items. Other glass manufacturing plants continue to report generally satisfactory conditions. They are divided between bottle manufacturing and specialty glassware production, especially laboratory and medical paraphernalia.

The County has many advantages for distribution centers. With 70 million people living within an overnight truck drive, a vast consumer and industrial market can be reached easily. Extensive cold storage (frozen) facilities are located in the Seabrook and Vineland areas.

The three cities, Bridgeton, Millville and Vineland, have industrial parks in various stages of development:

Millville 250 acres  
Millville Airport 200 acres (exclusive of airport operations)  
Vineland 252 acres  
Bridgeton 68 acres

In Vineland and Bridgeton, additional tracts have been proposed for industrial use. Vineland is in the early stages of acquisition and design of a new industrial park in the western side of the City, and is also working to redevelop a 250 acre property along Lincoln Avenue, just off of NJ Route 55. Millville's airport is a substantial and expanding industrial complex open to industries associated with the aviation field. The complex offers services ranging from large jet engine repair facilities to FAA inspection agencies. Four paved runways at Millville Airport can handle large jets, making it one of the largest aviation centers in New Jersey. With the increased interest in drone aircraft manufacturing and distribution, the County is receiving renewed interest in the many assets the Airport has to offer.

The United States Department of Commerce has designated Millville's Municipal Airport as a Foreign Trade Zone (FTZ). Companies operating in the zone can receive, store or assemble foreign goods without being subject to full United States Customs duties or federal excise taxes, which helps these companies to compete against foreign manufacturers.

In October, 1999 the Delaware River and Bay Authority took over operations of the Millville Municipal Airport in a 30 year lease of the 916 acre facility for a \$1.3 million lump-sum payment to the City, with two options for renewal of the lease. The CEZ will provide assistance to businesses and enhance development at the airport.

The much anticipated opening of the New Jersey Motorsports Park (NJMP) in Millville occurred in 2008. On over 700 acres, NJMP offers an incredible amount of diverse and dynamic motorsports attractions. Phase I includes two road courses (Thunderbolt and Lightning), an exclusive motorsports country club known as the Drivers Club, VIP Suites, a first class karting facility where anyone can experience the thrill of motorsports behind the wheel for the first time, concessions and Shade Tree Garages. Phase II includes unique trackside Villa homes, a commercial corner (retail, restaurants and commercial services), driving/training school, two restaurant pads, Trackside Raceplex and Research Development Campus (approximately 400,000 square feet) and much more.

A Bridgeton Urban Enterprise Zone (UEZ) was initiated in 1985. The joint Millville/Vineland UEZ was designated in April 1986. Urban Enterprise Zones are designed to promote private capital investment and attract new business in selected areas of New Jersey through the use of tax incentives, thereby creating new employment opportunities. Both the Bridgeton and Millville Urban Enterprise Zones were extended by an act of the New Jersey Legislature in late 2001. This extension has provided millions of dollars in additional revenue to these cities to help with industrial development, infrastructure investments, and community revitalization. The Bridgeton UEZ expired in January 2017, but was subsequently reinstated by the State of New Jersey. The Millville/Vineland UEZ is set to expire in 2019 but it is hoped that the State of NJ will reauthorize the UEZ's.

The Cumberland County Economic Development Board coordinates efforts of County agencies such as: the Improvement Authority; Employment and Training; Technical Education Center; and County College. The Board works closely with the three cities, eleven municipalities, other public agencies, business developers, and private organizations to attract additional development to the County.

The Board continues to focus on five objectives: 1) promotion of the County and its business climate, 2) maintaining and improving the quality of life, 3) retention and expansion of existing businesses, 4) attraction of applicable and labor-available industries; and 5) dissemination of information and technical reports that inform the business sector on pertinent topics.

The County was one of the first four sites throughout the State that created a one-stop career center. The career center houses the County's social services and job training offices, the State employment and unemployment offices, and a child care services office of Tri-County Community Action Agency. Workforce New Jersey, a one-stop career center system, provides New Jersey employers, workers, students and job seekers with simple, direct and comprehensive access to all employment, training, education and human services programs, as well as a variety of information to the business community.

To attract and support Twenty-first Century industries, in 2016 the Cumberland County Technical Education Center opened the doors on its new \$70,000,000 full time four year high school adjacent to the Cumberland County College. This project brought 107 new full-time professional jobs to the County and is estimated to have had a \$295,000,000 direct and indirect impact on the County economy.

Cumberland County offers the area's best incentive package, accessible and affordable sites and the region's most available and hardworking labor force. A Federal Empowerment Zone designation, two Urban Enterprise Zones, flexible financing, and low business costs make the County competitive with all areas of the country. In addition there is some of the finest executive housing at very reasonable costs. Lastly, a quality educational system, which produces highly trained and capable students, employees and citizens, makes the County a great place to do business. An outstanding partnership between the Technical High School, the Cumberland County College, the Cumberland-Salem-Cape May Workforce Investment Board affords the County one of the top workforce training programs in the State.

## **Cumberland County Improvement Authority**

The Cumberland County Improvement Authority (the “Improvement Authority”) is a public body corporate and politic of the State and was created by a resolution of the Board of Chosen Freeholders of the County adopted on December 30, 1980, pursuant to the County Improvement Authority Law. The Improvement Authority was established as an instrumentality of the State for, among other purposes, providing for the construction of public buildings, transportation facilities, the acquisition of equipment and the acquisition of property owned by the federal government. Subsequent amendments to the County Improvement Authority Law permit the Improvement Authority to provide for the construction of convention halls, solid waste disposal facilities, recreational/entertainment centers, low and moderate income housing, to plan, initiate and carry out redevelopment projects and to provide financing on behalf of certain non-profit entities.

Since its inception, the Improvement Authority's primary responsibility has been to maintain the financial stability and operating efficiencies of the solid waste facility in a deregulated atmosphere while continuing to offer and expand the environmentally beneficial programs to its constituency. The Improvement Authority's Solid Waste Complex is the home of the Sanitary Landfill and related solid waste and recycling initiatives. Three capital infrastructure projects have been completed at the Solid Waste Complex in recent years. They include a \$19.1 million expansion of three cell increasing the landfill by 35 acres, which is projected to accommodate the County until 2041. The Improvement Authority also funded a \$477,630 methane gas capture facility and \$2.2 million for purification of leachate on site. The benefit of these projects is to decrease processing costs, provide a long-term accommodation of solid waste and reduce the use of fossil fuels and greenhouse emission resulting in a long-term economic impact of over \$57 million.

## **Economic Impact and Redevelopment Initiatives of the Improvement Authority**

In addition to its primary responsibility of operating the County's Solid Waste Facility, the Improvement Authority has become the County's designated economic and redevelopment entity. These activities include a “Conduit Bond Financing Program” a government equipment lease program and alternative energy projects. Recently, the Improvement Authority has undertaken a significant redevelopment portfolio that includes the acquisition and construction of the County Board of Social Services and Office of Employment and Training facility at a cost of \$2.4 million for 116,000 square foot, which resulted in the consolidation of federal and state social services and reduced operating costs; the \$7.6 million construction of the Center for Workforce and Economic Development; and the \$68.6 million construction of a new Technical Education Center. Additional projects include the restoration of the East Point Lighthouse that preserved this historic landmark with the intention of increasing regional tourism. The Improvement Authority has also become the office of Economic Development for the County. The Improvement Authority will also own and manage many of the facilities to be acquired and/or constructed.

## **Outstanding Improvement Authority Bonds**

In August 2006, the Improvement Authority issued its Solid Waste System Revenue Bonds (Series 2006), in the initial aggregate principal amount of \$24,485,000 (the “Series 2006 Bonds”), to finance improvements to the Improvement Authority's solid waste complex and disposal system, along with other improvements. A portion of the Series 2006 Bonds were advance refunded by the Improvement Authority's \$14,595,000 County Guaranteed Solid Waste System Revenue Refunding Bonds, Series 2015A (the “Series 2015A Bonds”). As of December 31, 2017, no Series

2006 Bonds remain outstanding. The payment of the principal of and the interest on the Series 2015A Bonds is guaranteed by the County pursuant to a guaranty agreement executed and delivered by the County and the Improvement Authority in connection with the issuance of the Series 2015A Bonds. As of December 31, 2017, \$14,595,000 principal amount of Series 2015A Bonds remained outstanding.

In October 2009, the Improvement Authority issued its Local Unit Program Bonds (Vineland Electric Utility Project), Series 2009A and Local Unit Program Bonds (Vineland Electric Utility Project), Series 2009B (Federally Taxable – Issuer Subsidy – Build America Bonds) (collectively, the “Series 2009 Bonds”) in the initial aggregate principal amount of \$60,000,000. The Series 2009 Bonds were issued for the benefit of the City and are secured by payments due to the Improvement Authority from the City. As of December 31, 2017, \$58,000,000 principal amount of Series 2009 Bonds remained outstanding.

In May 2014, the Improvement Authority issued its County-Guaranteed Revenue Bonds (Facilities Acquisition Project), Series 2014, in the initial aggregate principal amount of \$17,955,000 (the “Series 2014 Lease Revenue Bonds”), to finance the construction of an employment and training facility and the acquisition of an office building. The payment of the principal of and the interest on the Series 2014 Lease Revenue Bonds is guaranteed by the County pursuant to a guaranty agreement executed and delivered by the County and the Improvement Authority in connection with the issuance of the Series 2014 Lease Revenue Bonds. As of December 31, 2017, \$16,810,000 principal amount of Series 2014 Lease Revenue Bonds remained outstanding.

In October 2014, the Improvement Authority issued its County General Obligation Revenue Bonds (Technical High School Project), Series 2014, in the initial aggregate principal amount of \$63,890,000 (the “Series 2014 Technical School Bonds”), to finance the construction of a new County technical school. The payment of the principal of and the interest on the Series 2014 Technical School Bonds is secured by loan repayments to be made by the County to the Improvement Authority pursuant to a loan agreement executed and delivered by the County and the Improvement Authority in connection with the issuance of the Series 2014 Technical School Bonds, which loan agreement is secured by an unconditional general obligation bond of the County issued by the County to the Improvement Authority. As of December 31, 2017, \$60,465,000 principal amount of Series 2014 Technical School Bonds remained outstanding.

In August 2015, the Improvement Authority issued its Revenue Bonds (State Office Buildings Project), Series 2015, in the initial aggregate principal amount of \$3,975,000 (the “Series 2015 State Office Building Bonds”), to finance the renovation of a portion of an existing facility in the City to be utilized through a lease by certain state agencies. As of December 31, 2017, \$3,710,000 principal amount of Series 2015 State Office Building Bonds remained outstanding.

In May 2017, the Improvement Authority issued indebtedness in connection with a financing involving the New Jersey Environmental Infrastructure Trust to finance a solid waste project (the “Series 2017A NJEIT Bonds” and the “Series 2017B NJEIT Bonds”). The Improvement Authority’s Series 2017A NJEIT Bonds and Series 2017B NJEIT Bonds were initially issued in the aggregate principal amount of \$10,185,515. As of December 31, 2017, \$2,510,000 principal amount of the Series 2017A NJEIT Bonds remained outstanding and \$7,389,243 principal amount of the Series 2017B NJEIT Bonds remained outstanding.

In October 2017, the Improvement Authority issued Revenue Bonds (Office Building Acquisition Project), Series 2017 (Federally Taxable) in the principal amount of \$12,000,000. The proceeds from the sale of the Bond, by and between the Improvement Authority and Capital Bank of New Jersey, as purchaser and paying agent, have been used to finance the acquisition of an existing industrial/office complex located at 51-71 West Park Avenue which is comprised of (a) a 32,000 square foot office building, (b) a 30,000 square foot maintenance facility, and (c) a 270,000 square foot warehouse/distribution center. The bond is a first priority mortgage pursuant to which the Improvement Authority has assigned, subject to certain reserved rights, its interest under the Lease agreements. As of December 31, 2017, \$12,000,000 principal amount of Series 2017 Bonds (Office Building Acquisition Project) remained outstanding.

In December 2017, the Improvement Authority issued its City General Obligation Lease Revenue Bonds (Vineland Public Safety Building Project), Series 2017, in the initial aggregate principal amount of \$21,935,000 (the “Series 2017 Vineland Public Safety Building Bonds”), to provide funds which will be used to finance the acquisition of certain real property in the City of Vineland, County of Cumberland, New Jersey (the “City”) on behalf of the City, which, together with certain real property currently owned by the City, will comprise the Project Site for the development and construction of an approximately 53,000 square foot public safety facility on the project site and the costs of equipping the Facility. As of December 31, 2017, \$21,935,000 principal amount of the Vineland Public Safety Building Project Series 2017 Bonds remained outstanding.

In December 2017, the Improvement Authority (“Borrower”) secured a term loan with TD Bank, N.A. (“Lender”) in the amount of \$7,357,350 secured by property located at E. Broad to Willow Streets, City of Bridgeton, Cumberland County, New Jersey to be used to fund a loan from the Borrower to the Investment Fund in connection with the NMTC Transaction and to pay costs and expenses incident to closing the Loan. As of December 31, 2017, the entire principal amount of \$7,357,350 remained outstanding.

### **Solid Waste Flow Enforcement**

Prior to the United States Supreme Court’s denial of a petition for certiorari on November 10, 1997 in *Atlantic Coast Demolition & Recycling, Inc. v. Board of Chosen Freeholders of Atlantic County, et al.* 112 F.3d 652 (3d Cir.), cert. denied, 118 S. Ct. 412-413, 139L. Ed. 2d 316 (1997) (“Atlantic Coast”), all solid waste generated in New Jersey was directed to be delivered to designated facilities. The power to direct waste and enforce direction stemmed from three regulatory mechanisms: solid waste management plans, DEP regulations (N.J.A.C. 7:26-6.5) codifying waste flow directives included in each solid waste management plan, and through the issuance of solid waste disposal franchises. In *Atlantic Coast*, the United States Court of Appeals for the Third Circuit affirmed a United States District Court’s finding that the State’s system of regulatory flow control was unconstitutional to the extent that facilities designated in district solid waste management plans to receive waste were not selected in a manner permitting competition from out-of-state facilities.

As a result, no district may implement a solid waste management plan that discriminates against out of state competition. The County’s response to the demise of flow control regulations was to propose in December 1997, Amendment 14 of the Plan which provides that the Improvement Authority will seek to operate its landfill in a competitive marketplace by voluntarily contracting with municipalities, collectors and generators to secure solid waste and generate necessary revenues to pay debt service and operating expenses. Amendment 14 was approved by the DEP Commissioner and became effective on April 24, 1998.



The Improvement Authority's total tipping fee for bulk waste, construction and demolition debris and asbestos was \$70.64/ton. The total tipping fee for municipal solid waste, vegetative waste, animal & food product waste and dry industrial waste was \$59.54/ton. These rates have remained unchanged since 2012, which has allowed the Improvement Authority to be successful in attracting waste from municipalities and private collectors. The Improvement Authority's revenues including reserve and surplus balances are sufficient to fund operating and debt service payments for the foreseeable future. Should economic conditions change significantly, the County has guaranteed certain outstanding debt of the Improvement Authority, as previously described.

### **Ten Largest Non-Governmental Employers**

The 10 largest non-governmental employers in the County, as of July, 2017, employed approximately 9,050 people.

<b><u>Employer</u></b>	<b><u>Employees</u></b>	<b><u>Nature of Business</u></b>	<b><u>Location</u></b>
Inspira Health Network	2,900	Health Care	Various
Durand Glass Manufacturing Co./ARC International	1,100	Glass Manufacturing	Millville
Wal-Mart	920	Retail Sales	Various
ShopRite	791	Supermarket Chain	Various
F & S Produce	750	Food Processing	Rosenhayn
Sheppard Bus Service	650	Transportation	Fairfield Twp.
Seabrook Brothers and Sons	590	Food Processing	Upper Deerfield
WaWa	533	Food and Beverage Provider	Various
OMNI Baking	500	Food Processing	Vineland
Elwyn New Jersey	448	Provides Services for People With Special Needs	Vineland

Source: Cumberland County government, 2018

### **Farmland & Open Space Preservation**

To provide stable funding for the Farmland Preservation Program, the Board of Chosen Freeholders authorized the Farmland and Open Space Preservation Trust Fund referendum on the November 1994 ballot. As of December 2017, the County has preserved 20,217 acres of farmland.

The Cumberland County Agriculture Development Board (CCADB) continues to work on issues related to the economic viability of agriculture. The CCADB developed the Agricultural Enterprise District concept, modeled on the successful Urban Enterprise Zone Program, to enhance the economic climate for farmers and related agricultural industries. Innovative techniques to preserve farmland and the farming industry, such as the transfer of development rights, installment purchases and development of a twenty-year easement option, are aggressively pursued.

In addition, the County secured its first Green Acres Grant from the New Jersey Department of Environmental Protection ("NJDEP") in 2013 and a second Green Acres Grant in 2015 to assist municipalities acquire and preserve recreational open space.

## **Housing**

The County offers the advantages of life in or near the three urban centers without the drawbacks of impacted metropolitan areas. The cities of Millville and Vineland have experienced the largest recent-year increase in housing inventory. The Townships of Fairfield, Hopewell and Upper Deerfield surrounding Bridgeton City also have added significantly to inventory. In all, the County's housing stock grew by 3,430 units or 6.5% to 56,299 during the 2000's. Home ownership stands at 64.3% of year round units. Median value of owner occupied units was \$170,674 in 2017.<sup>1</sup> Moderate priced housing of many types is available. Current construction is keeping pace with demand. The 2017 average sales price of homes in the County was \$143,900 according to Zillow (a major real estate and home sales network.) Zillow indicates that home values have increased 5.1% in the past year and are expected to increase by another 2.9% in the coming year. Public ordinances play a major role in improving and maintaining good housing conditions. Federal tax incentives and depreciation allowances applicable to commercial structures in National Historic Districts of Bridgeton, Millville, and Greenwich have been used to bring existing structures up to acceptable standards.

## **Household Income**

Average (mean) 2017 household income in the County is estimated at \$66,452 slightly below the national average. Since 2010, household income has increased from \$62,929 or 0.8% annually. This rate of income growth is expected to accelerate significantly as the national and regional economies improve.

## **Pinelands**

The legislative mandate to protect the Pinelands is set forth in the National Parks and Recreation Act of 1978, signed by President Carter on November 10, 1978. The Act established the Pinelands National Reserve, encompassing parts of seven southern New Jersey counties and all or parts of 56 municipalities. This includes parts of two County municipalities, Maurice River Township and Vineland City, totaling 55,700 acres. It also authorizes the establishment of a planning agency responsible for preparing a Comprehensive Management Plan for the reserve.

To comply with the federal statute, Governor Brendan T. Byrne issued Executive Order 71 on February 8, 1979, providing for the establishment of the Pinelands Planning Commission and making development in the Pinelands area subject to Commission approval during the planning period. In June, 1979, the New Jersey Legislature passed the Pineland Protection Act, thereby endorsing the planning restrictions on development. An amendment to this statute divided the Pinelands area into two planning segments, the Preservation and Protection Areas. New Jersey Pinelands Comprehensive Management Plan takes its directions from the acts which recognize the unique natural, physical, and cultural qualities of the Pinelands and the pressure for residential, commercial and industrial development.

Following its work program and legislative mandates, the Commission adopted a plan for the Pinelands, including 45,400 acres in the Protection Area in the County. There is no County acreage in the Preservation Areas.

<sup>1</sup> ESRI, 2017 data

## **Shopping Facilities**

Shopping facilities in the County are varied and well located. In addition to the stores of the central business districts of the three cities and surrounding neighborhoods, a number of national and regional retail chains have located in the County, which has enhanced the retail service marketplace.

There are several major retail centers, including the "Cumberland Mall," at the intersection of S. Delsea Drive (Rt. 47) and Route 55 in Vineland. Currently the number of retail stores and restaurants exceed 65. The Cumberland Mall completed a \$66 million expansion project in 1998. The expansion project more than doubled the existing shopping space to one (1) million square feet including two new anchor department stores, a 3,596-seat movie complex and about 50 new retail stores including Home Depot, a Regal Cinema, J.C. Penney Store (recently rebuilt as a Dicks Sporting Good's), Boscov's Department Store, Applebee's, Red Lobster, Victoria's Secret, Bed Bath and Beyond, Marshall's, BJ's, Michael's, and Best Buy. The addition has created an estimated 1,900 new retail and service jobs in the area. The project has also entailed funding for revitalization of the existing mall structure as well as local road and intersection improvement in the mall vicinity.

Also in Vineland near the Rt 55 interchange with Landis Ave (Rt 56) are a super Walmart, ShopRite, hotel chains Wingate and Holiday Inn Express and full service restaurants such as Bennigans, Friendly's and Denny's.

Another retail center is on the Vineland-Millville border at the intersection of S. Delsea Drive and Route 55 (Millville) is the Cumberland Crossing shopping center. The Cumberland Crossings Mall provides 300,000 square feet of commercial shopping space and features a variety of specialty stores, as well as the major retail chain Wal-Mart. Union Lake Crossing opened in 2006 with Target, Kohl's, Dick's, Shop Rite, Staples, PETSMART, Lowe's and many other smaller stores.

Downtown Millville has developed as an arts district, and the Cumberland County College recently built and opened an Arts & Innovation Center: approximately 21,000 square feet of downtown educational, retail and innovative space. This \$7,000,000 project has had an estimated \$17,000,000 direct and indirect impact on the City's downtown and the regional economy. In addition, the Holly City Development Corporation has been aggressively pursuing funding to redevelop housing in the City Center and provide entrepreneurial and workforce assistance through its recently opened Creative Enterprise Center.

On the west side of the County a retail location has developed in Carll's Corner, Upper Deerfield Township north of Bridgeton at the junction of State Highways 77 and 56. Located here are a Wal-Mart, Super Wawa, Tractor Supply, Aldi Grocery and Peebles Department Store.

Also Lidl, the German-based supermarket chain, is opening three stores within the County in 2017 located in Vineland, Millville, and in Upper Deerfield just north of Bridgeton.

## **Recreation and Tourism**

The County provides a wealth of recreational opportunities for residents and visitors alike. Each of the cities offers urban playfields, parks and swimming areas with lifeguards. Bridgeton's park includes the Cohanzick Zoo, one of only two municipal zoos in New Jersey. Millville boasts two-mile long Union Lake and water related recreation. The County fairgrounds feature a great variety

of outdoor events. The State government, the largest landowner in the County, provides fish and game and state forest holdings earmarked for non-intensive natural use. Parvin State Park in Salem County, bordering the County, offers both active and passive open space and water recreation.

Facing directly on Delaware Bay, this "Other Jersey Shore" offers many water related activities, including fishing, hunting, and boating. Fortescue, Newport, and Greenwich offer complete boating facilities and marinas, fine fishing on the Bay, bird-watching sites or just dining.

Greenwich is a town rich in history. In fact many of its buildings have been standing since the Revolutionary War. The entire historic town is on the National Register. Bridgeton's 2,200 homes from the Colonial, Federalist and Victorian periods also are on the National Register. The unique town features brick walkways, scenic Riverfront Promenade and Fountain Plaza.

The NJDEP issued an environmental permit to Public Service Electric and Gas ("PSE&G") in July, 1994. The permit requires the restoration and preservation of up to 14,500 acres of degraded wetlands and adjacent upland buffer areas along the Delaware Estuary. Included is a tract of approximately 4,500 acres of sensitive wetlands and uplands located in Greenwich Township in the County, which is commonly referred to as the Bayside Tract. PSE&G is developing the Estuary Enhancement Program in cooperation with scientists, environmentalists, public officials, and concerned citizens to ensure the successful implementation of these and other permit requirements.

Mauricetown is an 18th Century Sailing Village nestled along picturesque Maurice River and home of several antique shops. Port Norris, also in Commercial Township, was known historically as the Oyster Capital of the World. It is home to the A.J. Meerwald, New Jersey's official tall ship, and the Bay Shore Center at Bivalve – one of the County's premier ecotourism attractions.

Glass making history and the tranquil lifestyles of 1888 South Jersey captured in wooded surroundings are found in Millville. Wheaton Arts & Cultural Center features the elegant Museum of American Glass, a working 1888 Glass Factory with demonstrations, crafts, charming shops, special events and the Down Jersey Folk Life Center. Also worthy of note is Millville's Maurice River waterfront revitalization. Among the projects completed is the Maurice River Waterfront Plaza, a carefully landscaped park that affords adequate seating for visitors to sit and enjoy the scenic river.

The County is within a short distance (40 miles) of some of the finest seashore bathing beaches in the East. Atlantic City's famous boardwalk and casino development adds to nearby attractions.

In December 1993, a bill was signed into law designating the Maurice River and its tributaries – the Manumuskin River and the Menantico and Muskee creeks - as protected under the Wild and Scenic River Act. Under the law more than 35 miles of the four waterways are protected from adverse dam development, contamination/pollution threats and federal condemnation of land. The Maurice River management plan was written by local municipalities, with the guidance of the Cumberland County Department of Planning and Development. On October 26, 1994, official dedication ceremonies were held along the Maurice River.

Tourism is a growing industry in the County. A trip into the past can bring one to many historic sites as well as the entire historic towns of Greenwich, Bridgeton and Mauricetown, Wheaton Arts & Cultural Center and the revitalization of the waterfront in downtown Bridgeton and Millville. The County is also featured in the developing New Jersey Coastal Heritage Trail. The

New Jersey Coastal Heritage Trail is divided into five regions linked by a common heritage of life on the Jersey shore and Raritan and Delaware bays. The County is included in the Delsea Region of the Trail. The Bay-Shore Center at Bivalve, the East Point Lighthouse and the Fortescue State Marina are highlighted in the County's segment.

In 2013 a site signage and podcast interpretation program was launched for fifteen of the most historic sites in the County. This project, offset by grant funds provided by the New Jersey State Council for the Humanities, includes site signage containing quick response codes which direct visitors to a dedicated website, [www.cumberlandhistorical.org](http://www.cumberlandhistorical.org).

A comprehensive Ecotourism Plan was prepared and adopted by the County Planning Board for the County. Ecotourism allows visitors the opportunity to enjoy the natural resources and the environment of the area. It includes only those activities with a direct link to the natural environment. It is noted that the County already has many untouted tourist attractions. Ecotourism would provide both economic development opportunities and preserve the County's natural heritage.

## **Planning**

The State Planning Commission released its Draft State Strategic Plan in November, 2011. With the assistance of the NJ Department of State, Office of the Lt. Governor, the Commission provided a vision for New Jersey through the next 20 years. The plan attempts to determine the best way New Jersey can accommodate new residents and additional jobs expected by 2020 in a manner that the state's taxpayers will be able to afford. The Plan offers a cooperative process in which each level of government can plan together, and through which the public sector can work with the private sector. This planning process is one of the most comprehensive State policy incentives undertaken within recent memory.

The County government, its 14 municipalities, various interest groups and the general citizenry have worked together to reach a consensus on how to manage our growth in ways it can afford. The process, called "cross acceptance" has been completed and submitted to the Commission. The adoption of the State Plan provides guidance to state agencies and local governments on a range of important land uses and growth management issues. The County continues to be involved in this process as County officials seek ways to accommodate State and local interests. The Office of State Planning revises the State Development and Redevelopment Plan every three years. The County Planning Board has adopted recommendations that have been submitted to the state agency.

## **Health Care**

Inspira Health Network provides virtually all major inpatient services in the County. It also provides many outpatient services, including same day surgery, x-rays, lab and therapy. The Frank and Edith Scarpa Regional Cancer Pavilion provides access to the latest technologies and treatments at a regional facility.

The Cumberland County Department of Health and the Department of Health of the City of Vineland provide a variety of health care services. There are four certified Home Health Agencies authorized to operate in the County. Alcohol and drug counseling are available. Psychological and psychiatric evaluations are provided by the Cumberland County Guidance Center and private care providers. Prenatal care is provided through two low cost clinics and private physicians. Overall, there are a number of public and private organizations providing a range of services from skilled nursing for senior citizens to intermediate care facilities for medical day care clients and others with disabilities or challenged capacities.

## SUMMARY

The County economy is expanding nicely and there is considerable promise on the horizon. New investments in infrastructure and other job and employment generators have had direct and indirect impacts on the County economy totaling more than \$400,000,000 in the last few years. New hotels, restaurants and other hospitality development reflect the growing interest in the County's tourism base and industrial development. New downtown investments in City Centers and new industrial parks are in various stages of development.

Between 2015 and 2017, 10 County companies received \$64.9 million in Grow New Jersey grant awards which led to the creation or retention of 668 jobs. More than \$118 million in private sector investment helped to feed the economic expansion underway. County officials are optimistic about the many new opportunities to come.

### **Industrial Pollution Control Financing Authority of Cumberland County**

Pursuant to the New Jersey Industrial Pollution Control Financing Law (L.1973, c.376), the County, by resolution of the Board of Chosen Freeholders, adopted on July 12, 1974, has created the Industrial Pollution Control Financing Authority of the County. The Pollution Control Financing Authority has not undertaken any projects or financing permissible under said law.

### **Compensated Absences**

Under the existing policies of the County, employees upon retirement will receive one-half of the accumulated unused sick leave to a maximum of \$9,000. Several unions have negotiated payouts higher than that of the general county policy. All employees receive one-half of the accumulated unused sick leave. The maximum payout for the various unions is as follows

United Auto Workers Union (UAW) Local #2327	
General Labor =	\$9,000
Social Services =	\$17,000
Social Services Supervisors =	\$20,000
Council 18 – Social Services =	\$18,000
Communication Workers of America (CWA) Local #1036	
General Labor supervisory employees =	\$9,000
Prosecutor's Assistants (attorneys) =	\$9,000
Association of Superior Assistant Prosecutors (ASAP) =	\$9,000
United Public Service Employees Union (UPSEU)	
Prosecutor's administrative staff =	\$9,000
Fraternal Order of the Police (FOP), Local #194	
Corrections – Superior Officers Association =	\$12,000
Police Benevolent Association (PBA)	
Local #231 County Correction Officers =	\$9,000

Local #299 Sheriff Officers	
Line-Officers =	\$9,000
Superior Officer's Association =	\$12,000
Local #396 Prosecutor Investigators	
Line-Officers =	\$15,000
Superior Officer's Association =	\$17,500

Unused accumulated vacation can carry forward only one year subsequent to the year it is earned and is paid at straight time.

There is a Reserve for Accumulated Sick Leave at December 31, 2017 in the amount of \$1,212,130.55 based upon the 2017 Audited Financial Statement of the County. The adequacy of this reserve has not been determined and is not intended to represent the full liability of the County. For additional information regarding compensated absences, see Appendix B - "Excerpt of Report of Audit of Financial Statements of the County".

### **Pension Plans**

Those County employees who are eligible for pension coverage are enrolled in one of two pension systems established by acts of the State Legislature. Benefits, contribution, means of the funding and the manner of administration are determined by the state. For additional information regarding pension plans, see Appendix B - "Excerpt of Report of Audit of Financial Statements of the County".

<b>County Employees</b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
County Tax Levy	611	597	611	627	637
Board of Health Tax Levy	40	40	40	40	40
County Library	12	11	11	11	11
Workforce Development Grants	45	45	45	45	45
Aging Grants	39	39	39	39	39
Social Services Grants	227	227			
Other Grants	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>
<b>TOTAL</b>	<b><u>1,001</u></b>	<b><u>986</u></b>	<b><u>773</u></b>	<b><u>789</u></b>	<b><u>799</u></b>

## **Labor Contracts**

The County has labor contracts with the following labor unions. There is currently one expired contract.

### **United Auto Workers Union (UAW) Local #2327**

General Labor, representing 251 employees, expires December 31, 2020

#### **Social Services**

Staff, representing 190 employees, expires December 31, 2019

Supervisors, representing 16 supervisory employees, expires December 31, 2019

### **Council 18**

Social Services, representing 5 supervisory employees expired December 31, 2017

### **Communication Workers of America (CWA) Local #1036**

General Labor, representing 34 supervisory employees expires December 31, 2020

Prosecutor's Assistants (attorneys), representing 18 employees expires December 31, 2021

### **Association of Superior Assistant Prosecutors (ASAP),**

Prosecutor's Assistants, representing 10 employees expires on December 31, 2020

### **United Public Service Employees Union (UPSEU)**

Prosecutor's administrative staff, representing 39 employees expires December 31, 2018

### **Fraternal Order of the Police (FOP), Local #194**

Corrections Superior Officers, 26 employees expires December 31, 2022

### **Police Benevolent Association (PBA)**

Local #231 Correction Officers, representing 170 employees expires December 31, 2019

#### **Local #299 Sheriff Officers**

Line-Officers, representing 51 expires December 31, 2019

Superior Officer's, representing 8 expires December 31, 2018

#### **Local #396 Prosecutor Investigators**

Line-Officers, representing 39 employees expires December 31, 2018

Superior Officer's, representing 11 employees expires December 31, 2018

## **EDUCATION**

### **Primary and Secondary Education**

The public school systems in the County are operated by the Boards of Education in each municipality as Type II school districts. They function independently through nine-member boards, three members of which are elected annually to serve three-year terms.

Each Board of Education prepares annually an operating and maintenance, capital outlay and debt service budget. The amounts to be raised by taxation for operating and maintenance expenses and capital outlay projects are submitted to the voters of the municipality for approval.



If the amounts are disapproved, the governing body of the municipality fixes an amount and certifies same to the Board of Education and to the County Board of Taxation. If the Board of Education determines that the amount certified by the municipality is insufficient to operate a thorough and efficient school system, the Board of Education may appeal to the State Commissioner of Education to restore the local funds eliminated.

Bridgeton City, Millville City and Vineland City each have junior and senior high schools. The remaining school districts in the County send their students to one of these districts or to Cumberland Regional High School. Students may also attend the Cumberland County Technical Education Center.

### **COUNTY OF CUMBERLAND SCHOOL DISTRICTS SCHOOL ENROLLMENTS**

**October 15, 2018 Estimated**

Bridgeton City	6,129
Commercial Township	547
Technical Education Center	695
Cumberland Regional	1,070
Deerfield Township	327
Downe Township	183
Fairfield Township	576
Greenwich Township	61
Hopewell Township	501
Lawrence Township	490
Maurice River Township	406
Millville City	5,697
Shiloh Borough	*
Stow Creek Township	113
Upper Deerfield Township	901
Vineland City	10,276

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\* School is closed and they send to Hopewell.

### **HIGHER EDUCATION FACILITIES**

#### **Cumberland County College**

Cumberland County College, fully accredited by the Middle States Association of Colleges and Secondary Schools, is an open door, comprehensive, two-year public institution dedicated to meeting the needs of area residents and employers for educational advancement and career training. The College is also dedicated to fostering social and cultural enlightenment within the community. It is sponsored by the people of the County through their Board of Chosen Freeholders who, in turn, appoint eight of the eleven member Board of Trustees. Two members are appointed by the state and the Superintendent of Schools is a member by statute.

The College was founded in November, 1963. The 100-acre campus is located on Sherman Avenue in Vineland. Classes were held for the first time in the autumn of 1966 - making the College New Jersey's first two year college to open on its own campus. Since then the College has gone on to offer a quality education at a reasonable cost. Cumberland County College offers 90 career and transfer programs of study. There are eleven buildings on campus, including the most recent, the Shirlee and Bernard Brown University Center. The Frank Guaracini, Jr. Fine and Performing Arts Center, dedicated in January, 1995, features local, regional and national talent. The Cumberland County College leases a 3,600 square foot building on High Street in Millville for their Clay College. In 2013, a 7,200 square foot facility named the *Paula J. Ring* Education Center on Buck Street in Millville was gifted through the Cumberland County College Foundation. *Washington Monthly* recently ranked the College as the 29<sup>th</sup> best community college in the nation.

As of the Fall of 2016, 1,730 full-time students and 1,418 part-time students were enrolled, for a total enrollment of 3,148.

### **Cumberland County Technical Education Center**

The Cumberland County Board of Vocational Education was created by the Cumberland County Board of Chosen Freeholders in 1969.

Land was purchased at a location centrally located for busing of the four County public high schools and one parochial high school. An attractive functional building was constructed and, in September, 1972, classes were opened at the Cumberland County Technical Educational Center.

The Technical School is transitioning to a full time high school with a 4-year phase-in beginning in September of 2016. In its final year, the school is projected to have 1,000 high school students. Additionally, the Technical School serves an adult student population in the evening hours with 50 students, which is projected to rise to over 100 during the next 2 years.

As of September, 2016 there were approximately 233 full time students, 304 shared time students, 39 STRIVE students, and 50 adult students for a total of 626 students.

## 2018 BUDGET

### Anticipated Revenues:

Fund Balance	\$ 5,680,000.00
Miscellaneous Revenues:	
Local Revenue (Fees, Permits, Licenses, etc.)	15,477,764.00
State Aid (without offsetting appropriation)	5,006,887.00
State Assumed Social Service Program Costs	22,652,956.00
Shared Services Agreements	1,515,000.00
Revenue With Approval of the Director	1,626,510.00
Federal and State Grants with Offsetting Appropriation	8,982,517.00
Local Tax for County Purposes	<u>97,335,000.00</u>
 Total Revenues	 <u><u>\$ 158,276,634.00</u></u>

### Appropriations:

General Government	\$ 5,237,600.00
Facilities and Central Expenses	7,390,000.00
Personnel Costs - Employee Benefits	33,071,567.00
Land Use Administration	775,000.00
Judicial and Corrections	36,618,762.00
Public Safety	2,348,895.00
Public Works	3,898,950.00
Parks, Recreation, Culture and Education	11,024,969.00
Human Services	1,127,780.00
State Assumed Social Service Programs	29,226,646.00
Unclassified and Deferred Charges	486,000.00
Federal and State Grants	10,402,517.00
Capital	555,000.00
Debt	<u>16,112,948.00</u>
 Total Appropriations	 <u><u>\$ 158,276,634.00</u></u>

**CAPITAL PROGRAM**  
**PROJECTS SCHEDULED FOR THE YEARS 2018 - 2023**

<u>Project</u>	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Bonds and Notes General</u>
DPW--Improve or Replace Roads, Bridges and Dams	\$ 12,450,000	\$ 622,500	\$ 11,827,500
DPW--Heavy Equipment and Large Trucks	9,235,000	461,750	8,773,250
DPW--Small Equipment and Light Duty Trucks	2,495,000	124,750	2,370,250
B&G--Facilities Renovations, Additions and Improvements	8,125,000	406,250	7,718,750
Public Safety--Communication Structures and Equipment	1,445,000	72,250	1,372,750
Public Safety--Various Improvements	250,000	12,500	237,500
Veterans Cemetery--Site and Building Improvements	850,000	42,500	807,500
Technology--IT Network, Library, Phones, Elections, etc.	3,150,000	157,500	2,992,500
Elections - Replace Election Booths	1,200,000	60,000	1,140,000
<b>TOTALS--ALL PROJECTS</b>	<b>\$ 39,200,000</b>	<b>\$ 1,960,000</b>	<b>\$ 37,240,000</b>

**CERTAIN TAX INFORMATION  
TWENTY LARGEST TAXPAYERS (1)**

<u>Name</u>	<u>Nature of Business</u>	<u>2018 Assessed Valuation</u>
Cumberland Mall Associates	Shopping Mall	\$ 79,934,100
Good Mill LLC	Developer Cell Tower	35,135,700
Wal-Mart Real Estate Business Trust	Real Estate	34,454,900
Vineland Construction Company	Real Estate and Trucking	28,127,100
Durand Glass	Glass Manufacturing Distributor	27,422,400
Roth Realty LLC (Roth 47 & 55)	Hotel/Restaurant	19,260,000
LBW Vineland LLC	Real Estate	18,854,300
T-Fal Corporation c/o Groupe SEB USA	Manufacturer of Kitchen Products	18,558,000
ACP Cumberland Assoc c/o American Cont Prop	Cumberland Crossing Shopping Center	17,024,600
BDGS Inc 317 W. Elmer Rd., Vineland	Real Estate	16,233,700
Berks County Real Estate Associates	Retail - Boscov's	16,200,000
Lucca Freezer & Cold Storage LLC	Real Estate	15,479,100
Maintree Shopping Center LP	Real Estate	13,200,000
LTC Mgmt LLC	Cumberland Manor	11,303,400
Lowe's Home Center Inc. #1816	Home Improvement Center	11,200,000
Verizon – New Jersey	Telephone - Communications	11,166,864
Cedar-Carl's Corner LLC	Real Estate	10,755,600
NA Real Property Associates	Real Estate	10,697,400
Frank's Realty Company	Real Estate	10,500,000
United Mobil Homes of Vineland	Real Estate	10,328,500

**TAX COLLECTIONS (1)**

<u>Year</u>	<u>Tax Levy</u>	<u>Collection Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>
2017	\$ 94,760,000	\$ 94,760,000	100%
2016	92,715,000	92,715,000	100%
2015	89,695,000	89,695,000	100%
2014	86,997,488	86,997,488	100%
2013	85,426,646	85,426,646	100%

**EQUALIZED VALUATION ON WHICH COUNTY TAXES  
ARE APPORTIONED AND ANNUAL COUNTY TAX RATE**

<u>Equalized Year</u>	<u>County Valuations</u>	<u>County Tax Rate (2)</u>	<u>Farmland Preservation Tax Rate</u>
2018	\$ 8,823,433,400	\$ 1.1151	\$ 0.0100
2017	8,737,489,589	1.0969	0.0100
2016	8,832,912,324	1.0588	0.0100
2015	8,689,785,077	1.0440	0.0100
2014	8,941,462,565	0.9823	0.0100

(1) Source: County Board of Taxation. County Taxes are levied and collected directly from the constituent municipalities.

(2) Source: County Board of Taxation. Rate per \$100 of equalized value.

## LOCAL HEALTH SERVICES TAX

The County has a County Local Health Board for which there is a separate tax rate based upon equalized valuation for those Municipalities that participate.

<u>Year</u>	<u>Tax Levy</u>	<u>Tax Rate (1)</u>
2018	\$ 2,450,000	\$ 0.0529
2017	2,416,972	0.0524
2016	2,369,580	0.0514
2015	2,369,580	0.0509
2014	2,369,580	0.0489

## REAL PROPERTY CLASSIFICATION

<u>Total Assessed Value</u>							
<u>Year</u>	<u>Improvements</u>	<u>Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>
2018	\$ 8,403,586,400	\$ 181,434,600	\$ 5,896,900,600	\$291,762,800	\$ 1,412,818,600	\$ 436,586,500	\$ 184,083,300
2017	8,435,715,600	181,147,400	5,886,206,900	290,898,400	1,437,555,400	450,087,000	189,820,500
2016	8,410,944,900	182,548,000	5,840,798,400	288,312,300	1,451,391,400	458,253,400	189,641,400
2015	8,453,984,900	186,844,400	5,836,173,600	302,470,200	1,462,442,900	469,088,300	196,965,500
2014	8,395,961,100	196,391,200	5,743,008,800	297,156,300	1,502,303,900	468,904,100	188,196,800

## STATEMENT OF EQUALIZED VALUATION FOR CONSTITUENT MUNICIPALITIES

	<u>2018 (2)</u>				<u>2017 (2)</u>		
	<u>Equalized Value - Land and Improvements</u>	<u>Net Valuation on which County Taxes are Apportioned</u>	<u>Percentage</u> (3)		<u>Equalized Value - Land and Improvements</u>	<u>Net Valuation on which County Taxes are Apportioned</u>	<u>Percentage</u> (3)
Bridgeton	\$ 490,140,299	\$ 507,417,646	5.75%	\$	478,678,128	\$ 496,375,634	5.68%
Commercial Twp.	240,564,310	242,019,225	2.74%		231,170,654	232,619,624	2.66%
Deerfield Twp.	194,872,547	196,352,482	2.23%		194,804,154	196,742,935	2.25%
Downe Twp.	155,548,706	156,910,915	1.78%		147,567,426	149,007,055	1.71%
Fairfield Twp.	274,831,596	276,306,026	3.13%		293,201,977	294,698,002	3.37%
Greenwich Twp.	76,627,893	77,709,890	0.88%		77,218,168	78,209,453	0.90%
Hopewell Twp.	335,972,890	338,257,362	3.83%		315,502,009	317,724,721	3.64%
Lawrence Twp.	224,453,447	226,499,021	2.57%		216,586,730	218,629,078	2.50%
Maurice Twp.	273,905,390	276,761,431	3.14%		293,594,251	296,496,568	3.39%
Millville	1,586,136,114	1,607,811,084	18.22%		1,580,087,489	1,602,404,615	18.34%
Shiloh Boro	31,266,635	31,562,180	0.36%		30,379,531	30,666,180	0.35%
Stow Creek Twp.	118,279,828	119,390,890	1.35%		106,134,209	107,277,233	1.23%
Upper Deerfield Twp.	603,322,584	612,107,837	6.94%		596,305,503	605,625,952	6.93%
Vineland	4,090,864,819	4,154,327,413	47.08%		4,052,315,884	4,111,012,539	47.05%
Total	\$ 8,696,787,058	\$ 8,823,433,402	100.00%	\$	8,613,546,113	\$ 8,737,489,589	100.00%

(1) The Local Health Service Tax became effective for the year 1978 and included all Municipalities in the County except Vineland. Rate is per \$100 of equalized value.

(2) Sources: Final Equalization Table and Abstract of Ratables.

(3) Represents portion of county taxes levied on constituent municipalities.

**COUNTY OF CUMBERLAND  
STATEMENT OF INDEBTEDNESS  
AS OF DECEMBER 31, 2017**

The following table summarizes the direct debt of the County as of December 31, 2017 in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-2- et. seq.). The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, County College, Vocational School and Bonds Issued by Another Public Body. Deductions from gross debt to arrive at net debt include deductible Bonds issued and Bonds authorized but not issued-capital projects for county college debt and Bonds Issued by Another Public Body. The resulting net debt of \$85,224,780 represents 0.978% of the average of equalized valuations for the County for the last three years, which is within the 2.0% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued			Debt Auth. But Not Issued	Gross Debt	Deduction	Net Debt
	<u>Bonds</u>	<u>Notes</u>	<u>Loans</u>			<u>Reserves/Fund Balance County College/ Guaranteed Debt</u>	
General	\$47,676,000	\$17,600,000	\$209,244	\$2,617,296	\$68,102,540	\$1,621,910	\$66,480,630
County College	13,314,000				13,314,000	13,314,000	
Vo-Tech High School	60,465,000				60,465,000	41,720,850	18,744,150
Bonds Issued by Another Public Body Guaranteed by the County	41,304,243				41,304,243	41,304,243	
	<u>\$162,759,243</u>	<u>\$17,600,000</u>	<u>\$209,244</u>	<u>\$2,617,296</u>	<u>\$183,185,783</u>	<u>\$97,961,003</u>	<u>\$85,224,780</u>

Source: County Annual Debt Statement

## DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	\$ 8,714,607,350
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2015, 2016 and 2017	0.978%
2017 Net Valuation Taxable	\$ 8,450,292,125
2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 8,628,122,638
Gross Debt (2)	
As a percentage of 2017 Net Valuation Taxable	2.17%
As a percentage of 2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	2.12%
Net Debt (2)	
As a percentage of 2017 Net Valuation Taxable	1.01%
As a percentage of 2017 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	0.99%
Gross Debt Per Capita (3)	\$1,168
Net Debt Per Capita (3)	\$543

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(1) As of December 31, 2017

(2) Excluding overlapping debt

(3) Based on the 2010 Census of 156,898

Source: Cumberland County



**COUNTY OF CUMBERLAND  
BORROWING CAPACITY**

Statutory Borrowing Capacity:

2.0% of Average (2015-17) Equalized Valuation of Real Property

including Improvements (\$8,714,607,350)	\$ 174,292,147
Net Debt	85,224,780

Remaining Borrowing Capacity Available Under N.J.S.A. 40A:2-6	\$ 89,067,367
---	---------------

**OVERLAPPING DEBT(1)**

Gross Debt of Constituent Municipalities	\$ 320,709,147
Municipal Utilities and Sewerage Authority Debt of Constituent Municipalities (2)	33,686,062
	\$ 287,023,085

**SCHEDULE OF MUNICIPAL UTILITY AND SEWERAGE AUTHORITY DEBT  
OF CONSTITUENT MUNICIPALITIES(1)**

Landis Sewerage Authority (Vineland) (2)	\$ 27,400,000
Cumberland County Utilities Authority (2)	6,286,062
	\$ 33,686,062

(1) As of December 31, 2017

(2) Source Authority Auditor

**SCHEDULE OF COUNTY DEBT SERVICE  
(BONDED DEBT ONLY) (1)**

<u>Year</u>	<u>GENERAL</u>	<u>COLLEGE</u>	<u>Vo-TECH</u>	<u>TOTAL PRINCIPAL</u>	<u>TOTAL INTEREST</u>	<u>TOTAL PRINCIPAL AND INTEREST</u>
2018	\$ 5,285,000	\$ 3,550,000	\$ 1,795,000	\$ 10,630,000	\$ 4,699,963	\$ 15,329,963
2019	4,205,000	3,530,000	1,850,000	9,585,000	4,331,212	13,916,212
2020	4,302,000	3,558,000	1,925,000	9,785,000	4,038,450	13,823,450
2021	4,595,000	3,540,000	2,000,000	10,135,000	3,676,175	13,811,175
2022	4,685,000	2,090,000	2,100,000	8,875,000	3,288,538	12,163,538
2023	4,795,000	2,140,000	2,205,000	9,140,000	2,938,438	12,078,438
2024	2,865,000	1,930,000	2,315,000	7,110,000	2,561,131	9,671,131
2025	1,900,000	1,400,000	2,435,000	5,735,000	2,257,506	7,992,506
2026	1,900,000	1,410,000	2,555,000	5,865,000	2,039,419	7,904,419
2027		1,560,000	2,680,000	4,240,000	1,841,019	6,081,019
2028		500,000	2,815,000	3,315,000	1,676,894	4,991,894
2029		500,000	2,955,000	3,455,000	1,520,519	4,975,519
2030		500,000	3,045,000	3,545,000	1,415,931	4,960,931
2031		250,000	3,135,000	3,385,000	1,312,081	4,697,081
2032			3,225,000	3,225,000	1,213,656	4,438,656
2033			3,330,000	3,330,000	1,112,875	4,442,875
2034			3,350,000	3,350,000	946,375	4,296,375
2035			3,350,000	3,350,000	837,500	4,187,500
2036			3,350,000	3,350,000	670,000	4,020,000
2037			3,350,000	3,350,000	502,500	3,852,500
2038			3,350,000	3,350,000	335,000	3,685,000
2039			3,350,000	3,350,000	167,500	3,517,500
	<u>\$ 34,532,000</u>	<u>\$ 26,458,000</u>	<u>\$ 60,465,000</u>	<u>\$121,455,000</u>	<u>\$43,382,681</u>	<u>\$164,837,681</u>

(1) As of December 31, 2017

Source: Cumberland County

## **APPENDIX B**

### **EXCERPT OF REPORT OF AUDIT OF FINANCIAL STATEMENTS OF THE COUNTY**



## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Director and  
Members of the County Board of Chosen Freeholders  
County of Cumberland  
Bridgeton, New Jersey 08302

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

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the County of Cumberland, in the State of New Jersey, as of December 31, 2017, 2016, 2015, 2014, and 2013, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the County'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 the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and in compliance with audit requirements as prescribed by the 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 County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 opinions.

## Opinions

### *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

As described in note 1 to the financial statements, the financial statements are prepared by the County on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*

In our opinion, because of the significance of the matter discussed in the "*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the County of Cumberland, in the State of New Jersey, as of December 31, 2017, 2016, 2015, 2014, and 2013, or the results of its operations and changes in fund balance for the years then ended.

### *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the County of Cumberland, in the State of New Jersey, as of December 31, 2017, 2016, 2015, 2014, and 2013, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

## Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended December 31, 2017, the general fixed asset group of accounts for the year ended December 31, 2016 has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Carol A. McAllister*

Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
August 3, 2018

**COUNTY OF CUMBERLAND - CURRENT FUND**  
**Statements of Assets, Liabilities, Reserves and**  
**Fund Balance -- Regulatory Basis**

	As of December 31,				
	<u>2017</u>	<u>2016</u>	<u>2015*</u>	<u>2014*</u>	<u>2013*</u>
<b><u>Assets</u></b>					
Regular Fund:					
Cash	\$ 33,651,051	\$ 29,300,465	\$ 28,111,174	\$ 28,700,709	\$ 27,641,334
Shared Service Receivable					
East Point Lighthouse	108,982	503,325			
Receivables with Full Reserves:					
Commodity Billing Receivable--Gasoline	15,719	24,720	22,923		
Added and Omitted Taxes	379,130	389,664	262,138	367,192	306,612
Due Federal and State Grant Fund	2,232,808	2,097,105	1,780,880	1,780,880	859,485
Due General Capital Fund		5,075	16,061	28,359	
Revenue Accounts Receivable	117,793	134,319	20,407	117,292	134,505
Total Assets	\$ 36,505,483	\$ 32,454,673	\$ 30,213,582	\$ 30,994,432	\$ 28,941,936
<b><u>Liabilities, Reserves and Fund Balance</u></b>					
Regular Fund:					
Liabilities					
Appropriation Reserves	\$ 6,834,526	\$ 8,410,140	\$ 5,959,789	\$ 7,380,462	\$ 6,270,203
Reserve for Encumbrances	4,424,072	2,079,289	2,317,530	2,427,060	2,142,537
Accounts Payable	50,073	98,010	104,302	229,241	260,835
East Point Lighthouse	12,011	243,014			
Due to Trust Other Fund					118,838
Due General Capital Fund	4,129				
Other Liabilities and Special Funds	2,892,431	2,896,872	4,005,325	4,804,766	3,841,357
Total Liabilities	14,217,242	13,727,325	12,386,946	14,841,529	12,633,770
Reserve for Receivables	2,745,450	2,650,883	2,102,408	2,293,723	1,300,602
Fund Balance	19,542,791	16,076,465	15,724,228	13,859,180	15,007,564
Total Regular Fund	\$ 36,505,483	\$ 32,454,673	\$ 30,213,582	\$ 30,994,432	\$ 28,941,936

\* By resolution dated December 22, 2015, Cumberland County created a Division of Social Services within the Department of Administration and Finance, effective January 1, 2016.

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

**COUNTY OF CUMBERLAND - CURRENT FUND**  
**Statements of Operations and Changes**  
**in Fund Balance -- Regulatory Basis**

	<b>For the Years Ended December 31,</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Revenue Realized:</b>					
Current Tax Collections	\$ 94,760,000	\$ 92,715,000	\$ 89,695,000	\$ 86,997,488	\$ 85,426,646
Miscellaneous Revenues:					
State and Federal Programs	60,701,146	59,809,388	26,427,176	27,746,728	19,227,287
Other	26,897,934	27,811,405	29,760,563	27,100,756	25,403,778
Other Income	7,115,286	5,233,461	5,700,109	4,530,026	11,116,287
Fund Balance Utilized	5,400,000	5,000,000	4,800,000	4,400,000	7,000,000
Total Income	194,874,366	190,569,254	156,382,848	150,774,998	148,173,998
<b>Expenditures and Encumbrances:</b>					
Operating	129,280,172	147,125,707	112,089,577	99,249,673	96,749,719
Operating-State and Federal Programs	37,832,406	21,540,712	26,427,176	29,093,970	20,559,819
Prior Period Expense	3,214	147,393			
Capital Improvement Fund	400,000	400,000	325,000	260,000	330,000
East Point Lighthouse Restoration	200,000	602,330			
Other Capital Projects	1,739,000				
Debt Service	16,416,882	15,090,030	10,855,908	8,792,954	8,852,323
Deferred Charges and Statutory Expenditures	15,000	3,809	9,515	10,650,781	10,273,015
Other Expenditures	121,366	307,036	10,624	976,004	354,406
Total Expenditures and Encumbrances	186,008,040	185,217,017	149,717,800	149,023,382	137,119,282
Excess in Revenue	8,866,326	5,352,237	6,665,048	1,751,616	11,054,716
Adjustments to Income Before Fund Balance:					
Expenditures Included Above which were by Statute					
Deferred Charges to Budget of Succeeding Year				1,500,000	
Statutory Excess to Fund Balance	8,866,326	5,352,237	6,665,048	3,251,616	11,054,716
Fund Balance, January 1	16,076,465	15,724,228	13,859,180	15,007,564	10,952,848
	24,942,791	21,076,465	20,524,228	18,259,180	22,007,564
Decreased by:					
Utilized by Revenue	5,400,000	5,000,000	4,800,000	4,400,000	7,000,000
Fund Balance, December 31	\$ 19,542,791	\$ 16,076,465	\$ 15,724,228	\$ 13,859,180	\$ 15,007,564

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

**COUNTY OF CUMBERLAND - FEDERAL, STATE AND OTHER GRANT FUND**  
**Statements of Assets, Liabilities, Reserves and**  
**Fund Balance -- Regulatory Basis**

	<b>As of December 31,</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015*</u></b>	<b><u>2014*</u></b>	<b><u>2013*</u></b>
<b><u>Assets</u></b>					
Federal, State and Other Grant Fund:					
Cash	\$ 2,187,544	\$ 2,166,694	\$ 486,483	\$ 1,560	\$ 72,731
Cash--Division of Social Services	7,928,119	6,481,414			
Federal and State Grants Receivable	35,035,231	24,633,383	28,240,938	24,832,663	25,176,600
	<u>\$ 45,150,894</u>	<u>\$ 33,281,491</u>	<u>\$ 28,727,421</u>	<u>\$ 24,834,223</u>	<u>\$ 25,249,331</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>					
Federal, State and Other Grant Fund:					
Due to Current Fund	\$ 2,232,808	\$ 2,097,105	\$ 1,780,880	\$ 1,780,880	\$ 859,485
Unappropriated Reserves	155,169	366,413	538,454	21,288	41,727
Appropriated Reserves	27,712,199	12,361,416	17,858,601	15,884,046	15,148,156
Reserve for Encumbrances	7,122,599	11,975,143	8,549,486	7,148,009	9,199,963
Division of Social Services:					
Due State of New Jersey--					
Temporary Assistance to Needy Families (TANF)	10,481	11,516			
Child Support	7,498	12,116			
Accounts Payable	228,418	757,577			
Payroll Liabilities	87,119	87,119			
Advance Payable--Reach	55,000	55,000			
Unemployment Trust Fund	461,812	468,083			
Appropriated Grant Reserves	2,641,164	1,677,063			
Reserve for Clearing Fund	346,141	262,560			
Reserve for Child Support and Paternity Fund	98,155	143,511			
Restricted Reach Account	(198)	(5,948)			
Restricted Fund Balance	3,992,529	3,012,817			
	<u>\$ 45,150,894</u>	<u>\$ 33,281,491</u>	<u>\$ 28,727,421</u>	<u>\$ 24,834,223</u>	<u>\$ 25,249,331</u>

\* By resolution dated December 22, 2015, Cumberland County created a Division of Social Services within the Department of Administration and Finance, effective January 1, 2016.

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



**COUNTY OF CUMBERLAND - TRUST FUND**  
**Statements of Assets, Liabilities and Reserves--**  
**Regulatory Basis**

	<b>As of December 31,</b>				
	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>					
Trust Fund:					
Cash	\$ 8,086,762	\$ 6,465,356	\$ 5,243,665	\$ 6,699,188	\$ 7,590,195
Due from Current Fund					118,838
Accounts Receivable - Gasoline				72,177	38,220
	<u>8,086,762</u>	<u>6,465,356</u>	<u>5,243,665</u>	<u>6,771,365</u>	<u>7,747,253</u>
County Open Space Fund:					
Cash	283,663	544,345	610,266	-	647,493
Due NJ DEP - Green Acres	300,000				
	<u>583,663</u>	<u>544,345</u>	<u>610,266</u>	<u>-</u>	<u>647,493</u>
Audio-Visual Aid Fund:					
Cash	21,275	21,275	57,974	90,533	81,781
	<u>\$ 8,691,700</u>	<u>\$ 7,030,976</u>	<u>\$ 5,911,905</u>	<u>\$ 6,861,898</u>	<u>\$ 8,476,527</u>
<b><u>Liabilities and Reserves</u></b>					
Trust Fund:					
Encumbrances	\$ 546,686	\$ 528,305	\$ 405,475		
Reserve for Payroll Payables	23,460	23,687	23,460	\$ 493,253	\$ 482,116
Reserve for Performance Guarantee Deposits					17,956
Trust Fund Reserves	6,012,302	4,537,241	3,417,830	4,778,508	6,579,368
County Clerk	535,892	594,718	664,402		
Reserve for County Prosecutor's Law Enforcement Trust Account	413,686	294,472	269,576	223,911	220,147
Reserve for County Prosecutor's Seized Asset Trust Account	439,390	438,641	409,139	391,090	396,929
Reserve for Motor Vehicle Theft	1,428	1,425	1,423		
Reserve for Federal Law Enforcement Trust Account	102,987	35,549	40,926	35,964	24,637
Reserve for County Prosecutor's Asset Maintenance Account	10,931	11,316	11,434	24,673	26,100
	<u>8,086,762</u>	<u>6,465,356</u>	<u>5,243,665</u>	<u>5,947,399</u>	<u>7,747,253</u>
County Open Space Fund:					
Reserve for Farmland Preservation	283,663	544,345	610,266	823,966	647,493
Due NJ DEP - Green Acres	300,000				
	<u>583,663</u>	<u>544,345</u>	<u>610,266</u>	<u>823,966</u>	<u>647,493</u>
Audio-Visual Aid Fund:					
Reserve for Audio-Visual Aid Commission Expenditures	21,275	21,275	57,974	90,533	81,781
	<u>\$ 8,691,700</u>	<u>\$ 7,030,976</u>	<u>\$ 5,911,905</u>	<u>\$ 6,861,898</u>	<u>\$ 8,476,527</u>

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

**COUNTY OF CUMBERLAND - GENERAL CAPITAL FUND**  
**Statements of Assets, Liabilities, Reserves and**  
**Fund Balance -- Regulatory Basis**

	As of December 31,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>					
Cash and Investments	\$ 16,044,829	\$ 24,135,811	\$ 59,990,712	\$ 89,349,803	\$ 23,115,611
Due Current Fund	4,129				
Deferred Charges to Future Taxation:					
Funded	121,664,244	130,115,117	137,241,102	78,003,234	64,668,552
Unfunded	20,217,295	14,262,500	9,127,128	3,812,834	10,823,831
Amount to be Provided by Capital Loan Agreement				63,890,000	
	<u>\$ 157,930,497</u>	<u>\$ 168,513,428</u>	<u>\$ 206,358,942</u>	<u>\$ 235,055,871</u>	<u>\$ 98,607,994</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>					
Reserve for Encumbrances	\$ 3,888,941	\$ 6,534,518	\$ 5,836,863	\$ 7,694,074	\$ 6,547,422
Bond Anticipation Notes	17,600,000	11,520,000	5,520,000		9,280,000
General Serial Bonds	60,990,000	67,600,000	72,952,000	77,512,000	64,087,000
Green Acres Loan Payable	209,244	305,117	399,102	491,235	581,552
Improvement Authorizations:					
Funded	4,776,058	10,985,334	48,954,711	77,971,271	11,161,968
Unfunded	8,178,722	7,237,615	6,514,076	3,803,319	6,756,136
Due Current Fund		5,075	16,061	28,359	
Capital Improvement Fund	200,622	120,622	20,622	131,813	98,007
Shared Service Contract, Regional Prison Study			80,000		
Reserve for Payment of Bonds	1,621,910	1,995,147	2,175,507	1,248,076	43,001
Reserve for Capitalized Interest				2,285,724	
Obligations Under Capital Loan Agreement	60,465,000	62,210,000	63,890,000	63,890,000	
Fund Balance					52,908
	<u>\$ 157,930,497</u>	<u>\$ 168,513,428</u>	<u>\$ 206,358,942</u>	<u>\$ 235,055,871</u>	<u>\$ 98,607,994</u>

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

**COUNTY OF CUMBERLAND**  
Notes to Financial Statements  
For the Year Ended December 31, 2017

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

**Description of Financial Reporting Entity** - The County of Cumberland, New Jersey (the "County"), formerly part of Salem County, New Jersey was established in 1748. The County, approximately 500 square miles in area, is in the southwestern corner of the State of New Jersey and has over 40 miles of Delaware Bay coastline. The Counties of Salem, Gloucester, Atlantic and Cape May border the County on, respectively, the northwest, north, northeast and southeast, with the Delaware Bay forming the southern border of the County. The population of the County, according to the 2010 census, was 156,898.

The County operates under the freeholder form of government. The Board of Chosen Freeholders of the County (the "Board") consists of seven Freeholder members elected at-large for three-year terms on a staggered basis. Each year, the Board elects one of the Freeholders to serve as Freeholder Director. The Freeholder Director appoints Freeholders to be in charge of various committees. The Board, operating through the committee system, is charged with both executive and legislative responsibilities for: (i) formulating policies; (ii) developing new programs; (iii) appointing members of the various County commissions, authorities and boards; (iv) approving the County's operating and capital budgets; and (v) appropriating the funds required to maintain County services.

The County Administrator, appointed by the Board, oversees the daily governmental operations of the County. Each major department is headed by an administrator who acts as liaison to the Freeholder overseeing such department's operations. Financial matters are under the supervision of the County's Chief Financial Officer, who is appointed by the Board.

**Component Units** - The financial statements of the component units of the County are not presented in accordance with Governmental Accounting Standards Board (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*. If the provisions of the aforementioned GASB Statements had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the County, the primary government:

Cumberland County Board of Health  
309 Buck Street  
Millville, New Jersey 08332

Cumberland County Library  
800 East Commerce Street  
Bridgeton, New Jersey 08302

Cumberland County College  
College Drive  
P.O. Box 517  
Vineland, New Jersey 08360

Cumberland County Improvement Authority  
2 North High Street  
Millville, New Jersey 08332

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Component Units (Cont'd)**

Cumberland County Technical Education Center  
3400 College Drive  
Vineland, New Jersey 08360

Cumberland County Insurance Commission  
164 West Broad Street  
Bridgeton, New Jersey 08302

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The financial statements of the County contain all funds and account groups in accordance with the *Requirements of Audit* (the "*Requirements*") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the County accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

**Current Fund** - The current fund accounts for resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

**Trust Funds** - The various trust funds account for receipts, custodianship, and disbursement of funds in accordance with the purpose for which each reserve was created.

**General Capital Fund** - The general capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund.

**Federal, State and Other Grant Fund** - The federal, state, and other grant fund accounts for resources and expenditures restricted by various outside agencies.

**General Fixed Asset Group of Accounts** - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

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

**Budgets and Budgetary Accounting** - The County must adopt an annual budget for its current fund and its county farmland and open space preservation fund in accordance with N.J.S.A. 40A:4 et seq. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual county budget no later than January 26 each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the county. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9. Amendments to adopted budgets, if any, are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval, and adoption of the county budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the County's financial statements.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded.

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 governmental units. 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.

The cash management plan adopted by the County requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**Interfunds** - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the current fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

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

**General Fixed Assets** - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The County has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The County is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the County's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

**Deferred Charges** - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

**Fund Balance** - Fund balances included in the current fund and the federal, state and other grant fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the County's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the County's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the County which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

**County Taxes** - Every municipality in the county is responsible for levying, collecting, and remitting county taxes for the County of Cumberland. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations for every municipality is charged the amount due to the County for the year, based upon the ratables certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

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

**Expenditures** - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal and interest payments on outstanding general capital bonds, loans and notes are provided on the cash basis.

**Appropriation Reserves** - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments, or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as income.

**Long-Term Debt** - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital fund. Where an improvement is a "local improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

**Compensated Absences and Postemployment Benefits** - Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for postemployment benefits, if any, which are also funded on a pay-as-you-go basis.

**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 Police and Firemen's Retirement System (PFRS) and the Public Employees' Retirement System (PERS), and additions to/deductions from PFRS' and PERS' 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.

**Note 2: 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 County's deposits might not be recovered. Although the County 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 municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2017, the County's entire bank balance of \$65,917,494.54 was insured by FDIC and GUDPA.

**Note 3: PROPERTY TAXES**

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years:

**Comparative Tax Information**

<u>Year</u>	<u>Net Valuation on which County Taxes are Apportioned</u>	<u>Board of Health Tax Rate</u>	<u>Farmland Preservation Tax Rate</u>	<u>County Tax Rate</u>
2017	\$8,737,489,589.00	\$0.0524	\$0.0100	\$1.0969
2016	8,832,912,324.00	0.0514	0.0100	1.0589
2015	8,689,785,077.00	0.0510	0.0100	1.0440
2014	8,941,462,565.00	0.0489	0.0100	0.9823
2013	9,264,006,672.00	0.0473	0.0100	0.9279

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2017	\$ 94,760,000.00	\$ 94,760,000.00	100.00%
2016	92,715,000.00	92,715,000.00	100.00%
2015	89,695,000.00	89,695,000.00	100.00%
2014	86,997,488.00	86,997,488.00	100.00%
2013	85,426,646.00	85,426,646.00	100.00%

**Note 4: FUND BALANCES APPROPRIATED**

The following schedules detail the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

**Current Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2017	\$ 19,542,790.73	\$ 5,680,000.00	29.06%
2016	16,076,464.66	5,400,000.00	33.59%
2015	15,724,228.47	5,000,000.00	31.80%
2014	13,859,180.05	4,800,000.00	34.63%
2013	15,007,563.61	4,400,000.00	29.32%



**Note 5: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2017:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 2,232,807.97	\$ 4,128.83
Federal, State and Other Grant		2,232,807.97
General Capital	4,128.83	
	<u>\$ 2,236,936.80</u>	<u>\$ 2,236,936.80</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2018, the County expects to liquidate such interfunds, depending upon the availability of cash flow.

**Note 6: PENSION PLANS**

A substantial number of the County's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several County employees 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>

**General Information about the Pension Plans****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 County, 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 6: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

**Police and Firemen's Retirement System** - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the County. The PFRS's Board of Trustees is primarily responsible for the administration of the PFRS.

**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 with 25 years or more of service credit before age 62, 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.

**Note 6: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Police and Firemen's Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

**Tier Definition**

- 1 Members who were enrolled prior to May 22, 2010
- 2 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 3 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

**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 non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable 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.

**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. 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 County's contractually required contribution rate for the year ended December 31, 2017 was 13.01% of the County's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

**Note 6: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - Based on the most recent PERS measurement date of June 30, 2017, the County's contractually required contribution to the pension plan for the year ended December 31, 2017 is \$4,187,092.16, and is payable by April 1, 2018. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2016, the County's contractually required contribution to the pension plan for the year ended December 31, 2016 was \$4,245,947.00, which was paid on April 1, 2017. Employee contributions to the Plan during the year ended December 31, 2017 were \$2,409,750.15.

**Police and Firemen's Retirement System** - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was 10% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

*Special Funding Situation Component* - Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a *special funding situation* as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the Plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the local participating employers related to this legislation.

The County's contractually required contribution rate for the year ended December 31, 2017 was 27.59% of the County's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2017, the County's contractually required contribution to the pension plan for the year ended December 31, 2017 is \$3,503,648.00, and is payable by April 1, 2018. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2016, the County's contractually required contribution to the pension plan for the year ended December 31, 2016 was \$3,391,991.00, which was paid on April 1, 2017. Employee contributions to the Plan during the year ended December 31, 2017 were \$1,280,470.08.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the County, for the year ended December 31, 2017 was 2.70% of the County's covered payroll.

**Note 6: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - Based on the most recent PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the County, to the pension plan for the year ended December 31, 2017 is \$342,309.00, and is payable by April 1, 2018. Based on the PFRS measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the County, to the pension plan for the year ended December 31, 2016 was \$255,711.00, which was paid on April 1, 2017.

**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 County 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 year ended December 31, 2017, employee contributions totaled \$82,950.16, and the County's contributions were \$37,662.42. There were no forfeitures during the year.

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

**Public Employees' Retirement System** - At December 31, 2017, the County's proportionate share of the PERS net pension liability was \$105,213,221.00. 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 County's proportion of the net pension liability was based on a projection of the County'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 County's proportion was 0.4519778596%, which was a decrease of (0.0259617460%) from its proportion measured as of June 30, 2016.

At December 31, 2017, the County's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2017 measurement date is \$6,328,001.00. This expense is not recognized by the County because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2017, the County's contribution to PERS was \$4,245,947.00, and was paid on April 1, 2017.

**Police and Firemen's Retirement System** - At December 31, 2017, the County's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

County's Proportionate Share of Net Pension Liability	\$ 61,116,862.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the County	6,845,604.00
	<u>\$ 67,962,466.00</u>

**Note 6: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - 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 County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2017 measurement date, the County's proportion was 0.3958841726%, which was a decrease of (0.0201371845%) from its proportion measured as of June 30, 2016. Likewise, at June 30, 2017, the State of New Jersey's proportion, on-behalf of the County, was 0.3958841726%, which was a decrease of (0.0201371845%) from its proportion, on-behalf of the County, measured as of June 30, 2016.

At December 31, 2017, the County's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2017 measurement date is \$6,716,186.00. This expense is not recognized by the County because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2017, the County's contribution to PFRS was \$3,391,991.00, and was paid on April 1, 2017.

At December 31, 2017, the State's proportionate share of the PFRS pension expense, associated with the County, calculated by the Plan as of the June 30, 2017 measurement date is \$837,372.00. This on-behalf expense is not recognized by the County because of the regulatory basis of accounting as described in note 1.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2017, the County had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 2,477,408.19	\$ 396,490.00	\$ 2,873,898.19	\$ -	\$ 358,705.00	\$ 358,705.00
Changes of Assumptions	21,196,838.73	7,536,390.00	28,733,228.73	21,119,126.10	10,009,155.00	31,128,281.10
Net Difference between Projected and Actual Earnings on Pension Plan Investments	716,431.17	1,166,253.00	1,882,684.17	-	-	-
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions	2,067,387.69	4,855,917.00	6,923,304.69	6,834,841.32	2,795,786.00	9,630,627.32
County Contributions Subsequent to the Measurement Date	2,093,546.00	1,751,824.00	3,845,370.00	-	-	-
	<u>\$ 28,551,611.78</u>	<u>\$ 15,706,874.00</u>	<u>\$ 44,258,485.78</u>	<u>\$ 27,953,967.42</u>	<u>\$ 13,163,646.00</u>	<u>\$ 41,117,613.42</u>

\$2,093,546.00 and \$1,751,824.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2018. These amounts were based on an estimated April 1, 2019 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2017 to the County's year end of December 31, 2017.

**Note 6: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

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

	<u>PERS</u>		<u>PFRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<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	-	-	5.53
June 30, 2016	5.57	-	-	5.58
June 30, 2017	5.48	-	5.59	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
June 30, 2017	-	5.48	-	5.59
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	-	5.00	-	5.00
June 30, 2016	5.00	-	5.00	-
June 30, 2017	5.00	-	5.00	-
Changes in Proportion and Differences between County Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58
June 30, 2017	5.48	5.48	5.59	5.59

**Note 6: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

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

<b><u>Year Ending Dec 31,</u></b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2018	\$ 1,160,933.00	\$ 1,797,241.00	\$ 2,958,174.00
2019	2,421,695.00	3,067,685.00	5,489,380.00
2020	1,373,831.00	488,066.00	1,861,897.00
2021	(3,761,112.00)	(3,001,989.00)	(6,763,101.00)
2022	(2,691,248.64)	(1,559,599.00)	(4,250,847.64)
	<u>\$ (1,495,901.64)</u>	<u>\$ 791,404.00</u>	<u>\$ (704,497.64)</u>

**Actuarial Assumptions**

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. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
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, 2010 - June 30, 2013



**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

For PERS, 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. Postretirement 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 PFRS, preretirement mortality rates were based on the RP-2000 Preretirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the Plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and three years using the Plan actuary's modified 2014 projection scales and further projected on a generational basis using the Plan actuary's modified 2014 projection scales. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then three years using the Plan actuary's modified 2014 projection scales and further projected on a generational basis using the Plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2017) 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 and PFRS's target asset allocation as of June 30, 2017 are summarized in the table on the following page.

**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00% for PERS and 6.14% for PFRS. For both PERS and PFRS, the respective single blended discount rates were 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 for PERS and through 2057 for PFRS; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2040 for PERS and through 2057 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Note 6: PENSION PLANS (CONT'D)****Sensitivity of County's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Public Employees' Retirement System (PERS)** - The following presents the County's proportionate share of the net pension liability at June 30, 2017, the Plan's measurement date, calculated using a discount rate of 5.00%, as well as what the County'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:

	<b>PERS</b>		
	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
County's Proportionate Share of the Net Pension Liability	<u>\$ 130,524,142.00</u>	<u>\$ 105,213,221.00</u>	<u>\$ 84,126,088.00</u>

**Police and Firemen's Retirement System (PFRS)** - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the County's annual required contribution. As such, the net pension liability as of June 30, 2017, the Plan's measurement date, for the County and the State of New Jersey, calculated using a discount rate of 6.14%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>PFRS</b>		
	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
County's Proportionate Share of the Net Pension Liability	\$ 80,526,499.00	\$ 61,116,862.00	\$ 45,169,638.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the County	<u>9,019,647.02</u>	<u>6,845,604.00</u>	<u>5,059,380.45</u>
	<u>\$ 89,546,146.02</u>	<u>\$ 67,962,466.00</u>	<u>\$ 50,229,018.45</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 PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. 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 and PFRS, 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 6: PENSION PLANS (CONT'D)****Supplementary Pension Information**

In accordance with GASBS 68, the following information is also presented for the PERS and PFRS Pension Plans. These schedules are presented to illustrate the requirements 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.

***Schedule of the County's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Five Years)***

	<u>Measurement Date Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Proportion of the Net Pension Liability	0.4519778596%	0.4779396056%	0.4639708353%
County's Proportionate Share of the Net Pension Liability	\$ 105,213,220.54	\$ 141,552,002.84	\$ 104,152,155.50
County's Covered Payroll (Plan Measurement Period)	\$ 31,175,573.00	\$ 32,826,692.00	\$ 32,222,136.00
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	337.49%	431.21%	323.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%
	<u>Measurement Date Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	
County's Proportion of the Net Pension Liability	0.4652980263%	0.4901143591%	
County's Proportionate Share of the Net Pension Liability	\$ 87,116,516.36	\$ 93,670,591.99	
County's Covered Payroll (Plan Measurement Period)	\$ 32,433,104.00	\$ 32,965,480.00	
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	268.60%	284.15%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%	

**Note 6: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the County's Contributions - Public Employees' Retirement System (PERS) (Last Five Years)***

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Contractually Required Contribution	\$ 4,187,092.16	\$ 4,245,947.19	\$ 3,988,904.83
County's Contribution in Relation to the Contractually Required Contribution	<u>(4,187,092.16)</u>	<u>(4,245,947.19)</u>	<u>(3,988,904.83)</u>
County's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll (Calendar Year)	\$ 32,192,036.00	\$ 31,191,762.00	\$ 32,655,433.00
County's Contributions as a Percentage of Covered Payroll	13.01%	13.61%	12.22%
	<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	
County's Contractually Required Contribution	\$ 3,835,849.82	\$ 3,692,911.59	
County's Contribution in Relation to the Contractually Required Contribution	<u>(3,835,849.82)</u>	<u>(3,692,911.59)</u>	
County's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
County's Covered Payroll (Calendar Year)	\$ 32,256,793.00	\$ 32,133,023.00	
County's Contributions as a Percentage of Covered Payroll	11.89%	11.49%	

**Note 6: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the County's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Five Years)***

	<u>Measurement Date Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Proportion of the Net Pension Liability	0.3958841726%	0.4160213571%	0.3927864532%
County's Proportionate Share of the Net Pension Liability	\$ 61,116,862.00	\$ 79,470,721.00	\$ 65,424,532.00
State's Proportionate Share of the Net Pension Liability associated with the County	6,845,604.00	6,673,569.00	5,737,512.00
Total	<u>\$ 67,962,466.00</u>	<u>\$ 86,144,290.00</u>	<u>\$ 71,162,044.00</u>
County's Covered Payroll (Plan Measurement Period)	\$ 12,663,888.00	\$ 13,208,504.00	\$ 12,318,944.00
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	482.61%	601.66%	531.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.60%	52.01%	56.31%
	<u>Measurement Date Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	
County's Proportion of the Net Pension Liability	0.3606708197%	0.3494647436%	
County's Proportionate Share of the Net Pension Liability	\$ 45,369,044.00	\$ 46,458,185.00	
State's Proportionate Share of the Net Pension Liability associated with the County	4,885,484.00	4,330,467.00	
Total	<u>\$ 50,254,528.00</u>	<u>\$ 50,788,652.00</u>	
County's Covered Payroll (Plan Measurement Period)	\$ 11,270,164.00	\$ 10,914,296.00	
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	402.56%	425.66%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.41%	58.70%	

**Note 6: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the County's Contributions - Police and Firemen's Retirement System (PFRS) (Last Five Years)***

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Contractually Required Contribution	\$ 3,503,648.00	\$ 3,391,991.00	\$ 3,192,768.00
County's Contribution in Relation to the Contractually Required Contribution	(3,503,648.00)	(3,391,991.00)	(3,192,768.00)
County's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll (Calendar Year)	\$ 12,698,331.00	\$ 12,742,588.00	\$ 13,311,422.00
County's Contributions as a Percentage of Covered Payroll	27.59%	26.62%	23.99%
	<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	
County's Contractually Required Contribution	\$ 2,770,201.00	\$ 2,549,617.00	
County's Contribution in Relation to the Contractually Required Contribution	(2,770,201.00)	(2,549,617.00)	
County's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
County's Covered Payroll (Calendar Year)	\$ 12,329,444.00	\$ 11,466,250.00	
County's Contributions as a Percentage of Covered Payroll	22.47%	22.24%	

**Note 6: PENSION PLANS (CONT'D)****Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***

Changes in Benefit Terms - None

Changes in Assumptions - 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%.

***Police and Firemen's Retirement System (PFRS)***

Changes in Benefit Terms - In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in Assumptions - For 2017, the discount rate changed to 6.14% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 5.55%, the long-term expected rate of return changed to 7.65% from 7.90%, and the mortality improvement scale incorporated the Plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 5.79% and demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study. For 2014, the discount rate was 6.32%.

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

As disclosed in Note 1, the County prepares its financial statements on a regulatory basis of accounting as prescribed by the Division of Local Government Services. Under this regulatory basis of accounting, the County is required to disclose the impact of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The regulatory basis of accounting does not permit the inclusion of any liability associated with GASB Statement No. 45 in the County's financial statements.

**Plan Description** - The County's defined benefit postemployment healthcare plan, the Cumberland County Postemployment Benefits Plan (the "County Plan"), allows retiring employees, and their eligible dependents, who are at least 55 years of age with 25 or more years of service credit (20 years for veterans) with Cumberland County and who retire from active employment, working a minimum of 20 hours per week, with Cumberland County under the NJ State Pension Program, and employees retiring on accidental disability pension, to receive health and prescription benefits. Eligible retirees contribute 20% of the premium.

The County Plan also allows employees retiring into a state recognized pension plan with at least 10 years of service credit with Cumberland County, or employees retiring on ordinary disability to purchase health and prescription benefits by paying the full premium. Firefighters who retire with at least 25 years of service are eligible under the 20% (rather than 100%) Co-Pay Plan, regardless of age. The



**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**Plan Description (Cont'd)** – County Plan was amended to include employees and retirees from the Division of Social Services (DoSS) as eligible for postemployment medical, dental and prescription drug coverage under this plan effective January 1, 2016. However, future DoSS retirees are not eligible for dental coverage. This change increased the unfunded actuarial accrued liability by \$80,259,008. Upon the eligible retiree's enrollment in Medicare, the County plan benefits become secondary.

The County Plan is a single-employer postemployment healthcare plan administered by the County. The benefit provisions of the plan may be established or amended by the respective employer entity; for the County Plan that authority rests with the Board of Chosen Freeholders. The plan does not issue a separate financial report.

**Funding Policy** - The contribution requirement of the County is established by policy of the Board of Chosen Freeholders and reflected in the various union contracts. The Board may amend its policy, subject to contract inclusion, as deemed necessary. The required contribution is based on projected pay-as-you-go financing requirements. For the years 2017, 2016 and 2015, the County contributed \$2,704,161.00, \$3,040,539.00, and \$1,739,736.81, respectively to the County plan for current premiums. Various factors, as stipulated in employee contracts, dictate whether plan members are required to make contributions to the plan. For the years 2017, 2016 and 2015, employee contributions to the plan were \$772,347.00, \$796,663.53, and \$478,336.74, respectively.

**Annual OPEB Cost** - For year ended December 31, 2017, the County's annual OPEB cost (expense) of \$21,869,412.00 for the plan was equal to the ARC plus certain adjustments because the County's actual contributions in prior years differed from the ARC. The County's annual required contribution (ARC), the interest on the net OPEB obligation, the adjustment to the ARC, the increase or decrease in the net OPEB obligation, the net OPEB obligation, and the percentage of annual OPEB cost contributed to the plan for years 2017, 2016, and 2015 are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Required Contribution (ARC)	\$ 26,297,379.00	\$ 20,104,732.00	\$ 15,931,359.00
Interest on the Net OPEB Obligation	2,588,104.00	1,890,259.00	2,306,687.00
Adjustment to the ARC	<u>(7,016,071.00)</u>	<u>(5,957,835.00)</u>	<u>(5,528,730.00)</u>
Annual OPEB Cost	21,869,412.00	16,037,156.00	12,709,316.00
Pay-as-You Go Cost (Existing Retirees)	<u>(4,930,695.00)</u>	<u>(5,377,389.00)</u>	<u>(3,004,291.00)</u>
Increase (Decrease) in the Net OPEB Obligation	16,938,717.00	10,659,767.00	9,705,025.00
Net OPEB Obligation, January 1	<u>86,270,127.00</u>	<u>75,610,360.00</u>	<u>65,905,335.00</u>
Net OPEB Obligation, December 31	<u>\$ 103,208,844.00</u>	<u>\$ 86,270,127.00</u>	<u>\$ 75,610,360.00</u>
Percentage of Annual OPEB Cost Contributed	22.5%	33.5%	23.6%

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**Funded Status and Funding Progress** - The funded status of the plan as of the three past actuarial valuation dates is as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2013</u>
Actuarial Accrued Liability (AAL)	\$ 292,199,257.00	\$ 216,406,584.00	\$ 154,530,727.00
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 292,199,257.00</u>	<u>\$ 216,406,584.00</u>	<u>\$ 154,530,727.00</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0.0%	0.0%	0.0%
Covered Payroll (Active Plan Members)	\$ 39,080,000.00	\$ 39,216,000.00	\$ 38,664,000.00
UAAL as a Percentage of Covered Payroll	747.7%	551.8%	399.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown above, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** - The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**

**Actuarial Methods and Assumptions (Cont'd)** - In the December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age. The UAAL is being amortized (straight-line) for thirty (30) years on an open basis. The actuarial assumptions included the following:

- *Mortality.*
  - Pre-retirement – RP-2014 Employee Mortality Table with a one-year age setback
  - Post-retirement – RP-2014 Healthy Annuitant Mortality Table with a one-year age setback
  - Disabled lives – RP-2014 Disabled Retiree Mortality Table
- *Turnover.* NJ State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility.
- *Assumed Retirement Age.* At first eligibility after completing 25 years of service.
- *Full Attribution Period.* Service to assumed retirement age.
- *Annual Discount Rate.* Future costs have been discounted at the rate of 3.0% compounded annually for GASB 45 purposes.
- *Rates of Retirement, Rates of Withdrawal, and Rates of Disability.* The same table used to value the Public Employees' Retirement System of New Jersey - Local liability.
- *Medical and Prescription Drug Trend.* 10% in 2017, reducing by 1% per annum, leveling at 5% per annum in 2022 and later years.
- *Medical Cost Aging Factor.* NJSHBP Medical Morbidity Rates
- *Retiree Contributions.* 20% of the annual premium coverage is required from eligible retirees.

**Note 8: COMPENSATED ABSENCES**

Under the existing policy of the County, full-time employees are entitled to fifteen paid sick leave days each year. Unused sick leave may be accumulated and carried forward to the subsequent year. The County of Cumberland compensates employees for unused sick leave upon retirement. The current policy for most employee contracts provides one compensated day for every two days accumulated up to a maximum of \$9,000.00. Other employee contracts with the County, which include the Prosecutor's Office and Department of Corrections, follow the same compensation for the days, but their maximum payout range is between \$12,000.00 and \$17,500.00 which is based on a range of 15 to 25+ years employed by the County.

Employees may also carry forward five vacation days to the subsequent year. Additional days may be carried forward with approval up to a maximum of twelve. However, an employee may not have more than twenty-five vacation days accrued at any one time. These accumulated vacation days are paid with the employee's last paycheck upon termination or retirement. Part-time employees who do not have scheduled hours are not entitled to compensated absences.

The County does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2017, accrued benefits for compensated absences are valued at \$3,277,592.77. The charges for accumulated sick leave will be included in the year the employee retires. The charges for accrued vacation benefits will be included in the year the employee retires or terminates employment with the County. The County has established a Reserve for Accumulated Sick Leave in the Trust Fund to set aside funds for future payments of compensated absences. At December 31, 2017 the balance of fund was \$1,212,130.55.

**Note 9: DEFERRED COMPENSATION SALARY ACCOUNT**

The County 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 County or its creditors. Since the County does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the County's financial statements.

**Note 10: LEASE OBLIGATIONS**

At December 31, 2017, the County had lease agreements in effect for the following:

Capital:  
None

Operating:  
Land and Building (6 sites)  
Copiers (approximately 76 units)

**Operating Leases** - Future minimum lease payments under operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 1,491,377.62
2019	1,499,353.86
2020	1,384,873.64
2021	1,384,908.72
2022	1,403,985.15
2023-2027	4,252,730.22
2028-2032	2,478,844.92
2033-2037	1,576,474.56

Rental payments under operating leases for the year 2017 were \$1,476,671.39.

**Note 11: CAPITAL DEBT****General Improvement Bonds**

County College Bonds, Series 2002 - On August 1, 2002, the County issued \$6,300,000.00 of County College Bonds, with interest rates ranging from 3.25% to 4.20%. The Bonds were issued to permanently finance various capital improvements in and for the County and the County College. The final maturity of the bonds was August 1, 2017.

General Improvement Bonds, Series 2007 - On November 20, 2007, the County issued \$28,300,000.00 of General Improvement Bonds, with interest rates ranging from 3.50% to 5.00%. The Bonds were issued to permanently finance various capital improvement ordinances, specifically 2005-2, 2006-3, and 2007-2. The final maturity of the bonds is November 1, 2018.

General Improvement Bonds, Series 2009 - On December 29, 2009, the County issued \$18,567,000.00 of General Improvement Bonds, with interest rates ranging from 2.50% to 5.00%. The bonds were issued to fund various capital ordinances, specifically 2008-3 and 2009-1. The final maturity of the bonds is December 15, 2019.

County College Bonds, Series 2012 - On June 29, 2012, the County issued \$8,500,000.00 of County College Bonds, with interest rates ranging from 2.750% to 3.125%. The Bonds were issued to provide for the permanent financing of capital improvement ordinance 2012-4 and for the acquisition of related capital equipment at and for certain facilities of Cumberland County College. The final maturity of the bonds is March 15, 2027.

General Obligation Refunding Bonds, Series 2012 - On September 21, 2012, the County issued \$2,465,000.00 of General Obligation Refunding Bonds, with interest rates ranging from 2.00% to 4.00%. The Bonds were issued to refund all of the County's \$2,500,000.00 General Improvement Bonds, Series 2002 maturing on August 1 in the years 2013 through and including 2017. The final maturity of the bonds was August 1, 2017.

General Obligation Bonds, Series 2014 - On June 26, 2014, the County issued \$19,550,000.00 General Obligation Bonds, consisting of \$16,675,000.00 of General Improvement Bonds and \$2,875,000.00 of County College Bonds, with interest rates ranging from 2.00% to 5.00%. The bonds funded various capital ordinances, specifically 2012-5, 2013-6, 2014-4, and 2014-6. The final maturity of the bonds is February 15, 2026.

County College Bonds, Series 2015 - On June 29, 2015, the County issued \$3,200,000.00 of County College Bonds, with interest rates ranging from 2.50% to 3.00%. The bonds funded capital ordinance 2013-2, as supplemented by 2014-16. The final maturity of the bonds is February 15, 2030.

Refunding Bonds, Series 2015 - On September 16, 2015, the County issued \$12,910,000.00 of General Improvement Refunding Bonds and \$3,850,000.00 of County College Refunding Bonds, with interest rates ranging from 1.00% to 4.00%. The Bonds were issued to advance refund several bond issues including \$2,400,000.00 of the outstanding principal amount of the County's General Improvement Bonds, Series 2006, \$4,000,000.00 of the outstanding principal amount of the County's College Bonds, Series 2006, and \$10,600,000.00 of the outstanding principal amount of the County's General Improvement Bonds, Series 2007. The final maturity of the bonds is August 15, 2023.

Refunding Bonds, Series 2015 - On September 16, 2015, the County issued \$4,150,000.00 of State Aid County College Refunding Bonds, with interest rates ranging from 1.50% to 2.50%. The Bonds were issued to advance refund \$4,000,000.00 of the outstanding principal amount of the County's State Aid County College Bonds, Series 2006. The final maturity of the bonds is August 15, 2021.

**Note 11: CAPITAL DEBT (CON'T)****General Improvement Bonds (Con't)**

County College Bonds, Series 2016 - On March 24, 2016, the County issued \$3,000,000.00 of General Obligation Bonds (County College Bond Series), with interest rates ranging from 3.00% to 3.50%. The bonds funded capital ordinance 2015-7, as amended by 2015-9. The final maturity of the bonds is February 15, 2031.

Refunding Bonds, Series 2016 - On July 13, 2016, the County issued \$7,400,000.00 of General Improvement Refunding Bonds, with interest rates ranging from 2.00% to 5.00%. The Bonds were issued to advance refund \$7,467,000.00 of the outstanding principal amount of the County's General Improvement Bonds, Series 2009. The final maturity of the bonds is December 15, 2024.

County College Bonds, Series 2017 – On June 1, 2017, the County issued \$2,600,000.00 of General Obligation Bonds (County College Bond Series), with interest rates ranging from 2.00% to 4.00%. The bonds funded capital ordinance 2016-4. The final maturity of the bonds is May 15, 2027.

The following schedule represents the remaining debt service, through maturity, for the general improvement bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,835,000.00	\$ 2,145,313.70	\$ 10,980,313.70
2019	7,735,000.00	1,796,630.76	9,531,630.76
2020	7,860,000.00	1,518,493.76	9,378,493.76
2021	8,135,000.00	1,233,218.76	9,368,218.76
2022	6,775,000.00	945,581.26	7,720,581.26
2023-2027	19,900,000.00	1,607,231.26	21,507,231.26
2028-2031	1,750,000.00	102,500.00	1,852,500.00
	<u>\$ 60,990,000.00</u>	<u>\$ 9,348,969.50</u>	<u>\$ 70,338,969.50</u>

**General Debt – County Capital Loan Agreement**

See Note 16 for information regarding the County Capital Loan Agreement for County Guaranteed Revenue Bonds, Series 2014. The following schedule represents the remaining debt service, through maturity, for the County Capital Loan Agreement:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,795,000.00	\$ 2,647,806.25	\$ 4,442,806.25
2019	1,850,000.00	2,593,956.25	4,443,956.25
2020	1,925,000.00	2,519,956.25	4,444,956.25
2021	2,000,000.00	2,442,956.25	4,442,956.25
2022	2,100,000.00	2,342,956.25	4,442,956.25
2023-2027	12,190,000.00	10,030,281.25	22,220,281.25
2028-2032	15,175,000.00	7,036,581.25	22,211,581.25
2033-2037	16,730,000.00	4,069,250.00	20,799,250.00
2038-2039	6,700,000.00	502,500.00	7,202,500.00
	<u>\$ 60,465,000.00</u>	<u>\$ 34,186,243.75</u>	<u>\$ 94,651,243.75</u>

**Note 11: CAPITAL DEBT (CON'T)****General Debt - New Jersey Green Acres Loans**

On December 22, 2000, the County entered into a loan agreement with the New Jersey Department of Environmental Protection to provide \$915,773.00, at an interest rate of 2.00%. The proceeds were used to fund the Sunset Lake Dam project. Semiannual debt payments are due June 22nd and December 22nd through June 22, 2019.

On April 3, 2002, the County entered into a loan agreement with the New Jersey Department of Environmental Protection to provide \$632,742.87, at an interest rate of 2.00%. The proceeds were used to fund the East Lake Dam project. Semiannual debt payments are due January 3rd and July 3rd through July 3, 2020.

The following schedule represents the remaining debt service, through maturity, for the New Jersey Green Acres loans:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 97,800.65	\$ 3,698.29	\$ 101,498.94
2019	70,033.09	1,732.51	71,765.60
2020	41,410.06	622.18	42,032.24
	<u>\$ 209,243.80</u>	<u>\$ 6,052.98</u>	<u>\$ 215,296.78</u>

**Note 11: CAPITAL DEBT (CON'T)**

The following schedule represents the County's summary of debt for the current and two previous years:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Issued</u></b>			
General:			
Bonds, Loans and Notes	\$ 78,799,243.80	\$ 79,425,117.39	\$ 78,871,101.89
Authorized by Another Public Body			
Guaranteed by the County -- Capital Loan Agreement	60,465,000.00	62,210,000.00	63,890,000.00
Bonds Issued by Another Public Body			
Guaranteed by the County -- Bonds and Notes	41,304,243.00	33,145,000.00	35,145,000.00
Total Issued	<u>180,568,486.80</u>	<u>174,780,117.39</u>	<u>177,906,101.89</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds, Loans and Notes	<u>2,617,295.72</u>	<u>2,742,500.00</u>	<u>3,607,127.58</u>
Total Issued and Authorized but not Issued	<u>183,185,782.52</u>	<u>177,522,617.39</u>	<u>181,513,229.47</u>
<b><u>Deductions</u></b>			
General:			
Bonds Issued by Another Public Body			
Public Body Guaranteed by the County	41,304,243.00	33,145,000.00	35,145,000.00
Funds Temporarily Held to Pay Bonds	1,621,909.97	754,470.14	885,862.14
Bonds Issued and Bonds Authorized but not Issued for Capital Projects for County Colleges		14,074,000.00	14,501,500.00
Accounts Receivable from Other Public Authorities	<u>55,034,850.00</u>	<u>36,747,384.79</u>	<u>44,399,716.60</u>
Total Deductions	<u>97,961,002.97</u>	<u>84,720,854.93</u>	<u>94,932,078.74</u>
<b><u>Net Debt</u></b>	<u>\$ 85,224,779.55</u>	<u>\$ 92,801,762.46</u>	<u>\$ 86,581,150.73</u>

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of .978%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General	<u>\$ 183,185,782.52</u>	<u>\$ 97,961,002.97</u>	<u>\$ 85,224,779.55</u>

Net debt \$85,224,779.55 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$8,714,607,350.00, equals .978%.

A revised Annual Debt Statement was filed by the Chief Financial Officer.



**Note 11: CAPITAL DEBT (CON'T)****Borrowing Power Under N.J.S.A. 40A:2-6 as Amended**

2% of Equalized Valuation Basis	\$ 174,292,147.00
Less: Net Debt	<u>85,224,779.55</u>
Remaining Borrowing Power	<u>\$ 89,067,367.45</u>

**Note 12: DEFEASED DEBT**

In 2016, the County defeased certain general obligation bonds by placing the proceeds of new bonds in a separate irrevocable trust fund. The investments and fixed interest earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the County's financial statements. As of December 31, 2017, the total amount of defeased debt outstanding, but removed from the County's financial statements, is \$7,467,000.00.

**Note 13: ARBITRAGE REBATE**

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined, at the option of the issuing entity, as either the date of the first anniversary of bond settlement or the issuing entity's year end.

The County has multiple bonds outstanding as of December 31, 2017 that are subject to rebate calculations. Rebate calculations on these bonds are required to be made at least once every five years. The County prepares rebate calculations for purposes of determining any contingent liability for rebate in accordance with the requirements. As of December 31, 2017, the County has determined that no arbitrage rebate liability exists. The amount of contingent liability for rebate may change as a result of future events; and the County has not recorded an arbitrage rebate amount that is required to be paid or accrued at December 31, 2017.

**Note 14: CHANGE ORDERS**

During the year 2017, the County amended contracts by approving the following change orders that resulted in the total amount of change orders executed for these projects to exceed the originally awarded contract price by more than twenty percent (20%):

**Ordinance**

<b><u>Number</u></b>	<b><u>Project Description</u></b>
2017-144	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-145	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-146	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-405	East Point Light House Phase II
2017-265	Providing Job Search and Other Work Activities Program for Cape May County by Means of Cumberland County Department of Workforce Development
2017-322	Providing Transportation Services for Children and Families
2017-323	Providing Affordable Childcare and Supportive Family Services for Children and Families
2017-324	Providing Affordable Childcare and Supportive Family Services for Children and Families
2017-325	Providing Affordable Childcare and Supportive Family Services for Children and Families
2017-326	Providing Affordable Childcare and Supportive Family Services for Children and Families
2017-327	Providing Affordable Childcare and Supportive Family Services for Children and Families
2017-328	Providing Affordable Childcare and Supportive Family Services for Children and Families
2017-336	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-337	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-338	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-339	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-340	Providing Various Social Services for the Homeless and the Social Services Block Grant Homeless Assistance Program
2017-360	Providing Organizational Development and Change Management Training Services for the Cumberland County Division of Social Services
2017-380	Rehabilitation of Bridge, Mauricetown Bypass (CR 670) over Maurice River
2017-406	Community Support Services for the 2016-2018 Area Plan
2017-448	Providing Drug and Alcohol Treatment Services for the Cumberland County Alcohol and Drug Abuse Services Office
2017-494	Providing Various Services for the Cumberland County Youth Services Advisory Council
2017-684	Providing Various Services for the Cumberland County Youth Services Advisory Council

**Note 14: CHANGE ORDERS (CONT'D)**

N.J.A.C. 5:30-11.3 (a) 9 and 10 states that the total number of change orders executed for a particular contract shall not cause the originally awarded contract price to be exceeded by more than twenty percent (20%) unless otherwise authorized, and that if proposed change orders do exceed that twenty percent limitation, no work shall be performed or purchases made until the procedures of N.J.A.C. 5:30-11.9 have been completed.

N.J.A.C. 5:30-11.9 delineates the required procedures for change orders, which exceed the twenty percent (20%) limitation. The County has complied with all provisions of N.J.A.C. 5:30-11.9.

**Note 15: RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Surety Bonds** - The County maintains commercial insurance coverage for surety bonds for selected employees and officials.

**Joint Insurance Pool** - The County is a member of the Cumberland County Insurance Commission (the "Commission"). The Commission is operated in accordance with regulations of the Division of Local Governmental Services of the Department of Community Affairs for the purpose of securing significant savings in insurance cost as well as providing stability in coverage. It is governed by three County officials who serve as commissioners and are appointed by the Board. Coverage in excess of the Commission's self-insured retention limit is provided through the Commission's membership in the New Jersey Counties Excess Joint Insurance Fund established in March 2010. The Commission provides its members with the following coverage:

General Liability, Auto Liability and Law Enforcement Liability  
Worker's Compensation / Employer's Liability  
Property, including Equipment Breakdown

Through membership in the New Jersey Counties Excess Joint Insurance Fund, the Commission offers the following ancillary insurance coverage to its members:

Public Officials Liability/ Employment	Volunteer Accident
Practices Liability	Above / Underground Storage Tank
Crime	Auto and Excess Auto Liability – CATS
Employed Lawyers Liability	Disability – Volunteer Fire Instructors
Medical Professional Liability	Professional Liability – Trainers
Pollution Liability	Cyber Liability
Non-Owned Aircraft Liability	

Contributions to the Commission, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Commission's actuary. The Commissioner of Insurance may order additional assessments to supplement the Commission's claim, loss retention or administrative accounts to assure the payment of the Commission's obligations.

The Commission provides coverage on a self-insured basis and secures excess insurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance. The Commission publishes its own financial report for the year ended December 31, 2017, which can be obtained from:

Cumberland County Insurance Commission  
164 West Broad Street  
Bridgeton, New Jersey 08302

**Note 15: RISK MANAGEMENT (CON'T)**

**Self-Insurance Plan** - The County is self-insured for all claims incurred prior to October 3, 2012, which is the date of initial membership in the Commission. Subsequent to that date, all claims are processed and paid through the Commission. It has established the Reserve for Workers' Compensation in the Trust -- Other Fund to account for and finance its related uninsured risks of loss up to \$250,000.00 per any one accident. Inservco acts as administrator of the plan. The County purchases insurance for claims in excess of \$250,000.00 through the Commission. Settled claims have not exceeded this commercial coverage in any of the past three years.

At December 31, 2017, the balance estimated to be payable for the workers' compensation insurance was \$984,366.49, which is the amount that the records of the administrator of the plan show as potential claims reported. The balance estimated to be payable for the County general liability was \$90,125.00, which is the amount that the records of the administrator of the plan show as the estimated maximum amount of potential claims reported at December 31, 2017. The estimated payable for workers' compensation and county general liability insurance do not include any provision for claims incurred but not reported.

Any additional funds required for claims in excess of the amounts reserved and recorded as a liability will be paid and charged to the 2017 or future budgets. At December 31, 2017, the balances of the reserves are as follows:

<u>Insurance Plan</u>	<u>Amount</u>
Reserve for Workers' Compensation Insurance--Trust Fund	\$556,639.74
Reserve for General Liability Insurance--Trust Fund	482,234.40
Reserve for Automobile and Contractors Equipment Physical Damage Insurance -- Trust Fund	437,011.20

**Note 16: COUNTY GUARANTEES**

The following information applies to the Cumberland County Improvement Authority ("CCIA") and it should be noted that the CCIA does not have the power to levy or collect taxes. The debt issued by the CCIA is neither a debt nor a liability of the State, the County (except to the extent of any deficiency agreement or guarantee), nor any political subdivision of the State, except the Cumberland County Improvement Authority.

**Cumberland County Improvement Authority**

The Cumberland County Improvement Authority is a public body corporate and politic of the State of New Jersey and was created by a resolution of the County Board of Chosen Freeholders ("the County Board"). The CCIA operates under the supervision of a five member Board who are appointed for five year staggered terms by the County Board. The CCIA has from time to time issued its revenue bonds for projects involving the County and for which the County has a repayment obligation or guaranty.

**Note 16: COUNTY GUARANTEES (CONT'D)**

**Cumberland County Improvement Authority  
Outstanding Debt Issued Under a Lease/Loan Agreement with the County  
Or Guaranteed by the County  
As of December 31, 2017**

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>	<u>Amount Guaranteed by County</u>
(1) County Guaranteed Lease Revenue Bonds, Series 2014	2.00-5.00%	5-29-14	5-1-39	\$16,810,000.00	\$16,810,000.00
(2) County Guaranteed Revenue Bonds, Series 2014	2.00-5.00%	10-30-14	9-1-39	\$60,465,000.00	\$60,465,000.00
(3) County Guaranteed Solid Waste System Revenue Refunding Bonds, Series 2015A	3.00-5.00%	6-4-15	1-1-26	\$14,595,000.00	\$14,595,000.00
(4) New Jersey Environmental Infrastructure Trust Bonds, Series 2017A	3.00-5.00%	5-25-17	9-1-36	\$2,510,000.00	\$2,510,000.00
(5) New Jersey Environmental Infrastructure Fund Loan, Series 2017B	No Interest	5-25-17	9-1-36	\$7,389,243.00	\$7,389,243.00

**2006 Agreement**

On June 29, 2006, the Cumberland County Board of Chosen Freeholders by ordinance, authorized the guarantee ("2006 Guaranty Agreement") of the punctual payment of the principal of and the interest on the Solid Waste System Revenue Bonds, Series 2006 (the "Bonds") of the Cumberland County Improvement Authority (the "Authority") to be issued in the aggregate principal amount not exceeding \$25,000,000.00 pursuant to a resolution of the Authority to provide for the financing of (i) the construction of (a) a Commercial Convenience Center, (b) the Phase II improvements of the Leachate System Improvements, (c) Stage 1 of the Aerobic/Anaerobic Landfill RD & D Project, and (d) an Equipment Storage Maintenance Building; (ii) the renovation of the Administration Building at the Solid Waste Complex; (iii) the relocation of the MSF Floor Improvements and Tire Shredder; (iv) funding the Bond Reserve Fund to ensure that the amount on deposit therein after the issuance of the Series 2006 Bonds equals the Bond Reserve Requirement, (v) paying capitalized interest on the 2006 Bonds; and (vi) paying the costs of issuance of the 2006 Bonds. Any of the Bonds that are no longer considered outstanding under the resolution of the Authority authorizing the Bonds shall not be considered outstanding for the purpose of this guarantee.

The ordinance further states that: "The principal amount of the Series 2006 Bonds included in the gross debt of the County shall be deducted from the gross debt of the County under and for all the purposes of the Local Bond Law (a) from and after the time of issuance of the Bonds until the end of the fiscal year beginning next after the completion of the Refunding Project to be financed from the proceeds of the Bonds and (b) in any Annual Debt Statement filed pursuant to the Local Bond Law as of the end of such fiscal year or any subsequent fiscal year if the revenues or other receipts or moneys of the Authority in such year are sufficient to pay its expenses of operation and maintenance in such year and all amounts payable in such year on account of the principal of and the interest on all such Bonds, all bonds of the County issued as provided under N.J.S.A. 40:37A-79 and all bonds of the Authority issued under the County Improvement Authorities Law."

The Series 2006 Solid Waste System Revenue Bonds were part of a refunding in 2015. See item (4) below regarding the 2015 agreement.

**Note 16: COUNTY GUARANTEES (CONT'D)****(1) 2014 Agreement**

On May 29, 2014, the Cumberland County Board of Chosen Freeholders by ordinance, authorized the guarantee ("2014 Guaranty Agreement") of the punctual payment of the principal of and the interest on the County-Guaranteed Lease Revenue Bonds (Board of Social Services/Employment and Training Facilities Project), Series 2014 (the "Series 2014 Bonds") of the Authority to be issued in the aggregate principal amount not exceeding \$18,500,000.00 pursuant to a resolution of the Authority to provide for the financing of (i) the construction of a new facility for the Cumberland County Center for Workforce and Economic Development to be located on property in the City of Vineland currently owned by Cumberland County College; (ii) the acquisition and renovation of an existing facility in the City of Vineland for the Cumberland County Board of Social Services; (iii) the completion of such other improvements and work and acquisition of equipment and materials as may be necessary or appropriate for the completion of the capital improvements described above; (iv) capitalized interest on the Series 2014 Bonds (as hereinafter defined); and (v) the costs and expenses incurred by the Authority and the County in connection with the issuance and delivery of the Series 2014 Bonds, including the payment of a municipal bond insurance premium, if any (collectively, the "2014 Project". Any of the Bonds that are no longer considered outstanding under the resolution of the Authority authorizing the Bonds shall not be considered outstanding for the purpose of this guarantee.

The ordinance further states that: "The principal amount of the Series 2014 Bonds included in the gross debt of the County shall be deducted from the gross debt of the County under and for all the purposes of the Local Bond Law (a) from and after the time of issuance of the Bonds until the end of the fiscal year beginning next after the completion of the Refunding Project to be financed from the proceeds of the Bonds and (b) in any Annual Debt Statement filed pursuant to the Local Bond Law as of the end of such fiscal year or any subsequent fiscal year if the revenues or other receipts or moneys of the Authority in such year are sufficient to pay its expenses of operation and maintenance in such year and all amounts payable in such year on account of the principal of and the interest on all such Bonds, all bonds of the County issued as provided under N.J.S.A. 40:37A-79 and all bonds of the Authority issued under the County Improvement Authorities Law."

**(2) 2014 Agreement**

In October 2014, the Authority issued its County General Obligation Revenue Bonds (Technical High School Project), Series 2014, in the initial aggregate principal amount of \$63,890,000.00 (the "Series 2014 Bonds"), to make a loan to the County to finance the purchase of real property and the construction and equipping of a Technical High School. The payment of the principal and the interest on the Series 2014 Bonds is guaranteed by the County pursuant to a guaranty agreement executed and delivered by the County and the Authority in connection with the issuance of the Series 2014 Bonds.

**(3) 2015 Agreement**

In June 2015, the Cumberland County Board of Chosen Freeholders by ordinance, authorized the issuance of refunding bonds by the Cumberland County Improvement Authority and the issuance of a guaranty up to \$17,000,000.00 principal amount by the County for such refunding bonds. The Authority has previously issued its Cumberland County Improvement Authority County Guaranteed Solid Waste System Revenue Bonds, Series 2006 (the "Existing Bonds") under a bond resolution and the County has guaranteed the payment of principal and interest on the Existing Bonds (the "Existing County Guaranty") and the Authority now wishes to authorize the issuance of Additional Bonds in the form of refunding bonds under the Bond Resolution for the purpose of (i) advance refunding all or a portion of the Existing Bonds and (ii) paying the costs associated with the issuance of the Refunding Bonds.

**Note 16: COUNTY GUARANTEES (CONT'D)****(3) 2015 Agreement (Cont'd)**

The ordinance further states that: "The principal amount of the Refunding Bonds included in the gross debt of the County shall be deducted from the gross debt of the County under and for all the purposes of the Local Bond Law (a) from and after the time of issuance of the Bonds until the end of the fiscal year beginning next after the completion of the Refunding Project to be financed from the proceeds of the Bonds and (b) in any Annual Debt Statement filed pursuant to the Local Bond Law as of the end of such fiscal year or any subsequent fiscal year if the revenues or other receipts or moneys of the Authority in such year are sufficient to pay its expenses of operation and maintenance in such year and all amounts payable in such year on account of the principal of and the interest on all such Bonds, all bonds of the County issued as provided under N.J.S.A. 40:37A-79 and all bonds of the Authority issued under the County Improvement Authorities Law."

**(4) 2017 Agreement**

In May 2017, the Authority issued indebtedness in connection with financing involving the New Jersey Environmental Infrastructure Trust to finance a solid waste project (the "Series 2017A NJEIT Bonds" and the "Series 2017B NJEIT Bonds"). The Authority's Series 2017A NJEIT Bonds were issued in the principal amount of \$2,510,000.00, with interest rates ranging from 3.00% to 5.00% and serial maturities ranging from \$90,000.00 in 2018 to \$175,000.00 in 2036. The Series 2017B NJEIT Bonds were issued in the principal amount of \$7,648,515.00 at zero interest with an initial principal payment of \$259,272.00 in 2017 and annual principal payments in the amount of \$388,908.00 from 2018 through 2036. As of December 31, 2017, \$2,510,000.00 principal amount of the Series 2017A NJEIT Bonds remained outstanding and \$7,389,243.00 principal amount of the Series 2017B NJEIT Bonds remained outstanding.

**Non-Guaranteed CCIA Debt**

On September 2, 2009, the Cumberland County Freeholder Board consented to the Cumberland County Improvement Authority undertaking the Project and issuing the Loan Unit Program Bonds, Series 2009 in an amount not to exceed \$60,000,000.00 for (i) purchase of general obligation bonds of the City of Vineland which were previously authorized to finance the costs of the acquisition and installation of a new simple cycle turbine generator at the Howard M. Down Generating Station and (ii) the financing of the Project through the issuance of the Authority's Local Unit Program Bonds (Vineland Municipal Electric Utility Project), Series 2009, in the aggregate principal amount not to exceed \$60,000,000.00 (the "Local Unit Program Bonds, Series 2009").

The amounts outstanding under the Series 2009 Local Unit Program Bonds in the amount of \$58,000,000.00 are not covered under the County Guaranty.

**Note 17: FARMLAND PRESERVATION TRUST**

The Board of Chosen Freeholders authorized the Farmland and Open Space Preservation Trust Fund referendum on the November, 1994 ballot. With a 58% majority, voters authorized the dedication of one cent of the County tax rate for Farmland and Open Space Preservation. The revenue is to be used for the acquisition of lands and interests in lands for conservation of farmland or open space. In proposing the issue, the Freeholders earmarked the first three to five years of revenue exclusively for farmland preservation. Future changes to the tax rate or levy must be authorized by referendum. All revenue received is accounted for in a Trust Fund dedicated by rider (N.J.S.A. 40A:4-39) for the purpose stated. Interest earned on the investment of these funds is credited to the Farmland Preservation Trust Fund. As of December 31, 2017, the Reserve for Farmland Preservation had a balance of \$583,663.31.

**Note 18: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amount, if any, to be immaterial.

**Litigation** - The County is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the County, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements. The County has procured insurance coverage covering all pending claims which is deemed to be adequate to meet any contingent liabilities arising from pending litigation or claims.

**Note 19: CONCENTRATIONS**

The County depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**Note 20: TAX ABATEMENTS**

Municipalities within the County are authorized to enter into property tax abatement agreements for commercial and industrial structures under N.J.S.A. 40A:21-1 (Chapter 441, P.L. 1991) known as the "Five Year Exemption and Abatement Law". Under this law, municipalities may grant property tax abatements for a period of five years from the date of completion of construction for the purpose of encouraging the construction of new commercial and industrial structures. The first calendar year following completion, 0 percent of taxes are due, and each subsequent calendar the percentage of taxes due increases by 20 percent. During the 6th calendar year, 100 percent of taxes are assessed and due. The property owner agrees that the payment in lieu of taxes shall be made to the municipality in quarterly installments on those dates when real estate tax payments are due. Failure to make timely payments shall result in interest being assessed at the highest rate permitted for unpaid taxes and a real property tax lien on the land. The County receives 100% of its tax levy from each of the municipalities within the County and does not have any reduction in revenue as a result of these tax abatement programs.

The 2017 Equalization Tables for Cumberland County indicated 6 of 14 municipalities abated property taxes under this program. The total assessed value for properties participating in this program was \$80,957,000.00 and the total assessed value abated was \$50,203,500.00.



**Note 21: RESTATEMENT OF GENERAL FIXED ASSETS ACCOUNT GROUP**

Because of a correction of an error related to vehicle inventory, the general fixed assets account group as of December 31, 2016 has been restated.

The cumulative effect on the financial statements as reported for December 31, 2016 is as follows:

	<b>Balance</b>	<b>Prior Period</b>	<b>(Restated)</b>
	<b><u>Dec. 31, 2016</u></b>	<b><u>Adjustment</u></b>	<b><u>Balance</u></b>
			<b><u>Dec. 31, 2016</u></b>
General Fixed Assets:			
Building	\$ 52,318,461.17		\$ 52,318,461.17
Land	2,976,255.22		2,976,255.22
Equipment	7,197,188.21		7,197,188.21
Vehicle (Truck/Heavy Equipment)	9,952,995.01		9,952,995.01
Computers	2,130,447.33		2,130,447.33
Vehicles	4,379,792.55	\$ (1,891,976.10)	2,487,816.45
Work In Progress	4,393,726.40		4,393,726.40
Total General Fixed Assets	\$ 83,348,865.89	\$ (1,891,976.10)	\$ 81,456,889.79

**Note 22: SUBSEQUENT EVENTS**

**Authorization of Debt** - Subsequent to December 31, the County authorized additional bonds and notes as follows:

<b><u>Purpose</u></b>	<b><u>Adoption</u></b>	<b><u>Authorization</u></b>
Construction of an addition to the Vocational Technical High School of Cumberland County	07/24/18	\$ 26,200,000.00

**County Guaranty of Debt** - On July 24, 2018 the County introduced Ordinance 2018-4 authorizing the guaranty by the County of Cumberland, State of New Jersey, of County Guaranteed Lease Revenue Bonds, Series 2018, to be issued by the Cumberland County Improvement Authority in an aggregate principal amount not to exceed \$65,000,000.00 in bonds issued for the purpose of financing the construction of a new county correctional facility.

## **APPENDIX C**

### **FORMS OF PRINCIPAL FINANCING DOCUMENTS**

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**TRUST INDENTURE**  
**between**  
**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**  
**and**  
**U.S. BANK NATIONAL ASSOCIATION**  
**as Trustee**

\_\_\_\_\_  
**Dated as of November 1, 2018**  
\_\_\_\_\_

**Relating to**

**\$ \_\_\_\_\_**  
**The Cumberland County Improvement Authority**  
**County Guaranteed Lease Revenue Bonds**  
**(County Correctional Facility Project), Series 2018**

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## **TRUST INDENTURE**

This **TRUST INDENTURE** ("Indenture"), dated as of November 1, 2018, between **THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**, a public body corporate and politic of the State of New Jersey ("Authority"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, with trust and fiduciary powers in the State of New Jersey, being duly qualified to accept and administer the trusts created hereby ("Trustee"),

### **WITNESSETH:**

**WHEREAS**, the Authority, a public body corporate and politic and a political subdivision of the State of New Jersey ("State"), organized and existing under the Act (as hereinafter defined) and created pursuant to a resolution of the Board of Chosen Freeholders of the County of Cumberland ("County") adopted on December 30, 1980, and any successor to its duties and functions, is authorized by the County Improvement Authorities Law, constituting Chapter 183 of the Laws of 1960 of the State of New Jersey, as amended and supplemented (*N.J.S.A. 40:37A-44 et seq.*) ("Act"), to provide within the County, public facilities (as defined in the Act) for use by the State, the County or any beneficiary county, or any municipality in the County, or any two (2) or more or any subdivisions, departments, agencies or instrumentalities of any of the foregoing for any of their respective governmental purposes; and

**WHEREAS**, the Authority is authorized by the Act, specifically *N.J.S.A. 40:37A-78*, to enter into and perform any lease or other agreement with a county, municipality, governmental unit or Person for the lease to or use by such county, municipality, governmental unit or person of all or any part of any public facility or facilities; and

**WHEREAS**, the County of Cumberland, New Jersey ("County") has determined to undertake a capital project consisting of the construction, furnishing and equipping of a new County correctional facility on a certain piece of real property located in the City of Bridgeton, County of Cumberland, New Jersey ("Project Site"), as more fully described in Exhibit G to the Lease Agreement; and

**WHEREAS**, the County has requested assistance from the Authority for purposes of providing funding to pay for the costs of: (i) the acquisition of the Project Site; (ii) the development and construction of (a) an approximately 100,000 square foot, approximately 408-bed, County correctional facility (the "Correctional Facility"), and (b) an approximately 25,000 square foot, three-story holding center and criminal courtroom facility (the "Holding Center Facility" and together with the Correctional Facility, the "Facility") on the Project Site; (iii) the costs of equipping of the Facility; (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility (items (i) through (iv) shall be collectively referred to herein as the "Construction Project"); (v) capitalized interest on any bonds, notes or other debt obligations issued by the Authority to finance the costs thereof; and (vi) the costs of issuance with respect to the proposed financing, all as further set forth in the information submitted to the Authority in connection therewith or as previously discussed among the parties (collectively, the "2018 Project"); and



**WHEREAS**, the County has also requested assistance from the Authority in the development and financing of the Construction Project; and

**WHEREAS**, the Authority, in recognition of the importance of a new County correctional facility for the County, has offered to provide support and assistance to the County with respect to facilitating the financing of the 2018 Project; and

**WHEREAS**, the Authority has determined, pursuant to the Act, to finance the costs of the 2018 Project through the issuance of one or more series (which may include at least one series of tax-exempt bonds) of its "County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018" in an aggregate principal amount of \$\_\_\_\_\_ ("Series 2018 Bonds"); and

**WHEREAS**, the Authority has, pursuant to a Bond Resolution adopted on September 26, 2018, entitled "BOND RESOLUTION OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF THE AUTHORITY'S COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, IN ONE OR MORE SERIES, ON A TAX-EXEMPT BASIS; MAKING CERTAIN DETERMINATIONS AND APPROVALS WITH RESPECT TO SAID BONDS; AND AUTHORIZING CERTAIN ACTIONS", ("Bond Resolution"), authorized, *inter alia*, the issuance of the Series 2018 Bonds to finance the costs of the 2018 Project; and

**WHEREAS**, the County has, pursuant to an ordinance finally adopted on August 28, 2018, authorized and approved, *inter alia*, its obligations under this Indenture and the execution and delivery of a Lease Agreement, to be dated as of November 1, 2018, between the Authority and the County ("Lease Agreement"); and

**WHEREAS**, in recognition of the importance of the 2018 Project, and to induce the prospective purchasers of the Series 2018 Bonds to purchase the same and provide additional security to the holders thereof, the County has determined, in accordance with an ordinance to be duly and finally adopted on August 28, 2018, pursuant to Section 37 of the Act, N.J.S.A. 40:37A-80, to unconditionally and irrevocably guaranty the punctual payment of the principal of and interest on the Series 2018 Bonds, when due, by the adoption of a guaranty ordinance ("County Guaranty"); and

**WHEREAS**, pursuant to the Lease Agreement the Authority will lease the Construction Project to the County; and

**WHEREAS**, the Authority has applied to the Local Finance Board of the State Department of Community Affairs, Division of Local Government Services ("Local Finance Board"), pursuant to N.J.S.A. 40A:5A-6 and N.J.S.A. 40:37A-80, for positive findings for the undertaking and completion of the 2018 Project, the issuance of the Series 2018 Bonds to finance the costs thereof and for approval for the provision of the County Guaranty by the County and has received the requisite positive findings and approval from the Local Finance Board on August \_\_, 2018; and

**WHEREAS**, the Authority will, pursuant to the Act: (i) provide for the financing of the Costs (as hereinafter defined) of the 2018 Project by the issuance of the Series 2018 Bonds; (ii) utilize a portion of the proceeds of the Series 2018 Bonds to finance the Costs of the construction

of the Construction Project; and (iii) upon completion, lease the Construction Project to the County pursuant to the terms and conditions set forth in the Lease Agreement and herein; and

**WHEREAS**, pursuant to the terms of the Lease Agreement, the County will be required to make certain Lease Payments (as hereinafter defined) to the Authority on each Lease Payment Date (as hereinafter defined) in an amount equal to the Debt Service (as hereinafter defined) on the Series 2018 Bonds due on the immediately succeeding Interest Payment Date (as hereinafter defined) and/or Principal Installment Date (as hereinafter defined), as the case may be; and

**WHEREAS**, the Series 2018 Bonds shall be special, limited obligations of the Authority, payable solely from and secured by its interest in the Pledged Property (as defined herein), including: (i) the Revenues (as defined herein); (ii) the Funds and Accounts (as each term is defined herein) established hereunder (other than the Rebate Fund), including Investment Securities (as defined herein) held in any such Funds or Accounts; and (iii) all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Series 2018 Bonds in accordance with the terms and provisions of this Indenture; and

**WHEREAS**, all things necessary to make the Series 2018 Bonds, when authenticated by the Trustee and issued as provided in this Indenture, the valid, legal and binding obligations of the Authority and to constitute this Indenture a valid, legal and binding agreement and pledge of the property, rights, interests and revenues herein pledged and assigned, have been done and performed, and the execution and delivery of this Indenture and the issuance and delivery of the Series 2018 Bonds, subject to the terms hereof, have in all respects been duly authorized; and

**NOW, THEREFORE**, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds (as defined herein) by the Owners (as defined herein) thereof, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to secure the payment of the principal of, redemption premium, if any, and interest on all of the Bonds issued and Outstanding (as defined herein) under this Indenture from time to time according to their tenor and effect, and to secure the performance and observance by the Authority of all the covenants, agreements and conditions herein and in the Bonds contained, the Authority does hereby transfer, pledge and assign to the Trustee and its successors and assigns in trust forever, and does hereby grant a security interest unto the Trustee and its successors in trust and its assigns, in the Pledged Property, including any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder by the Authority or by anyone in its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof; and

**TO HAVE AND TO HOLD**, with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust forever; and

**IN TRUST NEVERTHELESS**, for the equal and ratable benefit and security of all present and future Owners of the Bonds, without preference, priority or distinction as to participation in the lien, benefit and protection hereof of one bond over or from the others, by

reason of priority in the issue or negotiation or maturity thereof, or for any other reason whatsoever, except as herein otherwise expressly provided; and

**PROVIDED, NEVERTHELESS**, and these presents are upon the express condition that, if the Authority or its successors or assigns shall well and truly pay or cause to be paid the principal of such Bonds with interest, according to the provisions set forth in the Bonds or shall provide for the payment or redemption of such Bonds by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions hereof, and shall also pay or cause to be paid all other sums payable hereunder by the Authority then these presents and the estate and rights hereby granted shall cease, determine and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Authority and upon the payment of the costs and expenses thereof, shall duly execute, acknowledge and deliver to the Authority such instruments of satisfaction or release as may be necessary or proper to discharge this Indenture of record, and if necessary shall grant, reassign and deliver to the Authority, its successors or assigns, all the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Indenture shall be and remain in full force and effect; and

**NOW, THEREFORE**, it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and that all the Pledged Property is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Authority does hereby agree and covenant with the Trustee and with the respective Owners from time to time of the Bonds, as their interests may appear, as follows.

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## ARTICLE I

### DEFINITIONS AND STATUTORY AUTHORITY

**Section 101. Definitions.** The following terms shall, for all purposes of this Indenture, have the following meanings:

**Account** or **Accounts** shall mean, as the case may be, each or all of the Accounts established and created under Article V of this Indenture.

**Accountant's Certificate** shall mean a certificate signed by an independent certified public accountant of recognized standing or a firm of independent certified public accountants of recognized standing, selected by the Authority, who may be the accountant or firm of accountants who regularly audit the books of the Authority.

**Accrued Aggregate Debt Service** shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service, calculating the accrued Debt Service as an amount equal to the sum of: (i) interest on the Bonds accrued and unpaid and to accrue to the end of the then current calendar month; and (ii) Principal Installments due and unpaid and that portion of the Principal Installment next due which would have accrued (if deemed to accrue in the manner set forth in the definition of "Debt Service") to the end of such calendar month.

**Acquisition Fund** shall mean the Fund so designated, created and established pursuant to Section 502(1) of this Indenture.

**Act** shall mean the County Improvement Authorities Law, constituting Chapter 183 of the Laws of 1960 of the State (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented from time to time.

**Additional Lease Payments** shall mean any and all amounts payable by the County to the Authority pursuant to the Lease Agreement including, but not limited to, the annual Trustee's fee and annual Authority Administrative Expenses, professional fees incurred for any arbitrage calculation, arbitrage rebate expenses, and all direct and indirect costs and expenses incurred by the Authority related to the enforcement of this Indenture and the Lease Agreement, including reasonable attorneys' fees related hereto and thereto.

**Additional Project** shall mean any additions to the Construction Project or any enlargements thereof undertaken pursuant to Section 7.03 of the Lease Agreement.

**Aggregate Debt Service** for any period shall mean, as of any date of calculation, the aggregate Debt Service for such period with respect to all Bonds Outstanding or to be (or assumed to be) Outstanding during such period.

**Agreement** or **Lease Agreement** shall mean the Lease Agreement, dated as of November 1, 2018, between the Authority and the County, together with any supplements and amendments thereto relating to the 2018 Project to be financed with the proceeds of the Series 2018 Bonds issued by the Authority.

**Annual Authority Administrative Fee** shall mean the annual fee for the general administrative expenses of the Authority for the Bonds as set forth in the Lease Agreement.

**Article** shall mean a specified Article hereof, unless otherwise indicated.

**Authority** shall have the meaning set forth in the Recitals to this Indenture.

**Authority Administrative Expenses** shall mean any and all expenses of the Authority and its agents, professionals and employees incurred or to be incurred by or on behalf of the Authority in the administration of its responsibilities under this Indenture and the Lease Agreement, as applicable, including, but not limited to: (i) the Initial Authority Financing Fee; (ii) the Annual Authority Administrative Fee; (iii) all fees and expenses including, but not limited to, indemnification expenses, if any, incurred in connection with the issuance of any Bonds, the financing of the 2018 Project or the compelling of the full and punctual performance of the Bond Resolution, this Indenture and the Lease Agreement in accordance with the terms thereof and hereof; (iv) all fees and expenses including, but not limited to, indemnification expenses, if any, of counsel, auditors, insurers, Fiduciaries and others; and (v) any fees and expenses including, but not limited to, indemnification expenses, if any, incurred by the Paying Agent, the Bond Registrar or the Trustee or any or all Fiduciaries in connection with the performance of their respective fiduciary responsibilities under this Indenture and the Lease Agreement, all to the extent not capitalized pursuant to the requirements of this Indenture, which Authority Administrative Expenses shall be paid as Additional Lease Payments by the County.

**Authorized Authority Representative** shall mean any Person or Persons authorized to act on behalf of the Authority by a written certificate signed on behalf of the Authority by the Chairman or Vice Chairman of the Authority containing the specimen signature of each such Person.

**Authorized County Representative** shall mean any Person or Persons authorized to act on behalf of the County as shall be set forth in a written certificate signed on behalf of the County by the Freeholder Director, Administrator or Chief Financial Officer/Treasurer, which form of certificate is set forth as Exhibit D to the Lease Agreement and incorporated by reference herein.

**Authorized Denominations** shall mean \$5,000 or any integral multiple thereof.

**Authorized Newspaper** shall mean *The Bond Buyer*, or any successor thereto, or any financial newspaper customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, County and State of New York.

**Bond** or **Bonds** shall mean, collectively: (i) the Series 2018 Bonds issued pursuant to Sections 201, 202 and 203 of this Indenture to provide funds to finance the Costs of the 2018 Project; and (ii) Refunding Bonds, if any.

**Bond Counsel** shall mean the law firm of Parker McCay P.A., Mount Laurel, New Jersey, or any other lawyer or firm of lawyers with experience and nationally recognized expertise in the field of municipal finance selected by the Authority and acceptable to the Trustee.

**Bondholder, Holder, Holder of Bonds or Owner** shall mean any Person who shall be the Registered Owner of any Bond or Bonds.

**Bond Registrar** shall mean the Trustee, its successors and assigns, or any other commercial bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the Authority to perform the duties of the Bond Registrar enumerated in Section 305 of this Indenture.

**Bond Resolution** shall mean the resolution adopted by the Authority on September 26, 2018, entitled, "BOND RESOLUTION OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF THE AUTHORITY'S COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, IN ONE OR MORE SERIES, ON A TAX-EXEMPT BASIS; MAKING CERTAIN DETERMINATIONS AND APPROVALS WITH RESPECT TO SAID BONDS; AND AUTHORIZING CERTAIN ACTIONS", as the same may be amended, modified and supplemented in accordance with the provisions hereof.

**Bond Year** shall mean, with respect to the Series 2018 Bonds, each one (1) year period that ends on the day that is selected by the Authority. The first and last Bond Years may be short periods. If no day is selected by the Authority before the earlier of the final maturity date of the Series 2018 Bonds or the date that is five (5) years after the Issue Date, Bond Years shall end on each anniversary of the Issue Date and on the final maturity date of the Series 2018 Bonds. For each Series of Refunding Bonds, Bond Year shall be designated in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

**Business Day** shall mean any day that is not a Saturday, a Sunday or a legal holiday in the State or the State of New York or a day on which the Trustee, the Bond Registrar, any Paying Agent, the County or the Authority is legally authorized to close.

**Cede** shall have the meaning set forth in Section 204(a) hereof.

**Code** shall mean the Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations promulgated thereunder.

**Completion Certificate** shall mean the certificate described in Section 4.05 of the Lease Agreement, executed by the County and the Authority, wherein, with respect to the Construction Project (including any Additional Project), the County certifies as to such matters as the Authority shall require, and which certificate further satisfies the requirements of Section 503(4) hereof.

**Completion Date** shall mean the date of completion of the Construction Project as stated in the Completion Certificate.

**Construction Project** shall mean: (i) the acquisition of the Project Site; (ii) the costs of the development and construction of the Facility on the Project Site; (iii) the costs of equipping of the Facility; and (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility.

**Continuing Disclosure Agreement** shall have the meaning set forth in Section 820 of this Indenture.

**Cost** or **Costs** shall mean and shall be deemed to include, with respect to the 2018 Project or any portion thereof, together with any other proper and reasonable item of cost not specifically mentioned herein, whether incurred prior to or after the date of the Lease Agreement: (i) the costs of payment of, or reimbursement for, the acquisition, improvement, installation and financing of such 2018 Project including, but not limited to, environmental or remediation costs, advances or progress payments, appraisals, engineering, design, site work, surveys, title insurance, demolition, construction and equipment costs, installation costs, administrative costs and capital expenditures relating to the 2018 Project, capitalized interest, financing payments, sales taxes, excise taxes, property taxes, costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recordation costs, printing costs for all documents, reproduction and binding costs, fees and charges of the Trustee pursuant to this Indenture, financing documents, legal fees and charges, financial, accounting and other professional consultant fees, the Initial Authority Financing Fee for a particular Series of Bonds, all professional and consulting fees and charges of the Authority and the County, costs of rating agencies, bond insurance, bond insurers or credit ratings, fees for the printing, execution, transportation and safekeeping of the Bonds, and any charges and fees in connection with any of the foregoing; (ii) all other costs which the County or the Authority shall be required to pay under the terms of any contract or contracts for the acquisition of the Construction Project including, but not limited to, the cost of insurance; (iii) any sums required to reimburse the County for advances made for any of the above items, or for any other costs incurred and for work done, which is properly chargeable to the Construction Project; (iv) deposits in any Fund or Account under this Indenture, all as shall be provided in herein; and (v) such other expenses not specified herein or in the Lease Agreement as may be necessary or incidental to the construction of the Construction Project, the financing thereof and the placing of the same in use and operation. Cost as defined herein shall be deemed to include the cost and expenses incurred by any agent of the Authority or the County for any of the above-mentioned items or in connection with the administration and enforcement of the Lease Agreement.

**County** shall mean the County of Cumberland, New Jersey.

**County Guaranty** shall mean the County's unconditional and irrevocable guaranty of the punctual payment when due of the principal of and interest on the Series 2018 Bonds duly adopted on August 28, 2018, pursuant to Section 37 of the Act (*N.J.S.A. 40:37A-80*), and entitled "AN ORDINANCE AUTHORIZING THE GUARANTY BY THE COUNTY OF CUMBERLAND, STATE OF NEW JERSEY OF COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000 IN BONDS ISSUED FOR THE PURPOSE OF FINANCING THE CONSTRUCTION OF A NEW COUNTY CORRECTIONAL FACILITY IN THE CITY OF BRIDGETON, CONSENTING TO THE UNDERTAKING AND FINANCING OF SUCH 2018 PROJECT BY THE AUTHORITY AND AUTHORIZING A PUBLIC HEARING THEREON ON AUGUST 28, 2018 AT 6:00 P.M. AND AUTHORIZING PUBLICATION THEREOF," as the same may be amended and supplemented in connection with the issuance of any Series of Refunding Bonds pursuant to the provisions hereof.

**Debt Retirement Fund** shall mean the Fund so designated, created and established pursuant to Section 502(6) of this Indenture.

**Debt Service** for any period shall mean, as of any date of calculation, with respect to a particular Series of Bonds, including the Series 2018 Bonds, an amount equal to the sum of: (i) the interest accruing during such period on such Series of Bonds except to the extent such interest is to be paid from deposits made from Bond proceeds into the applicable Account in the Debt Service Fund; and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the immediately preceding Principal Installment due date or, if there should be no 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 original issuance of a particular Series of Bonds, whichever is later. Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. The calculations in the preceding sentence shall be made on the basis of a 30-day month and a 360-day year.

**Debt Service Fund** shall mean the Fund so designated, created and established pursuant to Section 502(5) of this Indenture.

**Debt Service Requirement** with respect to the next Interest Payment Date for any Series of Bonds shall mean: (i) in the case of an Interest Payment Date on which interest only shall be due, interest accrued and unpaid and to accrue to such date; and (ii) in the case of an Interest Payment Date on which interest and/or a Principal Installment or Installments shall be due, interest accrued and unpaid and to accrue to such date, if any, *plus* the Principal Installment or Installments due on such date. The calculations in the preceding sentence shall be made on the basis of a thirty (30) day month and a three hundred sixty (360) day year.

**Default Interest** shall have the meaning given to such term in Section 308(2) hereof.

**Default Interest Payment Date** shall have the meaning given to such term in Section 308(2) hereof.

**DTC** shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for any Series of Bonds authorized as book-entry Bonds pursuant to Section 204 hereof.

**Event of Default** shall have the meaning given to such term in Section 901 hereof.

**Favorable Opinion of Bond Counsel** shall mean an opinion of Bond Counsel, addressed to the Authority, the County and the Trustee, to the effect that the action proposed to be taken is authorized or permitted by this Indenture, any Supplemental Indenture and the Act and will not adversely affect the exclusion of interest on such Series of Bonds from gross income for purposes of Federal income taxation under Section 103 of the Code.



**Fiduciary** or **Fiduciaries** shall mean the Trustee, the Paying Agent, the Bond Registrar, the dissemination agent pursuant to the Continuing Disclosure Agreement, or any or all of them, as may be appropriate.

**Fiscal Year** shall mean the respective twelve (12) month fiscal periods of the County or the Authority, as applicable.

**Fitch** shall mean Fitch Ratings, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

**Fund** or **Funds** shall mean, as the case may be, each or all of the Funds created and established in Section 502 of this Indenture; provided, however, that such Funds do not constitute "funds" in accordance with generally accepted accounting principles.

**Government Obligations** shall mean:

- (a) direct obligations of, or obligations and the principal of and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America;
- (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of and interest on which is fully and unconditionally guaranteed as a full faith and credit obligation of the United States of America (including any securities described in clause (a) above issued or held in book-entry form in the name of the Trustee only on the books of the Department of Treasury of the United States of America);
- (c) any certificates or any other evidence of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in clause (a) or (b) above, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian;
- (d) stripped obligations of interest issued by the Resolution Funding Corporation pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the interest on which, to the extent not paid from other specified sources, is payable when due by the Secretary of the Treasury pursuant to FIRREA; and
- (e) obligations of any state or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that cash, obligations described in clauses (a), (b), (c) or (d) above, or a combination thereof have been irrevocably pledged to and deposited into a segregated escrow account for the payment when due of the principal or purchase, such obligations are rated AAA by Fitch, Aaa by Moody's or AAA by S&P.

**Indenture** shall mean this Trust Indenture, dated as of November 1, 2018, between the Authority and the Trustee, as amended, modified and supplemented in accordance with the provisions hereof.

**Initial Authority Financing Fee** shall mean, with respect to: (i) the Series 2018 Bonds, one-eighth of one percent of the aggregate principal amount of the bonds; and (ii) any

other Series of Refunding Bonds, the amount specified in the applicable Supplemental Indenture authorizing such Series of Bonds.

**[Insurer]** shall mean \_\_\_\_\_, or any successor thereto.]

**Interest Payment Date** shall mean: (i) with respect to the Series 2018 Bonds, each April 1 and October 1, commencing October 1, 2019; and (ii) such other dates as shall be established by a Supplemental Indenture authorizing any Series of Refunding Bonds. In the event an Interest Payment Date is not a Business Day, interest shall be paid on the next succeeding Business Day for interest accrued to the Interest Payment Date.

**Investment Securities** shall mean with respect to moneys in any Funds, Accounts or Subaccounts invested under this Indenture, any of the following securities, if and to the extent the same are at the time of purchase legal for investment of Authority funds pursuant to the provisions of the Local Fiscal Affairs Law, specifically *N.J.S.A. 40A:5-14* (legal depositories for public moneys) and *N.J.S.A. 40A:5-15.1* (securities which may be purchased by local units), as same may be amended and supplemented from time to time:

As of the date of execution of this Indenture, the following investments and securities are currently permitted investments under the laws of the State for investment of the Authority's funds when authorized by a cash management plan approved pursuant to *N.J.S.A. 40A:5-14*:

a. The public depositories (as defined in *N.J.S.A. 17:9-41*) designated by the Authority in an approved cash management plan shall be authorized pursuant to *N.J.S.A. 40A:5-14(i)* to purchase certificates of deposit in accordance with the following conditions: (1) the funds are initially invested through the designated public depository; (2) the designated public depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured banks or savings and loan associations, for the account of the Authority; (3) one hundred percent (100%) of the principal and accrued interest of each certificate of deposit is insured by the Federal Deposit Insurance Corporation; (4) the designated public depository acts as custodian for the Authority with respect to the certificates of deposit issued for the Authority's accounts; and (5) at the same time that the Authority's funds are deposited and the certificates of deposit are issued, the designated public depository receives an amount of deposits from customers of other banks and savings and loan associations, wherever located, equal to the amount of funds initially invested by the Authority through the designated public depository.

b. Pursuant to *N.J.S.A. 40A:5-15.1*, the following securities may be purchased which, if suitable for registry, may be registered in the name of the Authority:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the State Department of the Treasury for investment by local units;

(6) Local government investment pools;

(7) Deposits with the State Cash Management Fund established pursuant to Section 1 of P.L. 1977, c.281 (N.J.S.A. 52:18A-90.4); or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of subsection a. hereof;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than thirty (30) days;

(d) the underlying securities are purchased through a public depository as defined in Section 1 of P.L. 1970, c.236 (N.J.S.A. 17:9-41); and

(e) a master repurchase agreement providing for the custody and security of collateral is executed.

c. Any investment instruments in which the security is not physically held by the local unit shall be covered by a third party custodial agreement which shall provide for the designation of such investments in the name of the local unit and prevent unauthorized use of such investments.

d. Purchase of investment securities shall be executed by the "delivery versus payment" method to ensure that securities are either received by the local unit or a third party custodian prior to or upon the release of the local unit's funds.

e. Any investments not purchased and redeemed from the issuer, government money market mutual fund, local government investment pool or the State Cash Management Fund, shall be purchased and redeemed through the use of a national or State bank located within the State or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two

years pursuant to Section 9 of P.L. 1967, c.93 (*N.J.S.A. 49:3-56*) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

f. For the purposes of this definition:

(1) a "government money market mutual fund" means an investment company or investment trust:

(a) which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940", 15 *U.S.C.* 80a-1 *et seq.*, and operated in accordance with 17 *C.F.R.* §270.2a-7;

(b) the portfolio of which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 *C.F.R.* §270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection b. hereof; and

(c) which is rated by a nationally recognized statistical rating organization.

(2) a "local government investment pool" means an investment pool:

(a) which is managed in accordance with 17 *C.F.R.* §270.2a-7;

(b) which is rated in the highest category by a nationally recognized statistical rating organization;

(c) which is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 *C.F.R.* §270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of subsection a. hereof;

(d) which is in compliance with rules adopted pursuant to the "Administrative Procedure Act", P.L. 1968, c.410 (*N.J.S.A. 52:14B-1 et seq.*) by the Local Finance Board, which rules shall provide for disclosure and reporting requirements, and other provisions deemed necessary by the board to provide for the safety, liquidity and yield of the investments;

(e) which does not permit investments that: are subject to high price volatility with changing market conditions; cannot reasonably be expected, at the time of interest rate adjustment, to have a market value that approximates their par value; or utilize an index that does not support a stable net asset value; and

(f) which purchases and redeems investments directly from the issuer, government money market mutual fund, or the State Cash Management Fund, or through the use of a national or State bank located within the State, or through a broker-dealer which, at the time of purchase or redemption, has been registered continuously for a period of at least two years pursuant to Section 9 of P.L. 1967, c.93 (*N.J.S.A. 49:3-56*) and has at least \$25 million in capital stock (or equivalent capitalization if not a corporation), surplus reserves for contingencies and undivided profits, or through a securities dealer who makes primary markets in U.S. Government securities and reports daily to the Federal Reserve Bank of New York its position in and borrowing on such U.S. Government securities.

g. Investments in, or deposits or purchases of financial instruments made pursuant to this Indenture shall not be subject to the requirements of the "Local Public Contracts Law", P.L. 1971, c.198 (*N.J.S.A. 40A:11-1 et seq.*).

**Issue Date** shall mean, the date on which the Trustee authenticates the applicable Series of Bonds and on which such Bonds are delivered to the purchasers thereof upon original issuance.

**Lease** shall mean the lease by the Authority to the County of the Facility under the terms and conditions set forth in the Lease Agreement.

**Lease Documents** shall mean, collectively, the Lease Agreement, the County Guaranty, the Continuing Disclosure Agreement, this Indenture, the Bond Resolution and all documents and instruments executed and delivered in connection therewith and herewith and all amendments and modifications thereto and hereto.

**Lease Ordinance** shall mean the ordinance adopted by the County on August 28, 2018, approving and authorizing the execution and delivery, among other things, of the Lease Agreement by the County and the performance of its obligations thereunder, including payment of Lease Payment obligations thereunder and Debt Service on any Bonds issued by the Authority pursuant to this Indenture, including the Series 2018 Bonds, entitled "AN ORDINANCE OF THE COUNTY OF CUMBERLAND, STATE OF NEW JERSEY APPROVING AND AUTHORIZING THE ENTERING INTO, EXECUTION AND DELIVERY OF A LEASE AND AGREEMENT WITH THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY RELATING TO THE ISSUANCE OF COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY AND AUTHORIZING A PUBLIC HEARING THEREON ON AUGUST 28, 2018 AT 6:00 P.M. AND AUTHORIZING PUBLICATION THEREOF".

**Lease Payment** shall mean the sum of money: (i) representing principal and interest necessary to amortize Debt Service on the Series 2018 Bonds payable by the County on each Lease Payment Date, as set forth in Exhibit A to the Lease Agreement, as described in Section 5.02(A) of the Lease Agreement and redemption premium, if any, to the extent required to redeem the Series 2018 Bonds pursuant to Article IV of this Indenture and, as applicable, Additional Lease Payments payable by the County upon demand pursuant to Sections 5.02(A)

and (B) of the Lease Agreement, respectively; and (ii) required to be paid pursuant to Section 901(a) hereof).

**Lease Payment Date** shall mean: (i) with respect to the Series 2018 Bonds, thirty (30) Business Days prior to the applicable Interest Payment Date, Principal Installment Date or Sinking Fund Installment due date, as the case may be; and (ii) such other dates determined in accordance with the Lease Agreement as may be set forth in a Supplemental Indenture authorizing any other Series of Refunding Bonds.

**Lease Term** shall mean the period during which the Lease Agreement is in effect as specified in Section 5.01 of the Lease Agreement.

**Month** shall mean a calendar month.

**Moody's** shall mean Moody's Investors Services, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

**Operating Fund** shall mean the Fund so designated, created and established pursuant to Section 502(3) of this Indenture.

**Opinion of Counsel** means an opinion in writing signed by legal counsel acceptable to the County and, to the extent the Authority is asked to take action in reliance thereon, the Authority, who may be an employee of or counsel to the County.

**Outstanding** when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

- (i) Bonds canceled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, together with interest to accrue thereon to the date of maturity or redemption date, shall be held in an irrevocable trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity date); provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as specified in Article IV hereof;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII hereof and as described in Section 1106 hereof; and
- (iv) Bonds deemed to have been paid as provided in Section 1201 hereof.

**Paying Agent** or **Paying Agents** shall mean any bank or trust company organized under the laws of any state of the United States or any national banking association designated as paying agent for the Bonds, and its successors and assigns appointed in the manner provided in this Indenture.

**Person** or **Persons** shall mean any individual, corporation, partnership, limited liability company, joint venture, trust or unincorporated organization or a governmental agency or any political subdivision thereof.

**Pledged Property** shall mean: (i) the Revenues; (ii) the Funds and Accounts established hereunder (other than the Rebate Fund), including Investment Securities held in any such Funds or Accounts; and (iii) all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of this Indenture.

**Policy** shall mean the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Series 2018 Bonds when due.]

**Prepayment** shall mean any amounts received as prepayments of Lease Payments pursuant to Section 5.05 of the Lease Agreement and any other agreement with respect to any Additional Project.

**Principal Installment** shall mean, as of any date of calculation, and with respect to a particular Series of Bonds, so long as any Bonds thereof are Outstanding: (i) the principal amount of such Series of Bonds due on a certain future date for which no Sinking Fund Installments have been established plus any applicable redemption premium thereon; and (ii) any Sinking Fund Installments due on a certain future date for such Series of Bonds, if any, plus the amount of the sinking fund redemption premium, if any, which would be applicable upon redemption of such Series of Bonds on such future date in a principal amount equal to such Sinking Fund Installments.

**Principal Installment Date** shall mean: (i) with respect to the Series 2018 Bonds, each October 1, commencing October 1, 2020, on which any Principal Installment shall become due and payable by the Authority; or (ii) such other date as set forth in a Supplemental Indenture authorizing any other Series of Refunding Bonds. In the event a Principal Installment Date is not a Business Day, principal shall be paid on the next succeeding Business Day for the Principal Installment payable on the Principal Installment Date.

**Proceeds** shall mean any insurance, condemnation, performance bond, letter of credit or any other financial guaranty proceeds paid with respect to the Construction Project remaining after payment therefrom of all expenses incurred in the collection thereof; and, with respect to insurance, if and at such time as the County elects to provide self-insurance under Section 7.05 of the Lease Agreement, any moneys payable from any self-insurance fund of the County which may lawfully be expended for the purposes for which such self-insurance is provided.

**Proceeds Fund** shall mean the Fund so designated, established and created pursuant to Section 502(4) of this Indenture.

**Rebate Fund** shall mean the Fund so designated, created and established pursuant to Section 502(7) of this Indenture.

**Record Date** shall mean: (i) with respect to the Series 2018 Bonds, March 15 and September 15 next preceding any Interest Payment Date; or (ii) such other dates as set forth in a Supplemental Indenture authorizing any other Series of Refunding Bonds.

**Redemption Price** shall mean, with respect to any Bond, the principal amount thereof plus the applicable redemption premium thereon, if any, payable upon redemption thereof pursuant to such Bond or this Indenture or the applicable Supplemental Indenture whether such Redemption Price is expressed as a percentage of the principal amount of the Bond or otherwise.

**Refunding Bonds** shall mean any Bonds authenticated and delivered on original issuance pursuant to Section 205 hereof and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII hereof and as described in Section 1106 hereof.

**Registered Owner** shall mean the Owner of any Bond which is issued in fully registered form, as determined on the Record Date, as reflected on the registration books of the Authority which shall be kept and maintained on behalf of the Authority at the principal corporate trust office of the Bond Registrar.

**Revenue Fund** shall mean the Fund so designated, created and established pursuant to Section 502(2) of this Indenture.

**Revenues** shall mean: (i) all amounts, including Lease Payments, received by the Authority from the County under the Lease Agreement, and any other agreement with respect to any Additional Project; (ii) any moneys or securities held pursuant to this Indenture and paid or required to be paid into the Debt Service Fund; (iii) any payments made by the County to the Authority pursuant to the Guaranty and Sections 508(2) and 708 hereof; (iv) interest received on any moneys or Investment Securities held under this Indenture (other than in the Rebate Fund) and required to be paid into the Revenue Fund pursuant to this Indenture; and (v) any other amounts received from any other source by the Authority and pledged by the Authority as security for the payment of a particular Series of Bonds pursuant to a Supplemental Indenture.

**Security Documents** shall mean the Bond Resolution, the Lease Agreement, this Indenture and/or any additional or supplemental document executed in connection with the Series 2018 Bonds.

**Series** shall mean all of the Bonds authenticated and delivered upon original issuance at one or more times pursuant to this Indenture and any Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII hereof and as described in Section 1106 of this Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**Series 2018 Bonds** shall mean all of the County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018, in the aggregate principal amount of \$\_\_\_\_\_.



**Sinking Fund Installment** shall mean that designated amount on deposit in the Debt Service Fund which shall be applied by the Trustee to the redemption of Bonds of any Series.

**Special Record Date** shall have the same meaning given to such term in Section 308 hereof.

**Standard & Poor's** or **S&P** shall mean S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

**State** shall mean the State of New Jersey or any successor to its duties and functions.

**Supplemental Indenture** shall mean any indenture of trust supplemental to or amendatory of the Indenture entered into by the Authority and the Trustee in accordance with Section 11 hereof.

**Trustee** shall mean, with respect to the Series 2018 Bonds and any other Series of Bonds issued hereunder, U.S. Bank National Association, Edison, New Jersey and its successors and assigns or any other bank, trust company or national banking association that at any time may be substituted in its place pursuant to this Indenture or appointed trustee pursuant to a Supplemental Indenture.

**2018 Project** shall mean, collectively, the Costs of: (i) the Construction Project; (ii) capitalized interest on any Bonds issued by the Authority pursuant to this Indenture to finance the costs thereof; and (iii) the costs of issuance with respect to the issuance and delivery of the Series 2018 Bonds, all as further set forth in the information submitted to the Authority in connection therewith or as previously discussed among the parties.

**Underwriter** shall mean the underwriter named in the bond purchase contract between the Authority and the Underwriter, dated the date of sale of the Series 2018 Bonds.

**Yield** shall mean that yield which when used in computing the present worth of all payments of principal of and interest on an obligation produces an amount equal to its purchase price. The Yield for the Bonds is to be computed in accordance with Treasury Regulations Section 1.148-4. The Yield on an investment is to be computed in accordance with Treasury Regulations Section 1.148-5.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, words importing persons shall include firms, associations, corporations, districts, agencies and bodies, and words of the masculine gender shall mean and include correlative words of the feminine and neuter gender and vice versa. All times referenced herein shall be to prevailing Eastern time unless otherwise specifically noted.

**Section 1.02 Rules of Construction.** For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction apply in construing the provisions of this Indenture:

(a) The terms defined in this Article I include the plural as well as the singular.

(b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with GASB to the extent applicable.

(c) The words "herein," "hereof," "hereunder," "hereto" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(d) The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

(e) Whenever an item or items are listed after the word "including," such listing is not intended to be a listing that excludes items not listed.

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## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

**Section 201. Authorization of Bonds.** 1. In accordance with the Act and pursuant to the provisions of this Indenture, there is hereby authorized to be issued a Series of Bonds of the Authority in an aggregate principal amount of \$\_\_\_\_\_ designated as "County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018". The Bonds shall be special and limited obligations of the Authority payable solely from Revenues and secured by the Pledged Property. All Bonds issued hereunder shall be guaranteed by the County and each Bond certificate shall bear upon its face such designation. The Series 2018 Bonds shall be substantially in the form set forth in Section 1301 of this Indenture, with appropriate insertions, omissions and variations.

2. The Bonds may, if and when authorized by the Authority pursuant to this Indenture and one or more Supplemental Indentures, be issued in one or more Series at one or more times, and the designation thereof, in addition to the name "County Guaranteed Lease Revenue Bonds", shall include such further appropriate particular designation including, but not limited to "(County Correctional Facility Project)" added to or incorporated in such title for the Bonds of any particular Series as the Authority shall determine herein and in any Supplemental Indenture with respect to such Series of Bonds. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

3. Nothing contained in this Indenture shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Indenture of any Bonds of two (2) or more separate Series authorized pursuant to such Supplemental Indenture to be issued pursuant to any of the provisions of Sections 202, 203 and 205 hereof into a single Series of Bonds for purposes of sale and issuance; provided that each of the tests, conditions and other requirements contained in Sections 202, 203, 204 and 205 hereof as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in this subsection or in such Supplemental Indenture, such a consolidated Series shall be treated as a single Series for all purposes of this Indenture.

4. The Bonds shall not be in any way a debt or liability of the State or of any political subdivision thereof other than the Authority (limited solely to the Pledged Property) and, as applicable under and limited by the Lease Agreement and the County Guaranty, the County, and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof other than the Authority (limited solely to the Pledged Property) and, as applicable under and limited by the Lease Agreement and the County Guaranty, the County, or be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof other than, as applicable under and limited by the Lease Agreement and the County Guaranty, the County.

**Section 202. General Provisions for Issuance of Bonds.** 1. All of the Bonds of each Series, including the Series 2018 Bonds, shall be executed by the Authority for issuance under this Indenture and shall be delivered to the Trustee. Thereupon the Trustee shall authenticate and shall deliver the Bonds to the Authority or upon its order, but only upon the receipt by the Trustee of:

- (a) An opinion of Bond Counsel (dated the date the Bonds of such Series are initially issued and addressed to the Authority, together with a reliance letter addressed to the Trustee) to the effect that, *inter alia*, except insofar as it may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally and the availability of any particular remedy: (i) the Authority has the right and the power under the Act, as amended to the date of such opinion, to enter into this Indenture; this Indenture has been duly and lawfully executed and delivered by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable in accordance with its terms and no other authorization for the execution and delivery of this Indenture is required; (ii) this Indenture creates the valid pledge that it purports to create on the Pledged Property; and (iii) the Bonds of such Series are valid, binding, special and limited obligations of the Authority as provided in this Indenture, enforceable in accordance with their terms and the terms of this Indenture and entitled to the benefits of this Indenture and of the Act, as amended to the date of such opinion, and such Bonds have been duly and validly authorized and issued in accordance with applicable law, including the Act as amended to the date of such opinion, and in accordance with this Indenture;
- (b) A written order as to the delivery of such Series of Bonds signed by an Authorized Authority Representative, which order shall: (i) direct the application of the proceeds of such Series of Bonds; and (ii) set forth the maturity schedule for said Series of Bonds and the interest rate or rates payable with respect thereto;
- (c) A copy, duly certified by an Authorized Authority Representative, of the Bond Resolution authorizing *inter alia*, the execution of this Indenture (or any Supplemental Indenture), the Lease Agreement (and any amendment or supplement thereto), and the bond purchase contract with the Underwriter;
- (d) A fully executed copy of this Indenture (or any supplement or amendment thereto);
- (e) A fully executed copy of the Lease Agreement (or any supplement or amendment thereto);
- (f) Certified copies of the Guaranty, along with certified copies of the authorization proceedings related thereto;
- (g) A certified copy of the Lease Ordinance (and any supplement or amendment thereto) and the Continuing Disclosure Agreement, along with duly certified copies of the authorization proceedings related thereto;
- (h) A fully executed copy of the contract of purchase, private placement agreement or other similar instrument prepared in connection with the

competitive or negotiated sale of such Series of Bonds executed by and between the Authority and the Underwriter of such Bonds;

- (i) An executed copy of Form 8038-G as required by Section 149(e) of the Code with respect to any Series of Tax-Exempt Obligations;
- (j) Except in the case of the Series 2018 Bonds, a certificate of an Authorized Authority Representative stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture;
- (k) For any Series of Refunding Bonds, prior to the authentication and delivery of such Series of Refunding Bonds, provision shall have been made for an amendment of the County Guaranty to provide for the guaranty by the County of the timely payment when due of the principal of and interest on such Series of Refunding Bonds, in the same manner as set forth in the County Guaranty with respect to the Series 2018 Bonds. Evidence of such guaranty shall be printed on each of the Refunding Bond certificates, as the case may be, and shall be in substantially the form set forth in Section 1303 hereof and shall be duly executed and attested by the manual or facsimile signature of an Authorized County Representative. Any payments which are made by the County pursuant to the terms of such guaranty shall be made to the Trustee and shall thereafter be deposited by the Trustee in the Debt Service Fund in accordance with the terms of Section 508(3) hereof;
- (l) An opinion of County Counsel and/or County Bond Counsel (dated the date the Bonds are initially issued) to the effect that (i) the County has the right and power under the Act to adopt the County Guaranty and the County Guaranty has been duly and lawfully adopted by the County, is in full force and effect and is valid and binding upon the County enforceable in accordance with its terms and no other authorization for the County Guaranty is required; (ii) the County Guaranty is the valid binding, general obligation of the County enforceable in accordance with its terms and payments thereunder are payable out of the first funds becoming legally available to the County for such purpose and if such funds are not available, the County has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the jurisdiction of the County for the purpose of making payments under the County Guaranty, without limitation as to rate or amount; (iii) the County Guaranty has been duly and validly authorized and issued in accordance with applicable law, including the Act and the Local Bond Law (*N.J.S.A. 40A:2-1 et seq.*), and is in full force and effect on the date of issuance of the Bonds, provided that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws and equitable principles affecting creditors' rights generally and that no opinion is being rendered as to the availability of any particular remedy; and (iv) the Lease Agreement (or any amendment or supplement

thereto) has been duly and validly authorized, is in full force and effect on the date of issuance of the Bonds and is enforceable against the County in accordance with its terms, provided that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws and equitable principles affecting creditors' rights generally and that no opinion is being rendered as to the availability of any particular remedy; and

- (m) Such further documents, moneys and securities as are required by the provisions of Sections 203, 205 or 703 or Article XI or any Supplemental Indenture entered into pursuant to Article XI hereof.

2. All of the Bonds of each Series of like maturity shall be identical in all respects, except as to such further name designation incorporated in the title for the Bonds of each Series, denominations, maturity date, interest rates, numbers and letters. After the original issuance of the Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII hereof and as described in Section 1106 hereof.

**Section 203. The Series 2018 Bonds.** 1. The Series 2018 Bonds shall be issued, authenticated and delivered to finance the Costs of the 2018 Project.

2. Pursuant to the provisions of this Indenture, the Series 2018 Bonds are entitled to the benefit, protection and security of the provisions hereof and are hereby authorized to be issued in an aggregate principal amount of \$\_\_\_\_\_. The Series 2018 Bonds shall be designated as and shall be distinguished from the Bonds of all other Series by the title "County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018".

3. The Series 2018 Bonds are hereby authorized to be issued and secured hereunder and shall bear interest payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2019, at the rates per annum set forth below and shall mature on October 1 (subject to prior redemption as provided in Article III) of each year in the years and in the principal amounts as follows:

<u>Due</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Due</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2021	\$	%	2028	\$	%
2022			2029		
2023			2030		
2024			2031		
2025			2032		
2026			2037		
2027			2042		

4. The Series 2018 Bonds shall be issued in fully registered, book-entry only form in Authorized Denominations. Unless the Authority shall otherwise direct the Bond Registrar, the Series 2018 Bonds shall be lettered and numbered from one upward in order of maturities preceded by the letter "R," and/or such other letter or letters as determined by the Trustee, prefixed to the number. Subject to the provisions of this Indenture, the form of the

Series 2018 Bonds and the Trustee's certificate of authentication and evidence of the Guaranty of the County shall be substantially in the form set forth in Sections 1301 and 1302, respectively, hereof.

5. The principal of the Series 2018 Bonds shall be payable, upon presentation and surrender thereof, at the principal corporate trust office of the Paying Agent for the Series 2018 Bonds. The principal or Redemption Price of the Series 2018 Bonds shall also be payable on the applicable Principal Installment Date at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by this Indenture. Interest on the Series 2018 Bonds shall be payable by check of the Trustee, mailed or transmitted, on each applicable Interest Payment Date or the maturity date, as the case may be, to the Registered Owners thereof as the same appear as of the Record Date on the books of the Authority maintained by the Trustee; provided, however, that a Registered Owner of \$1,000,000 or more in principal amount of the Series 2018 Bonds shall be entitled, upon three (3) Business Days' written notice to the Trustee in advance of the applicable Record Date, to receive interest payments by wire transfer of immediately available funds.

6. The proceeds of the Series 2018 Bonds shall be paid to the Trustee and applied in accordance with an order of the Authority simultaneously with the delivery thereof as follows:

- (a) an amount equal to \$\_\_\_\_\_ for the payment of the costs of issuance related to the issuance and sale of the Series 2018 Bonds, including the Initial Authority Financing Fee, shall be deposited in the Operating Fund and paid in accordance with Section 505(2) hereof;
- (b) an amount equal to \$\_\_\_\_\_ shall be deposited into the Capitalized Interest Sub-Account in the Debt Service Fund; and
- (c) the balance of the proceeds of the Series 2018 Bonds in the amount of \$\_\_\_\_\_ shall be deposited into the Acquisition Fund, which Fund is created and established pursuant to Section 502(1) hereof.

#### **Section 204. Book-Entry System.**

- (a) With respect to the Series 2018 Bonds and each other Series of Bonds for which the authorizing resolution so provides, except as provided in subsection (c) of this Section 204, the registered Holder of all of the Bonds shall be, and the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of DTC. With respect to all Bonds for which Cede shall be the registered Holder, payment of semiannual interest on such Bonds shall be made by wire transfer of same day funds to the account of Cede on the Interest Payment Dates for the Bonds at the address indicated for Cede in the registration books of the Authority kept by the Bond Registrar.
- (b) The Bonds shall be initially issued in the form of a separate fully registered bond in the amount of each separate serial or term maturity of

each Series of Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books of the Authority kept by the Bond Registrar in the name of Cede, as nominee of DTC. With respect to Bonds so registered in the name of Cede, the Authority and the Trustee shall have no obligation or responsibility to any DTC participant, indirect DTC participant or any beneficial owner of the Bonds. Without limiting the generality of the foregoing, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any DTC participant or indirect DTC participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any DTC participant, indirect DTC participant, beneficial owner or any other Person, other than DTC or Cede, of any notice with respect to such Bonds, or (iii) the payment to any DTC participant, indirect DTC participant, beneficial owner or any other Person, other than DTC or Cede, of any amount with respect to the principal of, redemption premium, if any, or interest on such Bonds. The Authority and the Trustee may treat as, and deem DTC to be, the absolute registered Holder of each such Bond for the purpose of (i) payment of the principal of, redemption premium, if any, and interest on each such Bond, (ii) giving notices with respect to such Bonds, (iii) registering transfers with respect to the Bonds and (iv) for all other purposes whatsoever. The Trustee shall pay the principal of, redemption premium, if any, and interest on such Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal of, redemption premium, if any, and interest to the extent of the sum or sums so paid. No Person other than DTC shall receive a Bond certificate evidencing the obligation of the Authority to make payments of principal thereof, redemption premium, if any, and interest thereon pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Indenture shall refer to such new nominee of DTC.

(c) (1) DTC may determine to discontinue providing its services with respect to any Series of Bonds at any time by giving written notice to the Authority and discharging its responsibilities with respect thereto under applicable law. Upon receipt of such notice, the Authority shall promptly deliver a copy of same to the Trustee.

(2) The Authority, (i) in its sole discretion and without the consent of any other Person, may terminate the services of DTC with respect to any Series of Bonds, and (ii) shall terminate the services of DTC with respect to such Bonds upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC has received written notice from DTC participants or indirect DTC participants having interests, as shown in the records of DTC, of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds so registered in the name



of Cede to the effect, that (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all such Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the beneficial owners of such Bonds.

(3) Upon the termination of the services of DTC with respect to all or any portion of such Bonds pursuant to subsection (c)(2)(i) or (c)(2)(ii)(A) hereof, or upon the discontinuance or termination of the services of DTC with respect to all or any portion of such Bonds pursuant to subsection (c)(1) or subsection (c)(2)(ii)(B) hereof, after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, such Bonds (or the applicable portion thereof) shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging such Bonds, as the case may be, shall designate, in accordance with the provisions of this Indenture. Upon the determination by any party authorized herein that such Bonds (or any portion thereof) shall no longer be limited to book-entry form, the Authority shall immediately advise the Trustee, in writing, of the procedures for transfer of such Bonds from such book-entry form to a fully registered form.

(d) Notwithstanding any other provision of this Indenture to the contrary, so long as any Series of Bonds is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal of, redemption premium, if any, and interest on, and all notices with respect to, such Bonds shall be made and given, respectively, to DTC as provided in the Letter of Representations of the Authority and the Trustee, addressed to DTC, with respect to such Bonds.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to this Indenture by the Authority or the Trustee with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

**Section 205. Refunding Bonds.** 1. One or more Series of Refunding Bonds may be authorized and delivered upon original issuance to refund all or any portion (as determined by the Authority) of the callable maturities of any portion of any Outstanding Bonds or any Series thereof, including one or more maturities within such Series of Bonds, upon compliance with the terms and conditions set forth in subsection 2 of this Section 205 and in Section 202 hereof.

2. Prior to or simultaneously with the delivery of each such Series of Refunding Bonds pursuant to subsection 1 of this Section 205, the Trustee shall receive, in addition to the items required by Section 202 hereof:

- (a) a certified copy of the ordinance or resolution of the County consenting to the issuance of such Series of Refunding Bonds and pledging the full faith and credit of the County to the punctual payment of the Lease Payment obligations incurred with respect to the issuance of such Series of Refunding Bonds;
- (b) irrevocable written instructions to the Trustee, satisfactory to it, to give due notice of redemption of all or any portion of the Outstanding Bonds (or any Series thereof), if any, to be redeemed on a redemption date specified in such instructions;
- (c) if the Bonds to be refunded are not by their terms subject to redemption within the next succeeding sixty (60) days, irrevocable written instructions to the Trustee, satisfactory to it, to make due provision for the notice provided for in Section 405 to the Holders of such Bonds being refunded, except in the case where any Series of Bonds is not by its terms subject to redemption;
- (d) either: (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the those Bonds, if any, to be refunded and redeemed or the principal amount of those Bonds, if any, to be refunded and paid at maturity, together with accrued interest on such Bonds to be refunded to the redemption or maturity date, which moneys shall be held by the Trustee, or any one or more of the Paying Agents, in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded; or (ii) Investment Securities in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to comply with the provisions of subsection 2 of Section 1201, and any moneys required pursuant to said subsection 2, which Investment Securities and moneys shall be held in trust and used only as provided in said subsection 2 and including a verification report to the same effect;
- (e) executed copies of amendments to the Lease Agreement certified to as being in full force and effect by an Authorized Authority Representative and an Authorized County Representative; and
- (f) a certified copy of the ordinance or resolution authorizing the County Guaranty for such Series of Refunding Bonds along with duly certified copies of the authorization proceedings related thereto.

3. The proceeds, including accrued interest, of the Refunding Bonds of such Series shall be applied simultaneously with the delivery of such Refunding Bonds, as provided in the Supplemental Indenture authorizing such Refunding Bonds.

4. Upon the defeasance of the Bonds being refunded, the refunded Bonds shall no longer be entitled to the benefit of the County Guaranty for the refunded Bonds and such Guaranty shall be released and extinguished with respect to such refunded Bonds.

**Section 206. Determination of Interest Payable.** The Bonds shall bear interest from the most recent Interest Payment Date next preceding the date of such Bonds to which interest has been paid, unless the date of such Bond is an Interest Payment Date, in which case interest shall be payable from such date, or unless the date of such Bond is prior to the first Interest Payment Date of the Bonds, in which case interest shall be payable from the dated date of the Bonds, or unless the date of such Bond is between a Record Date, and the next succeeding interest payment date, in which case from such interest payment date.

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## ARTICLE III

### GENERAL TERMS AND PROVISIONS OF BONDS

#### **Section 301. Obligation of Bonds; Medium of Payment; Form and Date.**

1. The Bonds shall be special and limited obligations of the Authority payable, with respect to principal or Redemption Price and interest, solely from Revenues and secured by the Pledged Property, which under the Act and this Indenture may be used for the payment of principal or Redemption Price of and interest on the Bonds.

2. The Bonds shall be payable with respect to principal and interest 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.

3. All Bonds of each Series shall be issued in the form of fully registered Bonds. The Bonds of each Series shall be substantially in the form required by Article XIII hereof or substantially in the form set forth in the Supplemental Indenture authorizing such Series.

4. Each Bond shall be lettered and numbered as provided in this Indenture or the Supplemental Indenture authorizing the Series of which such Bond is a part so as to be distinguished from every other Bond.

5. The Series 2018 Bonds upon original issuance shall be dated as provided in this Indenture. Refunding Bonds shall be dated as provided in a Supplemental Indenture. Principal of the Bonds shall be payable at maturity upon presentation and surrender thereof at the office of the Paying Agent. Bonds shall bear interest as provided herein or in the Supplemental Indenture authorizing such Series of Bonds, payable by check, except as provided in Section 204 hereof, to Registered Owners of such Bonds as of the Record Date provided for such Bonds at their addresses on file with the Trustee who shall be designated the Bond Registrar hereunder. After original issuance, all Bonds exchanged or transferred shall bear an authentication date that shall be the date authenticated. Interest on Bonds shall accrue from the Interest Payment Date to which interest has been paid next preceding the authentication date unless: (i) the date of authentication is also an Interest Payment Date to which interest has been paid, in which event such Bonds shall be dated and shall bear interest from the date of authentication; or (ii) the date of authentication is prior to the first Interest Payment Date, in which event such Bonds shall bear interest from the original dated date of such Bonds; provided however that if, as shown on the records of the Trustee, interest on the Bonds of any Series shall be in default, Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered.

#### **Section 302. Legends.**

1. The Bonds of each Series may contain or may have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture or a Supplemental Indenture as may be necessary or desirable to comply with the custom or rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the Authority prior to the authentication and the delivery thereof.

2. Each Series of Bonds shall bear thereon evidence of the County Guaranty in the form set forth in Section 1303 of this Indenture, which shall be executed by an Authorized County Representative as set forth therein. The County Guaranty upon any Bond duly executed by an Authorized County Representative shall be conclusive evidence that the Holder thereof is entitled to the benefits of the County Guaranty.

**Section 303. Execution of Bonds.** The Bonds shall be executed in the name of the Authority by the manual or facsimile signature of its Chairman or Vice Chairman and its corporate seal shall be thereunto affixed, imprinted or otherwise reproduced and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In the event any officer who shall have signed, sealed or attested any of the Bonds shall cease to be such officer of the Authority before the Bonds so signed, sealed or attested shall have been authenticated and delivered by the Trustee or by the Bond Registrar, such Bonds nevertheless may be authenticated and delivered as herein provided as if the Person who so signed, sealed or attested such Bonds had not ceased to be such officer. Any Bond of a Series may be signed, sealed or attested on behalf of the Authority by any Person who shall hold the proper office at the date of such act, notwithstanding at the date of such Bonds such Person may not have held such office.

**Section 304. Authentication of Bonds.** The Bonds of each Series shall bear thereon a certificate of authentication, substantially in the form set forth in Section 1302 hereof, duly executed upon issuance by the Trustee or the Bond Registrar. Only such Bonds as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Trustee, or by the Bond Registrar, as the case may be. Such certificate of authentication by the Trustee or by the Bond Registrar, as the case may be, upon any Bond executed on behalf of the Authority shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under this Indenture and that the Holder thereof is entitled to the benefit of this Indenture.

**Section 305. Transfer, Exchange and Registry of Bonds and Agency Therefor.** 1. The Authority shall cause and hereby appoints the Bond Registrar as its agent to maintain and to keep books for the registration, the exchange and the transfer of Bonds. Upon presentation of Bonds for transfer or exchange at the designated office of the Bond Registrar, together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Holder or by his attorney duly authorized in writing, the Bond Registrar shall register or shall cause to be registered and shall permit to be transferred thereon or to be exchanged any Bond entitled to registration, transfer or exchange. Upon the transfer or exchange of any Bond, the Authority shall execute, and the Trustee or the Bond Registrar shall authenticate and shall deliver a new Bond or Bonds of such Series in any Authorized Denomination registered in the name of the Holder or transferee of the same aggregate principal amount, Series designation and maturity as the surrendered Bond.

2. The Authority and each Fiduciary may deem and treat the Person in whose name any Bond shall be registered upon the books of the Authority as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on such Bond and all such

payments so made to any such Registered Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary. The Authority agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without gross negligence or willful misconduct under this Indenture, in so treating such Registered Owner.

3. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Bond Registrar and canceled or retained by the Bond Registrar. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Bond Registrar shall be required: (i) to exchange or transfer the Bonds of any Series for a period beginning on the Record Date next preceding an Interest Payment Date for Bonds of a particular Series and ending on such Interest Payment Date, or for a period of fifteen (15) days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed and thereafter until after the mailing of the notice of redemption; or (ii) to transfer or exchange any Bonds called for redemption.

**Section 306. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds.**

In case any Outstanding Bond shall be mutilated, destroyed, stolen or lost, the Authority shall execute and the Trustee or the Bond Registrar, as the case may be, shall authenticate and shall deliver a new Bond, of like tenor, number, Series designation and amount as the Bond so mutilated, destroyed, stolen or lost in exchange and in substitution for and upon surrender of such mutilated Bond or in lieu of and in substitution for the Bond, if any, destroyed, stolen or lost upon filing with the Trustee and the Bond Registrar evidence satisfactory to the Authority, the Trustee and the Bond Registrar that such Bond had been destroyed, stolen or lost and proof of ownership thereof, upon furnishing the Authority, the Trustee and the Bond Registrar with indemnity satisfactory to them, upon paying such expenses as the Authority, the Trustee and the Bond Registrar may incur in connection therewith and upon complying with such other reasonable regulations as the Authority, the Trustee and the Bond Registrar may prescribe. In lieu of reissuing a mutilated, destroyed, lost or stolen Bond that is due and payable, the Trustee and the Bond Registrar may pay the amount due on such Bond to the Owner or the Holder thereof, provided all the other requirements of this Section 306 have been met. Any Bond surrendered for transfer shall be canceled by the Trustee. Any such new Bonds issued pursuant to this Section 306 in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Indenture, in any moneys or securities held by the Authority or any Fiduciary for the benefit of the Bondholders.

**Section 307. Temporary Bonds.** Until the definitive Bonds are prepared, the Authority may execute in the same manner as is provided in Section 303 hereof and, upon the request of the Authority, the Trustee or Bond Registrar shall authenticate and shall deliver in lieu of definitive Bonds but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds of the tenor of the definitive Bonds in lieu of which such

temporary Bond or Bonds are issued, in Authorized Denominations and with such omissions, insertions and variations as may be appropriate to temporary Bonds for notation thereon of the payment of such interest. The Authority at its own expense shall prepare and shall execute and, upon the surrender for exchange and for cancellation of such temporary Bonds, the Trustee or the Bond Registrar shall authenticate and shall deliver in exchange therefor definitive Bonds of the Authority without charge to the Holder thereof.

**Section 308. Payment of Interest on Bonds; Interest Rights Preserved.**

1. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Record Date or any date which is the fifteenth (15th) day next preceding an Interest Payment Date as shall be provided in a Supplemental Indenture authorizing any Series of Bonds.

2. Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (hereinafter "**Default Interest**") shall forthwith cease to be payable to the Registered Owner on the relevant Record Date by virtue of having been such Owner; and such Default Interest shall be paid by the Authority to the Persons in whose names the Bonds are registered at the close of business on a date (hereinafter the "**Special Record Date**") for the payment of such Default Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee, in writing, of the amount of Default Interest proposed to be paid on each Bond and the date of the proposed payment ("**Default Interest Payment Date**") (which date shall be not less than twenty-five (25) days after such notice), and at the same time the Authority shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Default Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Default Interest herein provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Default Interest, which Special Record Date shall be not more than fifteen (15) nor less than ten (10) days prior to the Default Interest Payment Date, and which Special Record Date shall be fixed by the Trustee within ten (10) days after the receipt by the Trustee of the notice of the proposed payment from the Authority. The Trustee shall promptly notify the Authority of such Special Record Date and Default Interest Payment Date and, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Default Interest and the Special Record Date and Default Interest Payment Date therefor to be mailed, first class postage prepaid, to each Bondholder at his address as it appears in the registry books, not less than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section 308, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

**Section 309. Cancellation and Destruction of Bonds.**

All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment is made, and such Bonds shall thereupon be promptly canceled. Bonds so canceled may at any time be destroyed by the Trustee, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Trustee.

## ARTICLE IV

### REDEMPTION OF BONDS

**Section 401. Privilege of Redemption and Redemption Price.** Bonds subject to redemption prior to maturity pursuant to this Indenture or a Supplemental Indenture shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms, in addition to the terms contained in this Article IV, as may be specified in the Supplemental Indenture authorizing such Refunding Bonds. The written consent of the County to effectuate a redemption of any Series of Bonds shall be received by the Authority prior to the redemption of a particular Series of Bond, except for the redemption of Bonds pursuant to mandatory sinking fund redemption. A copy of such written consent of the County shall be received by the Trustee prior to the mailing of the notice of redemption in accordance with Section 405 hereof. Except as may be otherwise provided in a Supplemental Indenture authorizing a Series of Refunding Bonds, any Series of Bonds may be redeemed in whole or in part on any date by the Authority, at the written direction of the County, in accordance with this Indenture or a Supplemental Indenture, as applicable.

**Section 402. Redemption at the Election or Direction of the Authority.** In the case of any redemption of Bonds (including any Series thereof) by the Authority, at the written direction of the County, the Authority shall give written notice to the Trustee of the election or direction of the County to so redeem, except for the redemption of Bonds pursuant to mandatory sinking fund redemption, in accordance herewith, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority, upon the written consent of the County, subject to any limitations with respect thereto contained in this Indenture). Such notice shall be given at least sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 405 provided, there shall be paid on or prior to the redemption date to the appropriate Paying Agents an amount in cash or noncallable Investment Securities which, in addition to other moneys, if any, available therefor held by such Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued thereon and unpaid to the redemption date, all of the Bonds to be so redeemed. The Authority shall promptly notify the Trustee, in writing, of all such payments by it to such Paying Agents.

**Section 403. Redemption Otherwise Than at the Authority's Election or Direction.** Whenever by the terms of this Indenture the Trustee is required or authorized to redeem Bonds otherwise than at the election or direction of the Authority, provided that if such redemption is required to be consented to, in writing, by the County, such written consent has been delivered to the Trustee, the Trustee shall: (i) select the Bonds or portions of Bonds to be redeemed; (ii) give the notice of redemption; and (iii) pay out of moneys available therefor the Redemption Price thereof, plus interest accrued thereon and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Article IV.

**Section 404. Selection of Bonds to be Redeemed.** Unless otherwise provided in this Indenture, if less than all of the Bonds of a Series of like maturity shall be called for prior redemption, the particular Bonds or portions of Bonds of a Series to be redeemed shall



be selected at random by the Trustee; provided, however, that the portion of any Bond of a Series of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Bonds of a Series for redemption, the Trustee shall treat each such Bond of a Series as representing that number of Bonds of such Series of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Bond of the Series to be redeemed in part.

**Section 405. Notice of Redemption.** When the Trustee shall receive notice from the Authority of the election or direction of the County to redeem Bonds pursuant to Section 402 hereof, except for the redemption of Bonds pursuant to mandatory sinking fund redemption, and when redemption of Bonds is authorized or required pursuant to Section 403 hereof and the Trustee shall have received written notice from the County of its consent to the redemption of the Bonds, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series designation and maturities of the Bonds to be redeemed, the Redemption Price, the redemption date and the place or 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 numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state 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 portions of the principal amount thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, via first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the Registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail, or any defect in the notice to the Registered Owner of any Bonds which are to be redeemed, shall not affect the validity of the proceedings for the redemption of any other Bonds.

Any notice of redemption of the Bonds may state that it is conditioned upon there being available on the redemption date an amount of money sufficient to pay the Redemption Price, together with interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time to and including the redemption date if such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds being on deposit with the Paying Agent to pay the Redemption Price on the redemption date, the corresponding conditional notice of redemption shall be deemed to have been revoked *nunc pro tunc* and shall be deemed to be null and void as if never given and such Bonds or portions thereof shall continue to bear interest until paid at maturity at the same rate as they would have borne had they not been called for redemption.

The Trustee shall comply with any notice or other requirements of DTC to effectuate a redemption of Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

**Section 406. Payment of Redeemed Bonds.** Notice having been given in the manner provided in Section 405 hereof, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the

Redemption Price, plus interest accrued thereon and unpaid to the redemption date and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price, plus interest accrued thereon and unpaid to the redemption date. If there shall be called for redemption less than all of a Bond of like Series, the Authority shall execute and the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bonds so surrendered, fully registered Bonds of like Series and maturity in any Authorized Denominations.

If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest thereon to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date and if a notice of redemption shall have been given as aforesaid, then from and after the redemption date interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such notice of redemption shall be rescinded by the Trustee, and shall be deemed to be null and void as if never given and such Bonds or portions thereof shall continue to bear interest until paid at maturity at the same rate as they would have borne had they not been called for redemption.

#### **Section 407. Redemption of Series 2018 Bonds.**

(a) Optional Redemption. The Series 2018 Bonds maturing prior to October 1, 20\_\_ are not subject to optional redemption prior to maturity. The Series 2018 Bonds maturing on or after October 1, 20\_\_ are subject to redemption prior to maturity at the option of the Authority, to be exercised upon receipt of written notice to the Trustee and the Authority of prepayment from the County in accordance with the terms of the Lease Agreement, on or after October 1, 20\_\_ in whole or in part at any time, and, if in part, in such order of maturity as the County may direct and, within a maturity, by lot (or other customary method of selection determined by the Trustee), at a Redemption Price equal to one hundred percent (100%) of the principal amount of Series 2018 Bonds to be redeemed, plus accrued interest to the redemption date.

[(b) Mandatory Sinking Fund Redemption. The Series 2018 Bonds maturing on October 1, 20\_\_ are subject to scheduled mandatory sinking fund redemption by the Authority on October 1 in the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued to the redemption date:

Redemption Date (October 1)	Principal Amount to be <u>Redeemed</u> \$
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\*Final Maturity

The Series 2018 Bonds maturing on October 1, 20\_\_ are subject to scheduled mandatory sinking fund redemption by the Authority on October 1 in the years and in the amounts set forth below at a redemption price equal to 100% of the principal amount thereof, plus accrued to the redemption date:

Redemption Date  
(October 1)

Principal Amount to be  
Redeemed  
\$

\*

\*Final Maturity]

(c) Credits against Scheduled Mandatory Redemption Obligations. At the option of the Authority with the consent of the County, to be exercised by delivery of a Certificate to the Trustee on or before the 45<sup>th</sup> day next preceding any scheduled mandatory redemption date, if any, it may: (i) deliver to the Trustee for cancellation Bonds subject to scheduled mandatory redemption on that date or portions thereof in Authorized Denominations; or (ii) specify a principal amount of Bonds or portions thereof in Authorized Denominations which prior to said date have been purchased or redeemed (otherwise than pursuant to this Section) and cancelled by the Trustee at the request of the Authority with the consent of the County and not theretofore applied as a credit against any scheduled mandatory redemption payment. Each Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at the principal amount thereof against the obligation of the Authority to redeem Bonds on the scheduled mandatory redemption date or dates designated in writing to the Trustee by the Authorized Authority Representative occurring at least 45 days after the delivery of such designation to the Trustee, provided that if no such designation is made, such credit shall not be credited against such obligation.

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## ARTICLE V

### ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

**Section 501. The Pledge Effected by This Indenture and Security for the Bonds.** 1. There is hereby pledged and assigned as security for the payment of the principal of, redemption premium, if any, and interest on the Bonds issued in anticipation thereof in accordance with their terms and the provisions of this Indenture, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture, all of the Pledged Property.

2. All Pledged Property shall immediately be subject to the lien of the pledge made herein for the benefit of the Bondholders without any physical delivery thereof or further act, or any filing, and the lien of this 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.

3. The Bonds shall not be in any way a debt or liability of the State or of any political subdivision thereof other than the Authority (limited solely to the Pledged Property) and, as applicable under and limited by the Lease Agreement and the County Guaranty, the County, and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof other than the Authority (limited solely to the Pledged Property) and, as applicable under and limited by the Lease Agreement and the County Guaranty, the County, or be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof other than, as applicable under and limited by the Lease Agreement and the County Guaranty, the County. Neither the State nor any political subdivision thereof other than the Authority (limited solely to the Pledged Property) and, as applicable under and limited by the Lease Agreement and the County Guaranty, the County, is obligated to pay the principal of and interest on the Bonds and neither the full faith and credit nor the taxing power of the State or any political subdivision thereof other than, as applicable under and limited by the Lease Agreement and the County Guaranty, the County, is pledged to the payment of the principal of and interest on the Bonds, but all Bonds shall be payable solely from Revenues or funds pledged or available for their payment, including any funds available under the Lease Agreement and the County Guaranty, as authorized in the Act.

4. The Authority hereby assigns its right to receive all Revenues, including all amounts to be received by the Authority from the County under the Lease Agreement (except for Additional Lease Payments), to the Trustee for the benefit of the Bondholders and covenants and directs the County, pursuant to the Lease Agreement, to pay all such Lease Payment amounts (except for Additional Lease Payments) directly to the Trustee. The Authority additionally covenants that all moneys paid by the County pursuant to the County Guaranty shall be paid directly to the Trustee for deposit in accordance with Section 506 hereof.

5. Nothing contained in this Section 501 shall be deemed a limitation upon the authority of the Authority to issue bonds, notes or other obligations under the Act secured by revenues and funds other than the Pledged Property including, without limitation, bonds, notes or other obligations secured by Federal or State grants.

**Section 502. Establishment of Funds.** The following Funds are hereby created and established:

- (1) Acquisition Fund, including Accounts established therein to be held by the Trustee, on behalf of the Authority;
- (2) Revenue Fund, including Accounts established therein to be held by the Trustee, on behalf of the Authority;
- (3) Operating Fund, including Accounts established therein to be held by the Trustee, on behalf of the Authority;
- (4) Proceeds Fund, including Accounts established therein to be held by the Trustee, on behalf of the Authority;
- (5) Debt Service Fund, including Accounts established therein for the Series 2018 Bonds (and within the Debt Service Fund, a "Capitalized Interest Sub-Account") and for any other Series of Refunding Bonds, to be held by the Trustee;
- (6) Debt Retirement Fund, including Accounts established therein for the Series 2018 Bonds and for any other Series of Refunding Bonds, to be held by the Trustee; and
- (7) Rebate Fund, including Accounts established therein for each Series of the Series 2018 Bonds and for any other Series of Refunding Bonds, to be held by the Trustee, on behalf of the Authority.

The Trustee may designate for each Fund or Account established hereunder such number, letter or symbol as may be necessary to distinguish such Funds or Accounts from other Funds and Accounts of the Authority held by the Trustee for any Series of Bonds.

**Section 503. Acquisition Fund.** 1. There shall be established within the Acquisition Fund a separate Account for the Series 2018 Bonds and the Construction Project.

2. There shall be paid into such Account: (i) the amounts required to be so paid by the provisions of this Indenture or applicable Supplemental Indenture, including any proceeds from the issuance of the Series 2018 Bonds in accordance with Section 203(7)(b) hereof; (ii) any Proceeds received with respect to the Construction Project pursuant to Sections 7.06 and 7.07 of the Lease Agreement; (iii) amounts received from the County pursuant to Section 4.11 of the Lease Agreement and subsection six (6) of this Section 503; and (iv) at the option of the Authority at the written direction of the County, any moneys received by the Authority or the County for, or in connection with, the Construction Project from any other source, unless required to be otherwise applied in accordance with this Indenture. All amounts in the Acquisition Fund shall be applied in the following order and priority: (i) to pay the Costs of the Construction Project or an Additional Project, or to reimburse the County for any Costs of the Construction Project or an Additional Project paid by it in accordance with a reimbursement resolution adopted by the County or the Authority; and (ii) to the extent not otherwise utilized,

moneys in the Acquisition Fund shall be transferred to the Debt Service Fund and applied by the Trustee in accordance with subsection (4) of this Section 503.

3. The Authority shall authorize the Trustee to make payments from the Acquisition Fund for the Cost of the Construction Project or an Additional Project in the amounts, at the times, in the manner, and on the other terms and conditions set forth in this subsection (3). Before any such payment shall be made, there shall be filed by the Authority with the Trustee: a requisition therefor, which requisition shall be substantially in the form set forth in Exhibit B to the Lease Agreement, signed by an Authorized Authority Representative and approved by an Authorized County Representative (which approval shall not be unreasonably withheld), stating in respect of each payment to be made: (i) the requisition number; (ii) that such payment is to be made from the Acquisition Fund; (iii) the name and address of the Person to whom payment is to be made by the Trustee, or if payment is to be made to the Authority for a reimbursable advance, the name and address of the Person to whom such advance was made together with proof of payment by the Authority; (iv) the amount to be paid, which amount represents the payment due to the Person referenced in clause (iii) above, or 100% of the payment previously made by the Authority; (v) the particular item of Cost to be paid to which the requisition relates; (vi) that each obligation, item of Cost or expense mentioned therein has been properly incurred, is an item of Cost of the Construction Project, is unpaid or unreimbursed, and is a proper charge against the Acquisition Fund and has not been the basis of any previously paid withdrawal or requisition; (vii) that the public contracts bidding laws applicable to the contract pursuant to which payment is being requested have been complied with, if any; (viii) if such payment is a reimbursement to the County or the Authority for Costs or expenses incurred by reason of work performed or supervised by officers or employees of the Authority or the County, that the amount to be paid does not exceed the actual cost thereof to the County or Authority; (ix) that no uncured Event of Default has occurred under the Lease Agreement (as defined under Section 8.01 thereof) or under this Indenture and everything then required to be performed by the County has been performed; (x) neither the County nor the Authority has received notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the Persons named therein or, if any of the foregoing has been received, it has been released or discharged or will be released or discharged upon payment of the requisition; and (xi) in the event there are not sufficient funds available to pay such requisition from the maturity of any Investment Securities, instructions specifying the Investment Security or Securities which should be liquidated for the payment thereof. The Trustee shall issue its check for each payment required by such requisition or shall by interbank transfer or other method, arrange to make the payment required by such requisition. The Trustee shall have no obligations hereunder and may rely on the requisition if properly signed.

4. The completion of the Construction Project or any Additional Project by the Authority shall be evidenced by a certificate or certificates signed by an Authorized Authority Representative, and acknowledged by an Authorized County Representative (such acknowledgement not to be unreasonably withheld), which shall be in substantially the form set forth in Exhibit C to the Lease Agreement, and which shall be delivered and filed with the Trustee and the County, stating: (i) that such Construction Project or Additional Project is complete or has been substantially completed; (ii) the date of completion of the Construction Project or Additional Project; (iii) the Cost of all labor, services, materials and supplies used in the Construction Project or Additional Project have been paid or will be paid from amounts

retained by the Trustee, at the Authority's or the County's direction, for any Cost of the Construction Project and the amount, if any, required, in the opinion of the signer or signers, for the payment of any remaining part of the Cost of the Construction Project or Additional Project or any portion thereof, not then due and payable or, if due and payable, not yet paid; (iv) the Construction Project or Additional Project is an authorized "project" under the Act; and (v) all permits, including a Certificate of Occupancy, if required, necessary for the utilization of the Construction Project or Additional Project have been obtained and are in effect. Upon the filing of such Completion Certificate, the balance in the Acquisition Fund in excess of the amount, if any, stated in such Completion Certificate shall be transferred by the Trustee for deposit at the written direction of an Authorized Authority Representative (a copy of which Completion Certificate shall also be provided by the Authority to the County), in either: (i) the Debt Retirement Fund for application to the retirement of Series 2018 Bonds or applicable series of Refunding Bonds by purchase or redemption; or (ii) the Debt Service Fund. If, subsequent to the filing of such certificate, it shall be determined that any amounts specified in such certificate as being required for the payment of any remaining part of the Cost of the Construction Project are no longer so required, such fact shall be evidenced by a certificate or certificates signed by an Authorized Authority Representative delivered and filed with the Trustee and the County stating such fact and the amount no longer required to be paid, and any amount shown therein as no longer being required shall be transferred to the Trustee for application as provided in the preceding sentence. Notwithstanding the foregoing, such Completion Certificate shall state that it is given without prejudice to any rights against third parties which exist as of the date of such certificate or which may subsequently come into being.

5. Any damages or other moneys from any contractor, subcontractor, manufacturer, supplier or any party to any contract for the Construction Project or its surety due and owing to the Authority pursuant to Section 4.10 of the Lease Agreement shall be paid to the Trustee for deposit in the Acquisition Fund (in accordance with written instructions from the Authority) to complete the Construction Project. Any such moneys not necessary to complete the Construction Project or not so applied, as stated in a certificate executed by an Authorized Authority Representative delivered to the Trustee, shall be transferred by the Trustee to the Proceeds Fund and applied as a credit toward the County's Lease Payment obligations with respect to the Series 2018 Bonds on the next succeeding Lease Payment Date, in accordance with Section 507(2) and (3) hereof.

6. (a) In the event the Cost to complete the Construction Project shall exceed the amount available to the Authority from the portion of the proceeds of the Series 2018 Bonds allocable thereto and in the event the County desires to undertake such remaining portions of the Construction Project, pursuant to Section 4.11 of the Lease Agreement, the County shall be obligated to pay, as additional payments under Section 5.02(B)(ii) of the Lease Agreement, such sums as may be required to pay the Cost of the Construction Project in excess of the amount available to the Authority from the portion of the proceeds of the Series 2018 Bonds allocable thereto out of funds legally available therefor. Payment of such additional amounts shall be made by the County at the time or times and in the amount or amounts required for the payment of such excess Cost as the same becomes due and payable. Such additional moneys shall be paid by the County to the Trustee for deposit in the Acquisition Fund and the Trustee shall pay the Cost thereof in accordance with the procedures outlined in Section 4.03 of the Lease Agreement and subsection (3) of this Section 503.

(b) In the event the County pays to the Trustee sums needed to fund the balance of the Cost of the Construction Project in accordance with the provisions of Section 4.11(A) of the Lease Agreement, the County shall complete Exhibit E attached to the Lease Agreement to reflect: (i) the amount of moneys to be withdrawn from the Acquisition Fund to pay the Cost of the Construction Project; (ii) the amount of money forwarded to the Trustee by the County for deposit in the Acquisition Fund to make up the deficiency in such Cost of the Construction Project; and (iii) the total Cost of the item being requisitioned, which certificate shall be signed by an Authorized County Representative and approved by an Authorized Authority Representative (which approval shall not be unreasonably withheld) and delivered and filed with the Trustee.

7. Prior to the completion of the Construction Project, the Trustee shall, upon receipt of a requisition signed by an Authorized County Representative, advance moneys on deposit in the Acquisition Fund to provide for working capital. Such requisition by an Authorized County Representative shall include a certification that the working capital expense complies with the definition of "restricted working capital" within the meaning of the Code. The Trustee shall advance such moneys only to the extent that such moneys are not needed to make payment on requisitions for the Construction Project within the following one hundred twenty (120) days and there are no other funds available to the County for working capital as certified by an Authorized County Representative. Repayment by the County to the Trustee for each such advance is due no later than one hundred twenty (120) days from the date of such advance and the Trustee shall deposit the County's repayment of any such advance in the Acquisition Fund.

**Section 504. Revenue Fund.** Except as set forth in Sections 505 and 603 hereof, all Revenues shall be promptly deposited by the Trustee upon receipt thereof into the Revenue Fund and shall be applied as set forth in Section 506 hereof. All moneys at any time deposited in the Revenue Fund shall be held in trust for the benefit of the Holders but shall nevertheless be disbursed and applied solely for the uses and purposes set forth in this Article V.

**Section 505. Operating Fund.** 1. Pursuant to an order of the Authority simultaneously delivered to the Trustee on the Issue Date of the Series 2018 Bonds, any proceeds of the Series 2018 Bonds and County moneys, as the case may be, representing costs of issuance and the Initial Authority Financing Fee shall be immediately deposited in the Operating Fund. Such amounts shall be paid by the Trustee in accordance with subsection (2) of this Section 505.

2. Amounts deposited in the Operating Fund shall be paid out by the Trustee pursuant to written direction of the Authority and the County from time to time for costs of issuance and Authority Administrative Expenses, including expenses incurred by the Authority to perform an arbitrage rebate calculation upon requisition therefor submitted to the Trustee and signed by an Authorized Authority Representative stating: (i) the name of the Person to whom each such payment is due; (ii) the respective amounts to be paid; (iii) the purpose by general classification for which each obligation in the stated amounts has been or will be incurred; and (iv) each obligation in the stated amount has been or will be incurred by or on behalf of the Authority and that each item thereof is a proper charge against the Operating Fund and has not been previously paid. To the extent such amounts deposited therein are not spent within ninety (90) days of the Issue Date of the Series 2018 Bonds and any other Series of Refunding Bonds, the Trustee shall, without further direction, deposit in the applicable Account of the Debt Service Fund for such Series of Bonds any balance then remaining for such Series of Bonds unless the



County requests, in writing (with a copy to the Authority), that such balance remain in the Operating Fund for an additional period of time as specified in such request.

3. Amounts paid by the County as Additional Lease Payments for the performance of an arbitrage rebate calculation pursuant to Section 6.14 of the Lease Agreement and payment of, among other expenses, the annual Authority Administrative Expenses shall be paid to the Trustee and the Trustee shall deposit the same in the Operating Fund. Such amounts shall be paid by the Trustee to the Authority in accordance with subsection (2) of this Section 505.

**Section 506. Payments From the Revenue Fund Into Certain Funds. 1.**

As soon as practicable after the deposit of Revenues into the Revenue Fund, but in any case no later than 3:00 p.m. on the first Business Day immediately following a Lease Payment Date or after the deposit of any Revenues in the Revenue Fund payable by the County upon demand pursuant to Sections 5.02(A) and (B) of the Lease Agreement, respectively, the Trustee shall credit, but only to the extent the amount in the Revenue Fund shall be sufficient therefor, such Revenues as follows: (i) Revenues representing Lease Payments made by the County pursuant to Section 5.02(A) of the Lease Agreement, the amount of such payment being in accordance with Exhibit A attached to the Lease Agreement, shall be deposited in the Debt Service Fund in accordance with Section 508 hereof or, in the case of any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, to the Debt Retirement Fund; (ii) moneys paid by the County pursuant to the County Guaranty in accordance with Section 508(3) hereof shall be immediately deposited in the applicable Accounts in the Debt Service Fund; (iii) Revenues representing moneys received by the Trustee pursuant to the provisions of Section 6.06(C) of the Lease Agreement shall immediately be deposited in the Debt Service Fund and applied in accordance with the provisions of Section 508 hereof; (iv) Revenues representing Additional Lease Payments made by the County pursuant to Section 5.02(B) of the Lease Agreement including the annual Authority Administrative Expenses shall immediately be deposited in the Operating Fund and applied in accordance with the provisions of Section 505(3) hereof; (v) Revenues representing amounts received from the County from the conveyance or exchange of facilities and/or equipment constituting part of the Construction Project previously acquired with the proceeds of the Series 2018 Bonds and applied pursuant to Section 6.06(C) of the Lease Agreement shall immediately be deposited in the Debt Service Fund and applied in accordance with the provisions of Section 508 hereof; and (vi) any investment earnings on any moneys held in any Fund and required to be transferred to the Revenue Fund pursuant to the provisions of this Indenture, such that the total balance in the Debt Service Fund shall equal the Debt Service Requirement on each such Series of Bonds for the next respective succeeding Interest Payment Date and Principal Installment Date, as applicable, provided that, for the purposes of computing the amount to be deposited in said Fund, there shall be included in the balance of the Debt Service Fund that amount of such proceeds to be applied in accordance with this Indenture to the payment of interest accrued and unpaid and to accrue on such Series of Bonds to the next Interest Payment Date as set forth in an order of the Authority to the Trustee; provided, however, that so long as there shall be held in the Debt Service Fund an amount sufficient and available to pay in full all Outstanding Bonds of a particular Series in accordance with their terms (including principal thereof and interest thereon) no transfers shall be required to be made from the Revenue Fund to the Debt Service Fund.

2. Revenues consisting of proceeds representing damages or other moneys from any contractor, subcontractor, manufacturer, supplier or surety shall be immediately credited in accordance with Sections 503(5) and 507(2) hereof.

3. All interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment and net of any losses suffered) earned or any gain realized on any moneys or investments in such Funds shall be transferred upon receipt to the Revenue Fund, except that: (i) such net interest earned on any moneys or investments in the Debt Service Fund shall be held in such Fund for the purposes thereof and shall be paid into such Fund in accordance with the provisions of Section 603(2) hereof and shall be applied in accordance with the provisions hereof; and (ii) interest earned on any moneys or investments in the Acquisition Fund shall be held in the Acquisition Fund until delivery of a Completion Certificate for the Construction Project or any Additional Project as required by Section 503(4) of this Indenture at which time such moneys shall be applied in accordance with Section 603(2) hereof.

**Section 507. Proceeds Fund.** 1. Revenues paid to the Trustee pursuant to Section 4.10 of the Lease Agreement and Section 503(5) hereof and not necessary to complete the Construction Project or an Additional Project or not so applied shall be transferred by the Trustee, upon receipt of a certificate of an Authorized County Representative delivered to the Trustee stating the amount of money to be so transferred, from the Acquisition Fund to the Proceeds Fund and applied as a credit toward the County's Lease Payment obligations pursuant to subsections (2) and (3) below.

2. Proceeds representing damages or other moneys from any performance bond or surety provided pursuant to Section 4.10 of the Lease Agreement and deposited in the Acquisition Fund in accordance with Section 503(5) hereof and not necessary to complete the Construction Project or an Additional Project or not otherwise applied to complete the Construction Project or an Additional Project shall be transferred by the Trustee to the Proceeds Fund. Proceeds on deposit in the Proceeds Fund resulting from such deposits shall be applied by the Trustee as a credit toward the amount of Lease Payments owed by the County on each Lease Payment Date for the payment of Debt Service on the applicable Series of Bonds by the transfer of such proceeds to the Debt Service Fund as set forth in a certificate of an Authorized County Representative filed with the Trustee at the time of the deposit of the proceeds into the Proceeds Fund.

3. To the extent moneys in the Debt Service Fund (other than moneys deposited in the Capitalized Interest Subaccount of the Debt Service Fund) are sufficient to satisfy the amount of Lease Payments due and owing by the County for a Bond Year, any such proceeds on deposit in the Proceeds Fund, or any other Revenues deposited therein, shall remain in the Proceeds Fund and shall be transferred thereafter into the Debt Service Fund on each Lease Payment Date for the payment of Debt Service on the applicable Series of Bonds until such proceeds or any other Revenues are exhausted. The application of such proceeds or any other Revenues deposited therein in accordance herewith shall be credited toward the Lease Payments due and owing from the County in any Bond Year. Any such proceeds or any other Revenues deposited in the Proceeds Fund shall be invested, subject to such yield restrictions as shall be directed to the Trustee, in writing, by an Authorized Authority Representative, upon written direction of an Authorized County Representative, in consultation with Bond Counsel.

**Section 508. Debt Service Fund.** 1. The Trustee shall deposit a portion of the proceeds of the Series 2018 Bonds in the amount specified in Section 203(7)(b) hereof on the date of issuance of the Series 2018 Bonds into the Capitalized Interest Sub-Account of the Debt Service Fund.

2. Pursuant to Section 506(1)(a) hereof, Revenues representing Lease Payments from the County deposited in the Revenue Fund on any Lease Payment Date shall be transferred to and deposited in the Debt Service Fund not later than 3:00 p.m. on the first Business Day thereafter by the Trustee. Not later than 3:00 p.m. on the first Business Day after any Lease Payment Date, the Trustee shall determine whether the amounts on deposit in the Debt Service Fund, after all Revenues representing Lease Payments from the County originally deposited in the Revenue Fund and transferred to and deposited in the Debt Service Fund in accordance with the provisions hereof, are sufficient to meet the Debt Service Requirements on all Outstanding Bonds for the next succeeding Interest Payment Date and Principal Installment Date, as applicable. Subject to, and after the application of the provisions of Section 509 hereof, in the event such amounts in the Debt Service Fund are insufficient to meet such Debt Service Requirement on the Outstanding Bonds, the Trustee shall give written notice thereof, by facsimile transmission in accordance with Section 1214 hereof, to the Authority and the Authorized County Representative of such deficiency no later than 4:00 p.m. on the first Business Day after such Lease Payment Date, which notice shall state the amount of such deficiency as at the close of business on any Lease Payment Date and that such deficiency must be cured no later than the next ensuing Interest Payment Date and Principal Installment Date, as applicable. The notice to the Authorized County Representative and the Authority shall also include the amount of the Interest Payment and Principal Installment, as applicable, due and payable and the amount required to be paid by the County to cure such deficiency and to enable the Trustee to make a Debt Service payment on the Outstanding Bonds on the next ensuing Interest Payment Date or Principal Installment Date, as applicable. The receipt of any such notice by the Authorized County Representative shall be acknowledged by the Authorized County Representative to the Trustee within one (1) Business Day after receipt thereof. If the nonpayment of the County is not cured by the applicable Interest Payment Date or Principal Installment Date, as applicable, the County, pursuant to the terms of the County Guaranty, shall pay to the Trustee, not later than such Interest Payment Date and Principal Installment Date, as applicable, any and all amounts required to pay Debt Service on the Outstanding Bonds.

3. All moneys paid by the County pursuant to the County Guaranty shall be immediately deposited in the Debt Service Fund, which moneys shall be applied to the payment of Debt Service on the Outstanding Bonds on such Interest Payment Date or Principal Installment Date, as applicable.

4. (i) On each Interest Payment Date, the Trustee shall make available to the Paying Agent from moneys available in the Debt Service Fund an amount which equals the interest on each Series of Outstanding Bonds due on such date, which moneys shall be applied by the Paying Agent to the payment of such interest on the Interest Payment Date; and (ii) on the Principal Installment Date of each Series of Outstanding Bonds, the Trustee shall make available to the Paying Agent from moneys in the Debt Service Fund an amount equal to the principal of each Series of Outstanding Bonds due on such date, which moneys shall be applied by the Paying Agent to the payment of such principal on the Principal Installment Date. The Trustee

may also pay out of the Debt Service Fund the accrued interest included in the purchase price of each Series of Outstanding Bonds, pursuant to the provisions of subsection (5) below.

5. The amount, if any, deposited in the Debt Service Fund representing accrued interest, if any, on the proceeds of any Series of Bonds, shall be set aside in such Fund and applied, in accordance with written instructions of the Authority delivered to the Trustee prior to the authentication of such Series of Bonds, to the payment of accrued interest on such Series of Bonds as the same becomes due and payable.

6. In the event of the refunding of any Bonds, the Trustee shall, if an Authorized Authority Representative so directs, in writing, withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Series of Bonds being refunded, and set aside such amounts to be held in trust as set forth in such written direction; provided that such withdrawal shall not be made unless: (i) immediately thereafter the Series of Bonds being refunded shall be deemed to have been paid pursuant to Section 1201(2) hereof; and (ii) the amount remaining in the Debt Service Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund pursuant to subsection (2) of this Section 508 with respect to the Debt Service Requirement on each Outstanding Series of Bonds and Section 506 hereof.

7. The amount deposited in the Debt Service Fund representing capitalized interest on the Series 2018 Bonds shall be set aside in a separate subaccount within the Debt Service Fund created herewith and referred to as the "Capitalized Interest Subaccount" and applied in accordance with subsection (8) of this Section 508 to the payment of interest due thereon on each Interest Payment Date for the period of time specified therein.

8. Revenues representing moneys received by the Trustee pursuant to the provisions of Section 6.06 of the Lease Agreement and deposited in the Debt Service Fund shall immediately be applied to the payment of Debt Service on the applicable Series of Bonds on the next ensuing Interest Payment Date or Principal Installment Date, as applicable. To the extent such moneys cannot be used to pay Debt Service on such Series of Bonds within thirteen (13) months of deposit, such moneys shall be transferred to the Proceeds Fund and applied in accordance with the provisions of Section 507(3) hereof.

9. Monies deposited in the Capitalized Interest Sub-Account of the Debt Service Fund pursuant to Section 2.03(6)(b) hereof shall be applied to the payment of interest due on the Series 2018 Bonds on the next ensuing Interest Payment Date. The application of monies deposited in the Capitalized Interest Subaccount of the Debt Service Fund shall be credited toward that portion of the Lease Payments representing interest on the Series 2018 Bonds due and owing from the County in any Bond Year and shall be transferred for the payment of such interest on each Interest Payment Date for the Series 2018 Bonds through and including October 1, 2022 or until such moneys are exhausted, whichever is earlier.

**Section 509. Debt Retirement Fund.** 1. Subject to the limitations contained in subsection (4) of this Section 509, if, on any Lease Payment Date prior to any Interest Payment Date or Principal Installment due date, as the case may be, the amount on deposit in the Debt Service Fund shall be less than the amount required to be in such Fund pursuant to

subsection (1) of Section 506, the Trustee shall transfer from the Debt Retirement Fund to the Debt Service Fund an amount (or all of the moneys in the Debt Retirement Fund if less than the amount required) which will be sufficient to make up such deficiency.

2. To the extent not required to make up a deficiency as required in subsection (1) of this Section 509, amounts in the Debt Retirement Fund shall be applied, as rapidly as practicable in the case of mandatory redemption, or, at the written direction of an Authorized County Representative, to the purchase or optional redemption (including redemption premium, if any) of the applicable Series of Bonds.

3. Upon any purchase or redemption pursuant to this Section 509 of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established or delivery to the Trustee for cancellation by the Authority of Bonds of such Series or maturity, there shall be credited toward each such Sinking Fund Installment thereafter to become due an amount bearing the same ratio to such Sinking Fund Installment as the total principal amount of such Bonds so purchased, redeemed, or delivered for cancellation bears to the total amount of all such Sinking Fund Installments to be credited. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

4. The transfers required by subsection (1) of this Section 509 shall be made from amounts in the Debt Retirement Fund only to the extent that such amounts are not then required to be applied to the redemption of Bonds of such Series for which notice of redemption shall have been given by the Trustee to Bondholders.

**Section 510. Satisfaction of Sinking Fund Installments.** 1. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Trustee at least sixty (60) days prior to the date of such Sinking Fund Installment, for cancellation, Bonds of the Series and maturity entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate Redemption Price of such Bonds applicable on the date of such Sinking Fund Installment (or the principal amount thereof if such date be the date of maturity of such Bonds), provided that concurrently with such delivery of such Bonds the Authority shall deliver to the Paying Agent and to the Trustee a certificate of an Authorized Authority Representative specifying: (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered; (ii) the date of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered; (iii) the aggregate Redemption Price on the date of such Sinking Fund Installment (or the principal amount in the case of any Series of Bonds which mature on such Sinking Fund Installment date) of any Bonds so delivered; and (iv) the unsatisfied balance of such Sinking Fund Installment after giving effect to the delivery of such Bonds.

2. The Trustee shall, upon receipt of the notice required and in the manner provided in Article IV hereof, call for redemption on the date of each Sinking Fund Installment falling due prior to maturity such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

**Section 511. Application of Moneys in the Rebate Fund.** 1. The Authority shall determine or shall cause to be determined the amounts necessary to equal the rebate requirement and shall cause the County to deposit such amount in the Rebate Fund and the Authority shall transfer or cause to be transferred by the Trustee at such times and to such Person as required by Section 148 of the Code an amount equal to the rebate requirement from the Rebate Fund. To the extent such amounts on deposit in the Rebate Fund are not sufficient to meet the rebate requirement, amounts shall be immediately paid by the County to the Trustee for deposit in the Rebate Fund.

Notwithstanding anything contained in this Indenture to the contrary, neither the Authority nor the Trustee shall be responsible or liable for any loss, liability, or expense incurred to the extent incurred as a result of the failure of the County to fulfill its obligations with respect to the calculation and payment of the rebate requirement.

2. The Trustee, as directed by an Authorized Authority Representative, shall apply or cause to be applied the amounts in the Rebate Fund at the times and in the amounts required by Section 148 of the Code solely for the purpose of paying the United States in accordance with Section 148 of the Code.

3. Moneys held in the Rebate Fund shall be invested and reinvested by the Trustee in Investment Securities defined in clauses b(1) and b(2) of such definition, as shall be directed by an Authorized Authority Representative, upon written direction of the County, that mature not later than such times as shall be necessary to provide moneys when needed for the payments to be made from such Fund. The interest earned on any moneys or investments in the Rebate Fund shall be retained in such Fund.

4. Pursuant to the provisions of Section 603(4) hereof, investment earnings from the Revenue Fund and Operating Fund may be deposited in the Rebate Fund upon written direction of an Authorized Authority Representative, upon written direction of the County, to the Trustee.

**Section 512. Moneys Remaining in Funds and Accounts; Reimbursement of Fiduciary and Authority.** Except as set forth in Section 1202 hereof with respect to unclaimed funds, upon the final maturity of any Series of Bonds issued hereunder, any moneys remaining in the Funds and Accounts held under this Indenture for such Series of Bonds shall be paid to each such Fiduciary (to the extent each such Fiduciary has incurred expenses which remain unpaid or unreimbursed, as the case may be) and the Authority (to the extent the Authority has incurred Authority Administrative Expenses which remain unpaid or unreimbursed, as the case may be), by the Trustee, free and clear of the lien and pledge of this Indenture, to the extent required to reimburse such Fiduciary for such expenses and, thereafter, the balance therein (but not including unclaimed funds resulting from defeased bonds of any Series) shall be paid and shall belong to the County free and clear of the lien and pledge of this Indenture.

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## ARTICLE VI

### DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

**Section 601. Depositories.** 1. All moneys deposited under the provisions of this Indenture with the Trustee shall constitute trust funds and shall be held in trust and applied only in accordance with the provisions of this Indenture, and each of the Funds and Accounts established by this Indenture shall be a trust fund for the purpose thereof held for the benefit of the Authority and the County, as applicable. The Authority may deposit such moneys with the Trustee in trust for the Authority and the County.

2. Any Fiduciary shall be a bank or trust company organized under the laws of the State or any other state or a national banking association having capital stock, surplus and undivided earnings of \$100,000,000 or more and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of this Indenture. No moneys shall be deposited with any Fiduciary in any amount exceeding fifteen percent (15%) of the amount which an officer of such Fiduciary shall certify to the Authority as to the capital stock and surplus of such Fiduciary.

**Section 602. Deposits.** 1. All Revenues and moneys held by the Trustee or a Fiduciary under this Indenture may be placed on demand or time deposit, if and as directed by the Authority, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed.

2. All moneys held under this Indenture by the Trustee or any Fiduciary shall be: (i) either (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses b(1) and (2) of the definition of "Investment Securities" in Section 101 hereof, having a market value at the time of deposit (exclusive of accrued interest) not less than the amount of such moneys; or (ii) secured in such other manner as may then be required by applicable Federal or State laws and regulations and applicable state laws and regulations of the state in which the Trustee or such Fiduciary (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this subsection (2) for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of and interest on any Series of Bonds, or to give security for any moneys which shall be represented by Investment Securities purchased as an investment of such moneys.

3. All moneys deposited with the Trustee shall be credited to the particular Fund or Account to which such moneys belong and, except as provided with respect to the investment of moneys in Investment Securities in Section 603 hereof, the moneys credited to

each particular Fund or Account shall be kept separate and apart from, and not commingled with, any moneys credited to any other Fund or Account or any other moneys deposited with the Trustee.

**Section 603. Investment of Certain Funds.** 1. Moneys held in the Revenue Fund or the Debt Service Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in the investments described in clause b(2) or b(7) of the definition of "Investment Securities" in Section 101 hereof, which Investment Securities shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Moneys held in: (i) the Acquisition Fund; (ii) the Debt Retirement Fund; (iii) the Proceeds Fund; and (iv) the Operating Fund may be invested and reinvested in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds. Moneys held in the Rebate Fund, if any, shall be invested and reinvested in accordance with the written instructions received from any Authorized Authority Representative, upon the written direction of the County. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from time to time received from any Authorized Authority Representative, upon the written direction of the County. In making any investment in any Investment Securities with moneys in any Fund established under this Indenture, the Authority, upon the written direction of the County, may instruct the Trustee, in writing, to combine such moneys in any other Fund, if permitted hereunder, but solely for purposes of making such investment in such Investment Securities.

2. All interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment and net of any losses suffered) earned or any gain realized on any moneys or investments in such Funds shall be transferred upon receipt to the Revenue Fund and applied in accordance with the provisions of Section 506(3) hereof, except that such net interest earned on any moneys or investments in the Debt Service Fund shall be held in such Fund for the purposes thereof and shall be paid into the Debt Service Fund on a periodic basis at least quarterly or as otherwise shall be directed by the Authority, upon the written direction of the County, and applied pursuant to Section 508 hereof. The Trustee shall annually notify the County and the Authority, in writing, of such application of such interest and earnings transferred to the Revenue Fund. Interest earned on any moneys or investments in the Acquisition Fund shall be held therein until the delivery of a Completion Certificate by an Authorized County Representative as required by Section 503(4) of this Indenture at which time such moneys shall be applied in accordance with the provisions of the Completion Certificate.

3. In the absence of written investment direction from an Authorized Authority Representative, the Trustee may invest moneys which the Authority has failed to direct in money market funds as defined in clauses b(2) and (6) of the definition of "Investment Securities" in Section 101 hereof customarily invested in by the Trustee.

4. Notwithstanding anything herein to the contrary, the Authority, upon the written direction of the County, may direct the Trustee to deposit earnings from the Revenue Fund and the Operating Fund into the Rebate Fund to pay any amounts required to be set aside for rebate to the Internal Revenue Service pursuant to the Code.



5. Nothing in this Indenture shall prevent any Investment Securities acquired as investments of or security for funds held under this Indenture from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

6. Nothing in this Indenture shall preclude the Trustee from investing or reinvesting moneys through its bond department; provided, however, that the Authority, upon the written direction of the County, may, in its discretion, direct that such moneys be invested or reinvested in a manner other than through such bond department.

**Section 604. Valuation and Sale of Investments.** Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of this Indenture shall be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment shall be credited to such Fund or Account, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

In computing the amount in any Fund or Account created under the provisions of this Indenture for any purpose provided in this Indenture, obligations purchased as an investment of moneys therein shall be valued at the lesser of cost or market value thereof. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such valuation shall be determined on a monthly basis on the basis of monthly statements produced by the Trustee.

Except as otherwise provided in this Indenture, the Trustee shall sell at the best price reasonably obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever either shall be requested, in writing, by an Authorized Authority Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by it. In lieu of such sale or presentment for redemption, the Trustee may, in making the payment or transfer from any Fund or Account mentioned in the preceding sentence, transfer such investment obligations or coupons for interest appertaining thereto if such investment obligations or coupons shall mature or be collectable at or prior to the time the proceeds thereof shall be needed.

Neither the Authority nor the Trustee shall be liable or responsible for any loss resulting from any such investment, sale or presentation for investment made in the manner provided herein.

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## ARTICLE VII

### LEASE OF FACILITY TO THE COUNTY

**Section 701. Terms and Conditions for Lease.** The Authority shall lease the Facility to the County and shall enter into the Lease Agreement with the County in the manner, on the terms and conditions and upon submission of the documents required by this Article VII.

**Section 702. Form of Lease Agreement.** The Lease Agreement shall be in such form as an Authorized Authority Representative approves, as conclusively evidenced by the execution thereof by an Authorized Authority Representative, provided, however, that the Lease Agreement shall in any event conform in all material respects to the provisions of this Indenture.

**Section 703. Delivery of Documents in Connection With the Lease Agreement.** Prior to or at the execution and delivery of the Lease Agreement with the County and the closing of a Series of Bonds, the Authority and the Trustee shall have received the following documents:

- (i) an opinion of the County Solicitor and/or County Bond Counsel to the effect that the Lease Agreement was duly authorized by the County and is a direct and general obligation of the County, payable, unless paid from some other source, from the levy of *ad valorem* taxes upon all taxable real property within the jurisdiction of the County, without limitation as to rate or amount and was duly authorized by the County and is a valid and binding contractual obligation of the County;
- (ii) a counterpart of the Lease Agreement executed by the County;
- (iii) certified copies of the Lease Ordinance and the authorization proceedings for its adoption by the County;
- (iv) certified copies of the County Guaranty and the authorization proceedings for its adoption by the County; and
- (v) such other certificates, documents, opinions and information as the Authority and Bond Counsel may reasonably require in connection with the execution, delivery and implementation of the Lease Agreement and the issuance of such Series of Bonds.

All opinions and certificates required under this Section 703 shall be Issue Date of such Series of Bonds and such opinions shall be addressed to the party or parties specified in the bond purchase contract executed by the Authority and the underwriter in connection with the sale and award of such Series of Bonds.

**Section 704. Default Under the Lease Agreement.** The Trustee shall, by 4:00 p.m. on the first Business Day after a Lease Payment Date, immediately notify the Authority and the Authorized County Representative of the Trustee's failure to receive a Lease Payment from the County and of any other event of default under the Lease Agreement known to the Trustee pursuant to the terms hereof.

Notwithstanding the above, the failure of the Trustee to receive any Lease Payment from the County on any Lease Payment Date shall not cause an Event of Default for the purposes of Article IX of this Indenture or the acceleration of any of the Bonds then Outstanding.

In the event of a default in the Lease Payment due and owing to the Authority by the County under the Lease Agreement, the County shall be unconditionally obligated to pay such sum of money due and owing to the Trustee pursuant to the County Guaranty so as not to cause an Event of Default under Section 901(i) or (ii) hereof and an acceleration of the Bonds.

**Section 705. Termination of the Lease Agreement.** Upon the payment in full by the County of all amounts due under the Lease Agreement, the Trustee shall, at the written direction of the Authority, undertake such actions as shall be required to effectuate the termination provisions of the Lease Agreement including, without limitation, the execution of all relevant documents in connection with such actions.

**Section 706. Files.** After the execution and delivery of the Lease Agreement, the Trustee shall retain all the documents received by it pursuant to this Article VII in connection therewith in a file pertaining to the Lease Agreement, to which file the Trustee shall from time to time add all records and other documents pertaining to Lease Payments and other amounts received by the Trustee under the Lease Agreement and all communications from or received by the Trustee with respect to the Lease Agreement and the County. Such file shall be kept at the principal corporate trust office of the Trustee and shall be available for inspection by the Authority and the County at reasonable times and under reasonable circumstances.

**Section 707. Insufficiency of or Failure to Make Lease Payments; Payment Under the County Guaranty.** (i) The Lease Agreement shall provide that the County shall pay on each Lease Payment Date during the Bond Year, Lease Payments which, together with other moneys on deposit in the Debt Service Fund, will equal the Debt Service Requirement on the Outstanding Bonds on the next succeeding Interest Payment Date or Principal Installment Date, as applicable, during each Bond Year. The Lease Payments due under the Lease Agreement shall be on deposit in the Revenue Fund not later than the Lease Payment Date.

(b) In accordance with Section 508 hereof and subject to and after application of the provisions of Section 509 hereof, in the event the County has failed to make a Lease Payment on any Lease Payment Date so that the amounts so received by the Trustee and on deposit in the Debt Service Fund are insufficient to meet the Debt Service Requirement on the Outstanding Bonds due on the next ensuing Interest Payment Date or Principal Installment Date, as applicable, the Trustee shall notify the Authority and the Authorized County Representative, in writing by facsimile transmission in accordance with Section 1214 hereof, of such deficiency in accordance with the provisions of Section 508(2) hereof. Notwithstanding the above, failure of the Trustee to give the notices required hereunder and under Sections 508(2) and 704 hereof

or any defect in the notice to the County shall not relieve the County of its obligations under the County Guaranty and the Lease Agreement.

(c) Pursuant to the terms of the County Guaranty, the County shall take all actions necessary and permitted by law, which actions may include *ex parte* actions, to make payment of an amount equal to the Lease Payment deficiency owed by the County, which amount, when added to available amounts on deposit in the Debt Service Fund, shall be sufficient to pay the principal of and interest on the Outstanding Bonds due on the next ensuing Interest Payment Date or Principal Installment Date, as applicable.

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## ARTICLE VIII

### PARTICULAR COVENANTS OF THE AUTHORITY

The Authority covenants and agrees with the Trustee and the Bondholders as follows:

**Section 801. Payment of Bonds.** The Authority shall duly and punctually pay or cause to be paid, but solely from the Pledged Property, the principal or Redemption Price of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

**Section 802. Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under this Indenture, to the benefit of this Indenture or to any payment out of Revenues or Funds established by this Indenture, including the investment thereof, pledged under this Indenture or the moneys (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to this Indenture) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Refunding Bonds pursuant to Section 205 hereof and such issuance shall not be deemed to constitute an extension of maturity of the Bonds to be refunded.

**Section 803. Offices for Servicing Bonds.** The Authority shall at all times maintain one or more agencies in the State, and may maintain one or more such agencies in any other state or states, where Bonds may be presented for payment. The Authority hereby appoints the Trustee, as a Bond Registrar, and the Authority shall at all times maintain one or more agencies where Bonds may be presented for registration or transfer and where notices, demands and other documents may be served upon the Authority in respect of the Bonds or of this Indenture, and the Trustee shall continuously maintain or make arrangements to provide such services.

**Section 804. Further Assurance.** At any and all times the Authority shall, as far as it may be authorized by law, comply with any reasonable request of the Trustee to pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and Funds hereby pledged, or intended so to be, or which the Authority may become bound to pledge to the payment of the principal or Redemption Price of and interest on the Bonds, including any Series thereof.

**Section 805. Power to Issue Bonds and Pledge Pledged Property.** The Authority is duly authorized under all applicable State laws to create and issue the Bonds, to enter into this Indenture with the Trustee and to pledge the Pledged Property purported to be

subjected to the lien of this Indenture in the manner and to the extent provided in this Indenture. Except to the extent otherwise provided in this Indenture, the Pledged Property so pledged is and will be free and clear of any other pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment created by this Indenture, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Bonds and the provisions of this Indenture are and will be the valid and legally binding special and limited obligations of the Authority. The Authority shall at all times, to the extent permitted by State law, defend, preserve and protect the pledge of the Pledged Property under this Indenture and all the rights of the Bondholders under this Indenture against all claims and demands of all Persons whomsoever.

**Section 806. Creation of Liens.** The Authority shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Pledged Property held or set aside by the Authority or by Fiduciaries under this Indenture, and shall not create or cause to be created any lien or charge on the Pledged Property; provided, however, that nothing contained in this Indenture shall prevent the Authority from issuing, if and to the extent permitted by law, evidences of indebtedness payable out of or secured by a pledge and assignment of the Pledged Property on and after such date as the pledge of the Pledged Property provided in this Indenture shall be discharged and satisfied as provided in Article XII hereof.

**Section 807. Accounts and Reports.** 1. The Authority shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in accordance with generally accepted accounting principles in which complete and correct entries shall be made of its transactions relating to the amount of Revenues and the application thereof, the expenditure of moneys for the Construction Project and each Additional Project and each Fund or Account established under this Indenture. All books and papers of the Authority shall, subject to the terms thereof, at all times, upon prior reasonable written notice to the Authority, during regular business hours, be subject to the inspection of the Trustee and the Holders of an aggregate of not less than five percent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

2. The Trustee or any Fiduciary shall advise the Authority as soon as practicable after the end of each Month of the respective transactions during such Month relating to each Fund or Account held by it under this Indenture.

3. The Authority shall cause its books and accounts, including annual balance sheets and statements of income and surplus, to be audited annually by an accountant within two hundred and seventy (270) days after the close of its Fiscal Year, and, if requested by the Trustee, to file or cause to be filed with the Trustee, and otherwise as provided by law, a copy of the reports of such audits, including statements in reasonable detail of the status of all funds held by the Trustee pursuant to this Indenture and the security therefor and of the Revenues collected. If requested by the Trustee, the Authority shall also provide an Accountant's Certificate stating whether or not, to the best of the knowledge and belief of the signer, the Authority is in default with respect to any of the covenants, agreements or conditions on its part contained in this Indenture, and if so, the nature of such default.

4. The Authority shall file or cause to be filed with the Trustee forthwith upon becoming aware of any Event of Default or default in the performance by the Authority of

any covenant, agreement or condition contained in this Indenture, a certificate signed by an Authorized Authority Representative specifying such Event of Default or default and the nature and status thereof.

5. The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of this Indenture shall be available for the inspection of the Bondholders at the principal corporate trust office of the Trustee, who shall file a written request therefor with the Authority. The Authority may charge or cause to be charged each Bondholder requesting such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

**Section 808. Payment of Taxes and Charges.** The Authority will from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of the Authority or upon the rights, revenues, income, receipts and other moneys, securities and funds of the Authority when the same shall become due (including all rights, moneys and other property transferred, assigned or pledged under this Indenture), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which the Authority shall in good faith contest by proper legal proceedings if the Authority shall in all such cases have set aside on its books reserves deemed adequate with respect thereto.

**Section 809. The Lease Agreement.** The Authority shall collect or cause to be collected and forthwith cause to be deposited in the Revenue Fund held by the Trustee all amounts, if any, payable to it by the County pursuant to the Lease Agreement. Upon written request of the Trustee, the Authority shall provide the Trustee with copies of all requests for annual Authority Administrative Expenses under the Lease Agreement. The Authority shall enforce or cause to be enforced all of the provisions of the Lease Agreement. The Authority will not consent or agree to or permit any amendment, change or modification to the Lease Agreement except in accordance with the provisions of Section 815 hereof. Copies of the Lease Agreement certified by an Authorized Authority Representative shall be filed with the Trustee, and copies of any such amendment thereto certified by an Authorized Authority Representative shall be filed with the Trustee.

**Section 810. Power to Determine and Collect Lease Payments.** The Authority has, and will have as long as any Series of Bonds are Outstanding hereunder, good right and lawful power to establish and collect or cause to be established and collected the Lease Payments from the County.

**Section 811. Lease Payments.** Prior to the execution of the Lease Agreement, and in each and every Fiscal Year during which any Series of Bonds are Outstanding, the Authority shall at all times establish and collect or cause to be established and collected Lease Payments from the County, as shall be required to provide Revenues at least sufficient, together with other available funds, for the payment of the sum of:

- (a) an amount equal to the Debt Service on each Series of the Outstanding Bonds for such Fiscal Year; and

(b) all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

**Section 812. Acquisition of the Construction Project or Additional Projects and its Operation and Maintenance.** 1. The Authority shall acquire, construct and/or install the Construction Project or any Additional Project with due diligence and in a sound and economical manner.

2. The Authority shall at all times cause the County to use the Facility or any Additional Project, to properly and in an efficient and economical manner, consistent with good business practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals thereto.

**Section 813. Maintenance of Insurance.** 1. The Authority shall at all times cause the County (for the benefit of the Authority) to maintain such insurance as shall be required by the respective provisions of the Lease Agreement.

2. The Authority shall also maintain any additional or other insurance which it shall deem necessary or advisable to protect its interests and those of the Bondholders.

3. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing.

4. Upon written request of the Trustee, the Authority shall file or shall cause the County to file with the Trustee annually, within one hundred twenty (120) days after the close of each calendar year, certificates of Authorized Authority Representatives and/or Authorized County Representatives, as the case may be, setting forth a description in reasonable detail of the insurances then in effect with respect to the applicable components of the Construction Project or any Additional Project and certifying that the Authority and/or the County, as the case may be, has complied in all respects with their respective requirements pursuant to this Section 813.

**Section 814. Application of Insurance Proceeds.** The Proceeds of any insurance, including the proceeds of any condemnation award paid on account of any damage or destruction to the Construction Project or any Additional Project, or any portion thereof (other than any business interruption loss insurance) shall be applied as set forth in Sections 7.05, 7.06 and 7.07 of the Lease Agreement and Sections 503(5), 506(2) and 507(2) hereof.

**Section 815. Enforcement of Lease Agreement; Amendments.** The Authority shall enforce the provisions of the Lease Agreement and shall duly perform its covenants and agreements thereunder, as applicable, for the benefit of the Trustee and the Bondholders. The Lease Agreement may not be amended, changed, modified, altered or terminated so as to adversely affect the interests of the Holders of any Outstanding Bonds without the prior written consent of: (i) the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding; or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds of



each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 815; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment required to be made under the Lease Agreement or extend the time of payment thereof. The Lease Agreement may be amended, changed, modified or altered without the consent of the Holders of Outstanding Bonds at any time for any reason prior to the Issue Date of the Series 2018 Bonds, or after the Issue Date of the Series 2018 Bonds to provide necessary changes in connection with the issuance of Refunding Bonds, to cure any ambiguity therein, to correct or supplement any provisions contained in the Lease Agreement which may be defective or inconsistent with any other provisions contained in the Lease Agreement or to provide other changes which will not adversely affect the interest of such Holders. Subsequent to the execution by the Authority and the County of any amendment to the Lease Agreement, a copy thereof, certified by an Authorized Authority Representative, shall be filed with the Trustee.

**Section 816. Additional Covenants With Respect to the Lease Agreement.** So long as any Bonds or any Series thereof shall be Outstanding, the Authority will, at all times:

- (1) comply with the obligations on the part of the Authority contained in the Lease Agreement (or any amendment thereto) and require the County to comply with its obligation to make Lease Payments thereunder and to pay all other amounts payable under the Lease Agreement (or any amendment thereto) as the same shall become due and payable; and
- (2) promptly take all actions or proceedings necessary or required to compel compliance by such other parties to the Lease Agreement (or any amendment thereto) with respect to the obligations contained therein.

**Section 817. Enforcement of County Guaranty.** The Authority shall undertake all actions necessary so as to entitle it to collect payments from the County, if necessary, in accordance with the terms of the Act and the terms of the County Guaranty. The Authority shall not release or modify the obligations of the County under the terms of the County Guaranty in any manner which would adversely affect the County's obligation to make payments thereunder. The Authority shall take all reasonable measures which are permitted by the Act or otherwise by law, to enforce prompt payment to the Trustee of all amounts due under the County Guaranty, and shall at all times, to the extent permitted by the Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the Authority and of the Bondholders under or with respect to the County Guaranty.

**Section 818. General.** 1. Upon the date of authentication and delivery of any Series of Bonds, all conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the issuance of such Series of Bonds, shall exist, have happened and have been performed and the issue of such Series of

Bonds, together with all other indebtedness of the Authority, shall comply in all respects with the applicable laws of the State.

2. The Authority shall at all times maintain its existence and shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act, this Indenture and the Lease Agreement, including the exercise of its remedies thereunder.

**Section 819. Federal Tax Covenants.** The Authority hereby covenants not to take or omit to take any action so as to cause interest on any Series of Bonds to be no longer excluded from gross income for the purposes of federal income taxation and to otherwise comply with the requirements of Sections 103 and 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of such Series of Bonds. The Authority further covenants that it will make no investments or other use of the proceeds of any Series of Bonds which would cause such Series of Bonds to be "arbitrage bonds" (as defined in Section 148 of the Code). The Authority further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in Section 148(f) of the Code and any regulations promulgated thereunder, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable. The Authority further covenants not to cause the Series 2018 Bonds and any additional Series of Bonds to become "private activity bonds" (within the meaning of Section 141 of the Code).

**Section 820. Secondary Market Disclosure.** The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. Further, the Authority shall have no liability to the Holders of the Bonds or any other Person with respect thereto. The Authority has required the County in the Lease Agreement, as an Obligated Person (as defined under the hereinafter defined Rule), to covenant and agree that it will undertake all responsibilities for compliance with secondary market disclosure requirements pursuant to Rule 15c2-12(b) ("Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as described in the Continuing Disclosure Agreement ("Continuing Disclosure Agreement") to be executed by and between the County and Phoenix Advisors, LLC, acting as dissemination agent. Notwithstanding any other provision of this Indenture, the failure of the County to comply with the provisions of the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder and the Beneficial Owners of the Bonds (as defined in the Continuing Disclosure Agreement) may take such actions as set forth in the Continuing Disclosure Agreement as may be necessary and appropriate to cause the County to comply with its obligations set forth in the Continuing Disclosure Agreement.

**Section 821. Financing Statements.** The Authority hereby authorizes the Trustee to prepare and file such financing statements relating to this Indenture (including, but not limited to, the financing statements with respect to the Series 2018 Bonds) and other documents, and to take such other actions as may be directed by an Authorized County Representative or Authorized Authority Representative in order to create, perfect and continue the security interest provided for under the State Uniform Commercial Code or other applicable laws of the State or under other state or federal law. The Trustee shall perform or shall cause to be performed any

acts, and execute and cause to be executed any and all further instruments as may be required by law or as shall be reasonably requested for the protection of the interests of the Trustee and the Bondholders, and shall furnish satisfactory evidence to the Authority of recording, registering, filing and refiling of such instrument and of every additional instrument which shall be necessary to preserve the lien and security interest of this Indenture upon the Pledged Property or any part thereof until the principal of and interest on the Bonds secured hereby shall have been paid. The Trustee shall file at such time or times and in such place or places as the Trustee may be advised by an opinion of counsel will preserve the lien and security interest of this Indenture upon the Pledged Property or any part thereof until the aforesaid principal and interest shall have been paid.

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## ARTICLE IX

### REMEDIES OF BONDHOLDERS

**Section 901. Events of Default.** The following events shall constitute an Event of Default under this Indenture:

(i) if default shall be made by the Authority in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise, as applicable; or

(ii) if default shall be made by the Authority in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor, when and as such interest installment or Sinking Fund Installment shall become due and payable; or

(iii) if default shall be made in the due and punctual payment of the redemption premium of any Bond when and as the same shall become due and payable; or

(iv) if default shall be made by the County pursuant to the County Guaranty in the due and punctual payment of principal of and interest on the Bonds when such payment shall become due and payable, not less than two (2) Business Days before any Interest Payment Date and Principal Installment Date, as applicable, and such default is not cured by the County by such Interest Payment Date and Principal Installment Date, as applicable; or

(v) the entering of an order or decree appointing a receiver with the consent or acquiescence of the County or the entering of such order or decree without the acquiescence or consent of the County if it shall not be vacated, discharged or stayed within sixty (60) days after its entry; or

(vi) a petition is filed by the County under any Federal or State bankruptcy or insolvency law or other similar law in effect on the date of this Indenture or thereafter enacted, unless in the case of a petition filed against the County, such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal or the County shall become insolvent or bankrupt or make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee) of the County or any of its property shall be appointed by court order or take possession of the County's property or assets, if such order remains in effect or such possession continues for more than thirty (30) days; or

(vii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall continue for a period of sixty (60) days and the Authority shall have failed to commence to cure such default within such sixty (60) day period after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding; or

(viii) if the Authority shall commence a voluntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or shall authorize, apply for or consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official of its properties and/or its rents, fees, charges or other revenues therefrom, or shall make any general assignment for the benefit of creditors, or shall make a written declaration or admission to the effect that it is unable to meet its debts as such debts mature, or shall authorize or take any action in furtherance of any of the foregoing; or

(ix) if a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Authority in an involuntary case or similar proceeding under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or a decree or order appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Authority, of its properties and/or the rents, fees, charges or other revenues therefor, or a decree or order for the dissolution, liquidation or winding up of the Authority and its affairs or a decree or order finding or determining that the Authority is unable to meet its debts as such debts mature, and any such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days;

then, in each and every case so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, (a) upon the occurrence of an Event of Default identified in clauses (i), (ii), (iii) and (iv) of this Section 901, either the Trustee may (by notice, in writing, to the Authority), or, upon receipt of direction, in writing, from the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding (by notice, in writing, to the Authority and the Trustee), the Trustee shall, declare the principal of all Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, anything in this Indenture or in any of the Bonds to the contrary notwithstanding, or (b) upon the occurrence of an Event of Default identified in clauses (v), (vi), (vii), (viii) or (ix) of this Section 901, the Trustee shall, if so directed in writing by the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, declare the principal of all Bonds then Outstanding, and the interest accrued thereon, to be due

and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Indenture or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee or of the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with the reasonable and proper fees, charges, expenses and liabilities of the Trustee and all other sums then payable by the Authority and the County under this Indenture (except the principal of, and interest accrued since the next preceding Interest Payment Date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under this Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then, and in every such case, the Holders of fifty-one percent (51%) in principal amount of the Bonds Outstanding, by written notice to the Authority and the Trustee, may rescind such declaration and annul such default in its entirety or if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of fifty-one percent (51%) in principal amount of the Bonds Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default shall *ipso facto* be deemed to be annulled, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

**Section 902. Accounting and Examination of Records After Default. 1.**

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of their agents and attorneys.

2. The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the Authority, upon demand of the Trustee will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under this Indenture for such period as shall be stated in such demand.

**Section 903. Application of Pledged Property After Default. 1.**

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon the demand of the Trustee, shall pay over or cause to be paid over to the Trustee or its agent in trust: (i) forthwith, all Pledged Property then held by the Authority under this Indenture; and (ii) all Revenues, if any, which are not paid directly to the Trustee as promptly as practicable after receipt thereof.

2. During the continuance of an Event of Default, the Trustee shall apply the Pledged Property, including all moneys, securities, funds and Revenues received by the Trustee pursuant to any right given or action taken under the provisions of this Article IX together with all funds held by the Trustee in any Funds or Accounts under this Indenture as follows and in the following order:

(i) Expenses of Fiduciaries -- to the payment of the reasonable and proper fees (including reasonable attorneys' fees), charges, expenses and liabilities of the Fiduciaries;

(ii) Principal and Interest -- to the payment of the interest and principal then due on the Bonds, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: Interest -- To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: Principal -- To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds of any Series due on any date, then to the payment thereof ratably, according to the amounts of principal due on such date, to the Persons entitled thereto, without any discrimination or preference;

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and 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 preference except as to any difference in the respective rates of interest specified in the Bonds.

3. Whenever all overdue installments of all Bonds, together with the reasonable and proper charges, fees (including reasonable attorneys' fees), expenses and liabilities of the Trustee, and all other sums payable by the Authority under this Indenture, including the principal of and accrued unpaid interest on all Bonds which shall then be payable, by declaration or otherwise shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under this Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee or

provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all moneys, securities and funds then remaining unexpended in the hands of the Trustee (except moneys, securities and funds deposited or pledged, or required by the terms of this Indenture to be deposited or pledged, with the Trustee) and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under this Indenture. No such payment over to the Authority by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

**Section 904. Proceedings Brought by Trustee.** 1. If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds Outstanding so in default shall proceed, to protect and enforce its rights and the rights of the Holders of the Bonds so in default under this Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Indenture.

2. All rights of action under this Indenture may be enforced by the Trustee without the possession of any of the Bonds so in default or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

3. The Holders of fifty-one percent (51%) in principal amount of the Bonds so in default at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee.

4. Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in this Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

5. Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of fifty-one percent (51%) in principal amount of the Bonds so in default then Outstanding and furnished with adequate security and indemnity satisfactory to the Trustee, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Indenture by any acts which may be unlawful or in violation of this Indenture, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

**Section 905. Restrictions on Bondholder's Action.** 1. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Indenture or the execution of any trust under this Indenture



or for any remedy under this Indenture, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in this Article IX, and the Holders of at least fifty-one percent (51%) in principal amount of the Bonds so in default then Outstanding shall have filed a written request with the Trustee and shall have offered it reasonable opportunity either to exercise the powers granted in this Indenture or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to the Trustee against the costs, fees (including reasonable attorneys' fees), expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of thirty (30) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Indenture, or to enforce any right under this Indenture, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 902 hereof.

2. Nothing contained in this Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed, the principal of (and redemption premium, if any) and interest on the Bonds to the Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

**Section 906. Remedies Not Exclusive.** No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or 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 every other remedy given under this Indenture or existing at law or in equity or by statute on or after the date of execution and delivery of this Indenture.

**Section 907. Effect of Waiver and Other Circumstances.** 1. No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article IX to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

2. Prior to the declaration of maturity of the Bonds as provided in Section 901 hereof, the Holders of fifty-one percent (51%) in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Holders of all of the Bonds so in default waive any past default under this Indenture and its consequences, except a default in the payment of interest on or principal of or redemption premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

**Section 908. Notice of Default.** The Trustee shall promptly mail written notice of the occurrence of any Event of Default of which the Trustee has actual knowledge to each Registered Owner of Bonds so in default then Outstanding at his address, if any, appearing upon the registry books of the Authority. The Trustee shall also give prompt notice of the

occurrence of an Event of Default of which the Trustee has actual knowledge to the Authority and the Paying Agent. For purposes of this Section 908, the Trustee will be deemed to have actual knowledge only if an officer of the corporate trust department of the Trustee has actual first-hand knowledge thereof. The Trustee shall be deemed to have actual knowledge of any payment default if the Trustee shall not have received payment on the date on which such payment was due.

**Section 909. Notice to Trustee to Exercise Remedies Under the Lease Agreement.** The Authority covenants that if an Event of Default under the Lease Agreement shall occur and be continuing, it will not exercise any of such remedies set forth in the Lease Agreement without written consent of the Trustee thereto, which consent shall not be unreasonably withheld.

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**ARTICLE X**  
**CONCERNING THE FIDUCIARIES**

**Section 1001. Acceptance of Trusts; Certain Duties and Responsibilities.** The Trustee accepts and agrees to execute the trusts imposed upon it by this Indenture, but only upon the following terms and conditions:

- (a) Except during the continuance of an Event of Default,
  - (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and
  - (ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.
- (b) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent trustee would exercise or use under the circumstances.
- (c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that
  - (i) this subsection shall not be construed to limit the effect of subsection (a) of this Section 1001;
  - (ii) the Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;
  - (iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture, and
  - (iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 1001.

**Section 1002. Certain Rights of Trustee.** Except as otherwise provided in Section 1001 hereof:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The Trustee shall be entitled to rely conclusively upon a certificate of Authorized Authority Representative or a certificate of an Authorized County Representative as to the sufficiency of any request or direction of the County or the Authority, as applicable, mentioned herein, the existence or non-existence of any fact or the sufficiency or validity of any instrument, paper or proceeding, or that a resolution in the form therein set forth has been adopted by the County or a resolution of the Authority has been duly adopted, and is in full force and effect.

(c) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon a certificate of Authorized Authority Representative or a certificate of an Authorized County Representative, as applicable.

(d) The Trustee may consult with counsel, and the advice or opinions of such counselor any Opinion of Counsel may be conclusively relied upon by the Trustee and shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon.

(e) Notwithstanding anything elsewhere in this Indenture contained, before taking any action under this Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the payment or reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability which it may incur in or by reason of such action, including those arising in connection with any environmental claim and the fees and expenses of attorneys, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct by reason of any action so taken.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority or the County, personally or by agent or attorney.

(g) The Trustee assumes no responsibility for the correctness of the recitals contained in this Indenture and in the Bonds, except the certificate of authentication on the Bonds. The Trustee makes no representations to the value or condition of the Pledged Property or any part

thereof, or as to the title thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Authority or the County of any of the Bonds or the proceeds thereof or of any money paid to or upon the order of the Authority or the County under any provision of this Indenture.

(h) The Trustee or any of its affiliates, in its individual or any other capacity, may become the Owner or pledgee of Bonds and may otherwise deal with the Authority or the County with the same rights it would have if it were not Trustee.

(i) All money received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law or by this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except for accounting for earnings on Investment Securities.

(j) The Trustee may execute any of the trusts and powers hereunder or perform any duties hereunder either directly or, to the extent that it may reasonably determine is necessary or appropriate to the conduct of its duties hereunder, by or through agents, attorneys or receivers, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney or receiver appointed by it with due care hereunder, taking into account the duties with respect to which such Person is appointed, and the Trustee shall not be required to give any bond or surety in respect of the execution, delivery or administration of this Indenture. This subparagraph shall not be interpreted as absolving the Trustee of responsibility with respect to duties customarily performed by corporate trustees in the ordinary course of business without the employment of agents, attorneys or receivers.

(k) The Trustee may elect not to proceed in accordance with the directions of the Owners without incurring any liability to the Owners if in the opinion of the Trustee such direction may result in liability to the Trustee, in its capacity as Trustee or in an individual capacity for which the Trustee has not received indemnity pursuant to Section 1002(e) hereof from the Owners and the Trustee may conclusively rely upon an Opinion of Counsel addressed to the Authority and the Trustee in determining whether any action directed by Owners or the Authority may result in such liability.

(l) Notwithstanding any other provision of this Indenture to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Bond Registrar or Paying Agent.

(m) Except as otherwise expressly provided hereunder, the Trustee shall not be required to give or furnish any notice, demand, report, reply, statement, advice or opinion to any Owner, the County, the Authority or any other Person, and the Trustee shall not incur any liability for its failure or refusal to give or furnish the same unless obligated or required to do so by express provisions hereof.

(n) In acting or omitting to act pursuant to the Lease Agreement or any of the other Lease Documents, the Trustee shall be entitled to all of the rights and immunities accorded to it under this Indenture, including but not limited to this Article X.

(o) The Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Bonds or for compliance with securities laws in connection with the sale and issuance of the Bonds.

(p) The Trustee shall have no responsibility with respect to compliance by the Authority or the County with Section 148 of the Internal Revenue Code or any covenant in this Indenture or in the Lease Agreement regarding yields on investments.

(q) The Trustee shall not be required to give a bond or surety to act under this Indenture.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

**Section 1003. Notice of Defaults.** The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder except failure by the Authority to cause to be made any of the payments to the Trustee required to be made by Article V hereof, unless the Trustee shall be specifically notified in writing of such default or Event of Default by the Authority, the County, or the Owners of at least 10% in principal amount of all Bonds Outstanding, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. Within 30 days after the occurrence of any Event of Default hereunder of which the Trustee is required to take notice or has received notice as provided in this Section 1003, the Trustee shall give written notice of such Event of Default by first-class mail to all Owners of Bonds as shown on the Bond Register maintained by the Trustee, unless such default shall have been cured or waived; provided that, except in the case of a default in the payment of the principal of (or redemption premium, if any) or interest on any Bond, the Trustee shall be protected in withholding such notice from Bondholders if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

**Section 1004. Compensation and Reimbursement.** The Trustee shall be entitled to payment or reimbursement:

(a) from time to time for reasonable compensation for services performed by the Trustee under this Indenture (which in the case of compensation for the Trustee's services shall be agreed upon by the Authority with the acknowledgment of the County), which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust;

(b) except as otherwise expressly provided herein, upon its request, for all services performed by the Trustee (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's gross negligence, willful misconduct or bad faith; and

(c) of indemnification for, and to be held harmless against, any loss, liability or expense incurred as provided in the Lease Agreement.

Pursuant to the Lease Agreement, the County has agreed to pay to the Trustee all reasonable fees, charges, advances and expenses of the Trustee and to reimburse the Trustee and hold it harmless, and the Trustee agrees to look only to the County for the payment of all reasonable fees, charges, advances and expenses of the Trustee and any Paying Agent as provided in the Lease Agreement. The Trustee agrees that the Authority shall have no liability for any fees, charges and expenses of the Trustee.

All indemnity provisions in favor of the Trustee under this Indenture and the Lease Agreement shall survive the termination of this Indenture and the Lease Agreement and the removal or resignation of the Trustee.

**Section 1005. Corporate Trustee Required; Eligibility.** There shall at all times be a Trustee hereunder which shall be a bank, national banking association or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, with trust and fiduciary powers in the State, and having a combined capital and surplus of at least \$75,000,000 or having its obligations hereunder guaranteed by an affiliated entity with a combined capital and surplus of at least \$75,000,000. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section 1005, the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with this Section, it shall resign immediately in the manner and with the effect specified in this Article.

**Section 1006. Resignation and Removal of Trustee.**

(a) The Trustee may resign at any time by giving written notice thereof to the Authority, the County and each Owner of Bonds Outstanding as their names and addresses appear in the Bond Register maintained by the Trustee. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may, at the expense of the County, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Authority, and the Trustee signed by the Owners of a majority in principal amount of the Outstanding Bonds. In addition, the Authority at the written direction of the County (so long as the County is not in default under this Indenture and no condition exists that, with the giving of notice or the passage of time, or both, would constitute a default or an Event of Default) may remove the Trustee at any time for any reason. The Authority, the County or any Bondholders may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

(c) If at any time:

(i) the Trustee shall cease to be eligible under Section 1005 hereof and shall fail to resign after written request therefor by the Authority, the County, or by any such Bondholders, or

(ii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (a) the Authority may remove the Trustee, or (b) the County or any Bondholders may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(d) The successor Trustee shall give notice of such resignation or such removal of the Trustee and such appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Registered Owners of Bonds as their names and addresses appear in the Bond Register maintained by the Trustee. Each notice shall include the name of the successor Trustee and the address of its Principal Office.

(e) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article X shall become effective until the acceptance of appointment by the successor Trustee under Section 1007 hereof.

**Section 1007. Appointment of Successor Trustee.** If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any cause, the Authority with the written consent of the County (so long as no Event of Default and no condition exists that, with the giving of notice or the passage of time, or both, would constitute a default or an Event of Default hereunder or under the Lease Agreement has occurred and is continuing) with the written consent of the Owners of a majority in principal amount of Bonds Outstanding (if an Event of Default hereunder or under the Lease Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Authority, the County and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Pledged Property shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Authority or the Bondholders. If a successor Trustee shall be appointed in the manner herein provided, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If, within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, no successor Trustee shall have been so appointed and accepted appointment in the manner herein provided, the Authority (so long as no Event of Default hereunder or under the Lease Agreement has occurred and is continuing and no condition exists that, with the giving of notice or the passage of time, or both, would constitute a default or an Event of Default) or the Owners of a majority in principal amount of Bonds Outstanding may appoint, or the Authority, the County or the retiring Trustee, at the expense of the County, or any Bondholders may petition any court of competent jurisdiction for the appointment of, a temporary successor Trustee, until a successor shall have been appointed as above provided. The temporary successor so appointed shall immediately and without further act be superseded by any successor Trustee appointed as above provided. Every such successor Trustee appointed pursuant to this Section 1007 shall be a bank or national banking association with trust powers or trust company in good standing under the laws of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of this Article X.



**Section 1008. Acceptance of Appointment by Successor.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority, the County and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee, but, on request of the Authority, the County or the successor Trustee, such retiring Trustee shall, upon payment of its fees and charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 1004 hereof and thereupon, all duties and obligations of the retiring Trustee hereunder shall cease and terminate. Upon request of any such successor Trustee, the Authority shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

**Section 1009. Merger, Consolidation and Succession to Business.** Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation or association shall be otherwise qualified and eligible under this Article, and shall be vested with all of the title to the whole property or Pledged Property and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger or consolidation to such authenticating Trustee may adopt such authentication and deliver such Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

**Section 1010. Designation of Paying Agents.** The Trustee is hereby designated and agrees to act as principal Paying Agent for and in respect to the Bonds. The Authority, or the County on behalf of the Authority, may cause the necessary arrangements to be made through the Trustee and to be thereafter continued for the designation of alternate Paying Agents, if any, and for the making available of funds hereunder for the payment of the principal of, redemption premium, if any, and interest on the Bonds, or at the Principal Office of said alternate Paying Agents. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be trustee of any funds provided hereunder and Paying Agent for principal of, redemption premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee and Paying Agent unless a separate Paying Agent or Agents are appointed in connection with the appointment of any successor Trustee.

**Section 1011. Advances by Trustee.** If the County shall fail to make any payment or perform any of its covenants in the Lease Agreement, the Trustee may (but shall in no case be required), at any time and from time to time, use and apply any moneys held by it

under this Indenture, or make advances, to effect payment or performance of any such covenant on behalf of the County. All moneys so used or advanced by the Trustee, together with interest at the Prime Rate plus 2%, shall be repaid by the County upon demand and such advances shall be secured under this Indenture prior to the Bond Payment Obligations. For the repayment of all such advances the Trustee shall have the right to use and apply any moneys at any time held by it (except the moneys in the Rebate Fund) under this Indenture but no such use of moneys or advance shall relieve the County from any default hereunder.

**Section 1012. Notice to Rating Agencies.** The Trustee shall promptly give written notice to each Rating Agency by registered or certified mail, postage prepaid, of the occurrence of any of the following events: (i) the appointment of a successor Trustee hereunder; (ii) the date that no Bonds remain Outstanding; (iii) the Trustee becomes aware of any material change made in this Indenture or the Lease Agreement; (iv) any redemption of Bonds pursuant to this Indenture other than mandatory sinking fund redemptions, if any; or (v) the acceleration of the Bonds in accordance with Article IX hereof.

**Section 1013. L. 2005, c. 92 Covenant.** In accordance with L. 2005, c. 92, the Trustee covenants and agrees that all services performed under this Indenture shall be performed within the United States of America.

**Section 1014. Compliance with L. 2005, c. 51.** The Trustee represents and warrants that all information, certifications and disclosure statements previously provided in connection with L. 2005, c. 51, which codified Executive Order No. 134 (McGreevey 2004), are true and correct as of the date hereof and that all such statements have been made with full knowledge that the Authority has relied upon the truth of the statements contained therein in engaging the Trustee in connection with the Bonds. The Trustee agrees that it will maintain continued compliance with L. 2005, c. 51 and any regulations pertaining thereto. The Trustee acknowledges that upon its failure to make required filings thereunder or the making of a contribution prohibited thereunder the Authority may remove the Trustee as trustee under this Indenture and may exercise any remedies afforded to it at law or in equity.

**Section 1015. Compliance with L. 2005, c. 271 Reporting Requirements.** The Trustee hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Trustee enters into agreements or contracts, such as this Indenture, with a New Jersey public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 or more in the aggregate from New Jersey public entities, such as the Authority, in a calendar year. It is the Trustee's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at [www.elec.state.nj.us](http://www.elec.state.nj.us).

**Section 1016. Conflict Between Provisions of Bond Resolution and County Guaranty.** In the event the Trustee, in the performance of its fiduciary responsibilities, determines there are conflicts, ambiguities or inconsistencies between the provisions of the County Guaranty and this Indenture, the Trustee may rely upon a written opinion from Bond Counsel addressed to the Authority, the County and the Trustee directing the Trustee to adhere to the provisions of either the County Guaranty or this Indenture. The Trustee shall be fully

protected in the performance of its fiduciary responsibilities to the extent it acts in accordance with such opinion.

**[Section 1017. Provisions Relating to the Policy With Respect to the Series 2018 Bonds.**

(a) The following provisions shall be applicable to the Series 2018 Bonds in connection with the issuance of the Policy by the Insurer:

(i) Wherever any Security Document requires the consent of the Bondholders, the Insurer's consent shall also be required. In addition, any amendment, supplement or modification to the Security Documents that adversely affect the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

(ii) Anything in any Security Document to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Insurer shall be deemed to be the sole holder of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2018 Bonds or the Trustee for the benefit of such holders under any Security Document. The Trustee may not waive any default or event of default or accelerate the Series 2018 Bonds without the Insurer's written consent.

(iii) The Insurer is explicitly recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce any right, remedy or claim conferred, given or granted thereunder.

(iv) In the event that principal and/or interest due on the Series 2018 Bonds shall be paid by the Insurer pursuant to the Policy, the Series 2018 Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, the assignment and pledge of the Pledged Property and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Series 2018 Bonds.

(v) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee shall agree for the benefit of the Insurer that:

(A) They recognize that, to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Series 2018 Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Authority, with interest thereon, as provided and solely from the Pledged Property; and

(B) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon, but only from the Pledged Property,

and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(vi) If an Insurer Default (as hereinafter defined) shall occur and be continuing, then, notwithstanding anything in paragraph (v) above to the contrary: (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Series 2018 Bonds for all purposes, including giving of consents; and (2) if the Insurer has not made any payment under the Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control.

(vii) For purposes of paragraph (vi) above, "Insurer Default" shall mean:

(A) The Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or

(B) The Insurer shall: (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law; (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition; (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors; or (vi) take action for the purpose of effecting any of the foregoing; or

(C) Any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).]

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## ARTICLE XI

### SUPPLEMENTAL INDENTURES

**Section 1101. Supplemental Indentures Not Requiring Consent of Bondholders** s. The Authority and the Trustee may from time to time, without the consent of or notice to any of the Bondholders s, enter into one or more Supplemental Indentures, for anyone or more of the following purposes:

(a) To close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; or

(b) To add to the covenants and agreements of the Authority in this Indenture, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with this Indenture or the County Guaranty as theretofore in effect; or

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

(d) To authorize Bonds of a Series and, in connection therewith, specify and determine, or delegate to an Authorized Authority Representative the power to specify and determine, the matters and things referred to in Sections 202 and 205 hereof and also any other matters and things relative to such Bonds (including any Series thereof) which are not contrary to or inconsistent with this Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds (including any Series thereof); or

(e) Notwithstanding any other provisions of this Indenture, to authorize a Series of Bonds having terms and provisions different than the terms and provisions theretofore provided in this Indenture including, but not limited to, provisions relating to the timing of the payment of interest, maturity amounts and valuation as of a given time, and authorizing the form of the bond for such Series of Bonds; provided that the authorization and issuance of such Series of Bonds shall not in any manner impair or adversely affect the rights or security of the Bondholders under this Indenture; or

(f) To authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of fully registered Bonds issued and held in certificated or book-entry form on the books of the Authority, any Fiduciary or custodian appointed for that purpose by the Authority and, in connection therewith, make such additional changes herein, not adverse to the rights of the Holders of the Bonds, as are necessary or appropriate to accomplish or recognize such certificated or book-entry form Bonds, substitute for any such Fiduciary or custodian, provide for in, and amend any provisions in, this Indenture relating to the giving of notice, and specify and determine the matters and things relative to the issuance of such certificated or book-entry form Bonds as are appropriate or necessary; or

(g) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture, of the Revenues or of any other moneys, securities or Funds; or

(h) To confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, this Indenture of the Pledged Property and to pledge any additional revenues, moneys, securities or other agreements; or

(i) To modify any of the provisions of this Indenture in any other respect whatsoever, provided that: (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding; or (ii) if such modification shall become effective prior to the authentication and delivery of the first Bond authorized to be issued pursuant to this Indenture, each Supplemental Indenture shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(j) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture; or

(k) To insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect.

#### **Section 1102. Supplemental Indentures Requiring Consent of Bondholders s.**

Subject to Section 1105 hereof, with the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, the Authority and the Trustee may from time to time enter into such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary or desirable by the Trustee for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided that nothing in this Section 1102 contained shall permit or be construed as permitting without the consent of the Owners of all of the Bonds then Outstanding:

(a) an extension of the maturity of the principal of or the scheduled date of payment of interest on any Bond, or

(b) a reduction in the principal amount, redemption premium, or any interest payable on any Bond, or

(c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or

(d) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Indenture.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section 1102, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed by first-class mail to each

Bondholders. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Bondholders s. If within 60 days or such longer period as shall be prescribed by the Authority following the mailing of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section 1102 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

**Section 1103. County's Consent to Supplemental Indentures.** Anything herein to the contrary notwithstanding, so long as the County is not in default under the Lease Agreement, a Supplemental Indenture under this Article XI shall not become effective unless and until the County shall have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Indenture, together with a copy of the proposed Supplemental Indenture, to be mailed by first-class mail to the County at least fifteen (15) days prior to the proposed date of execution and delivery of any such Supplemental Indenture.

**Section 1104. Opinion of Bond Counsel.** Notwithstanding anything to the contrary in Sections 1101 or 1102 hereof, concurrently with the entry by the Authority and the Trustee into any Supplemental Indenture pursuant to Section 1101 or 1102 hereof, there shall be delivered to the Authority and the Trustee an opinion of Bond Counsel. The Trustee may conclusively rely on such opinion when consenting to such Supplemental Indenture, which shall, in addition to its other elements, opine to the effect that such Supplemental Indenture is permitted under this Article XI and is duly authorized, validly executed and delivered and is legally valid and binding upon the Authority.

**Section 1105. Consents and Other Instruments by Bondholders s.** Any consent, request, direction, approval, objection or other instrument required by this Indenture (other than the assignment of any Bond) to be signed and executed by the Bondholders s may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders s in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken, suffered or omitted under any such instrument, namely:

(a) The fact and date of the execution by any Person of any such instrument may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the Person signing such instrument acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register.

In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Indenture, Bonds owned by the County shall be disregarded and deemed not to be Outstanding under this Indenture, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds with respect to which the Trustee has received written notice of such ownership shall be so disregarded. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the County.

**Section 1106. Notation on Bonds.** Bonds authenticated and delivered after the effective date of any action taken as in this Article XI provided may, and, if the Trustee so determines upon advice of counsel, 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 presentation of his Bond for the purpose at the principal corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

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## ARTICLE XII

### MISCELLANEOUS

**Section 1201. Defeasance.** 1. If, subject to the provisions set forth in the next succeeding sentence, the Authority shall pay or cause to be paid, or there shall otherwise be paid, to or for the account of the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in this Indenture, then the pledge of the Pledged Property, any Revenues and other moneys and securities pledged under this Indenture and all covenants, agreements and other obligations of the County to the Bondholders under the provisions of the County Guaranty shall thereupon cease, terminate and become void and be discharged and satisfied. Upon the request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys or securities held by them pursuant to this Indenture which are not required for the payment of principal of, redemption premium, if any, and interest on Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Outstanding Bonds of a particular maturity or particular Bonds within a maturity, the principal of, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture and the County Guaranty and all covenants, agreements and obligations of the Authority and the County to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

2. Principal and/or interest installments for the payment or redemption of which moneys or Investment Securities shall have been set aside and shall be held in trust by the Trustee or Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section 1201. Subject to the provisions of subsection (3) through subsection (5) of this Section 1201, all Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section 1201 if (a) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities (including any Investment Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on or prior to the redemption or maturity date thereof, as the case may be, and (b) in the event said 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 provided in Article IV hereof a notice to the Holders of such Bonds that the deposit required by subclause (a) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of subsection (6) of this Section 1201, to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds, and (c) in case any of said 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 mail as provided in Article IV hereof notice of redemption of such Bonds (other than Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date. Any notice of redemption mailed pursuant to the preceding sentence with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. For purposes of this Section 1201 only, the term Investment Securities shall mean only those Investment Securities described in clause b.(1) of the definition of "Investment Securities" contained in Section 101 hereof unless the Authority shall have received written confirmation from Moody's, if the Bonds are then rated by Moody's, S&P, if the Bonds are then rated by S&P, and Fitch, if the Bonds are then rated by Fitch, that defeasance with Investment Securities other than those described in such clause b.(1) of the definition of "Investment Securities" will result in the Bonds being rated in the highest investment grade or category of each such rating agency. The Trustee shall, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or prior to the maturity date of any Bonds deemed to have been paid in accordance with this Section 1201 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Investment Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds so purchased; provided, however, that the moneys and Investment Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient (as verified by an independent certified public accountant, as stated in a verification report addressed to the Authority, the County and the Trustee) to pay when due the Principal Installment, redemption premium, if any, and interest due or to become due on all Bonds, in respect of which such moneys and Investment Securities are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be. If, at any time prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 1201 which are not to be redeemed prior to their maturity date or Bonds which are to be redeemed prior to their maturity date, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of 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 Bonds deemed paid in accordance with this Section 1201. The directions given by the Authority to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 1201 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 1201 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 1201 such amount is in excess (as verified by an independent certified public accountant addressed to the Authority, the County and the Trustee) of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to satisfy subclause (a) of this subsection (2) of Section 1201, the Trustee shall, upon written direction of the Authority and after payment of all unpaid Authority Administrative Expenses and amounts due pursuant to this Indenture and the Lease Agreement, if any, pay the amount of such excess to the County free

and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture. Except as otherwise provided in this subsection (2) of Section 1201 and in subsection (3) through subsection (5) of this Section 1201, neither Investment Securities nor moneys deposited with the Trustee pursuant to this Section 1201 nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, (A) to the extent such cash will not be required (as verified by an independent certified public accountant as stated in a verification report addressed to the Authority, the County and the Trustee) at any time for such purpose shall, upon written direction of the Authority and after payment of all unpaid Authority Administrative Expenses and amounts due pursuant to this Indenture and the Lease Agreement, if any, be paid over to the County, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient (as verified by an independent certified public accountant as stated in a verification report addressed to the Authority, the County and the Trustee) to pay when due the principal of, redemption premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and any interest earned from such reinvestment shall, to the extent not needed to pay then due principal of, redemption premium, if any, and interest on said Bonds and upon written direction of the Authority and after payment of all unpaid Authority Administrative Expenses and amounts due pursuant to this Indenture and the Lease Agreement, if any, be paid over to the County, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture. For the purposes of this Section 1201, Investment Securities shall mean and include only (x) such securities as are described in this subsection 1201(2) which shall not be subject to redemption prior to their maturity other than at the option of the Holder thereof, (y) such securities as are described in this subsection 1201(2) which shall not be subject to redemption prior to their maturity other than at the option of the Holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Holder thereof, or (z) upon compliance with the provisions of subsection (3) of this Section 1201, such securities as are described in this subsection 1201(2) which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

3. Investment Securities described in clause (z) of subsection (2) of this Section 1201 may be included in the Investment Securities deposited with the Trustee in order to satisfy the requirements of subclause (a) of subsection (2) of this Section 1201 only if the determination as to whether the moneys and Investment Securities to be deposited with the Trustee in order to satisfy the requirements of such subclause (a) would be sufficient to pay when due either on the maturity date or the redemption date thereof, the principal of, redemption premium, if any, and interest on the Bonds (including any Series thereof) which will be deemed to have been paid as provided in subsection (2) of this Section 1201 is made both (i) on the assumption that the Investment Securities described in clause (z) were not redeemed at the option of the issuer prior to the maturity date thereof; and (ii) on the assumption that such Investment Securities would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such

Investment Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

4. In the event after compliance with the provisions of subsection (3) of this Section 1201 the Investment Securities described in clause (z) of subsection (2) of this Section 1201 are included in the Investment Securities deposited with the Trustee in order to satisfy the requirements of subclause (a) of subsection (2) of this Section 1201 and any such Investment Securities are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of the Authority, provided that the aggregate of the moneys and Investment Securities to be held by the Trustee, taking into consideration any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the Authority in accordance with subsection (3) of this Section 1201, shall at all times be sufficient (as verified by an independent certified public accountant as stated in a verification report addressed to the Authority, the County and the Trustee) to satisfy the requirements of subclause (b) of subsection (2) of this Section 1201, shall reinvest the proceeds of such redemption in Investment Securities. The Trustee shall mail notice of the substitution of Investment Securities to the Holders of the Bonds.

5. In the event that after compliance with the provisions of subsection (4) of this Section 1201 the Investment Securities described in clause (z) of subsection (2) of this Section 1201 are included in the Investment Securities deposited with the Trustee in order to satisfy the requirements of subclause (a) of subsection (2) of this Section 1201, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with this Section 1201 upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of any Investment Securities described in clause (z) of subsection (2) of this Section 1201 have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change or redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Investment Securities on deposit with the Trustee including any Investment Securities or redemption proceeds in accordance with subsection (5) of this Section 1201 pursuant to subclause (a) of subsection (2) of this Section 1201 would be sufficient to pay when due the principal or Redemption Price of, and interest on all Bonds deemed to have been paid in accordance with subsection (2) of this Section 1201 which have not as yet been paid.

6. If the Bonds are rated by Moody's, S&P and/or Fitch, then the Authority shall give notice to the rating agency or agencies that rated the Bonds of any defeasance of all or any of the Bonds.

**Section 1202. Unclaimed Funds.** 1. Anything in this Indenture to the contrary notwithstanding, but subject to any provision of State or Federal law to the contrary, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for four (4) years after the date when such Bonds have become due and

payable, at their stated maturity dates, if such moneys were held by the Fiduciary at such date, or for four (4) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, upon written direction of the Authority and after payment of all unpaid Authority Administrative Expenses and amounts due pursuant to this Indenture and the Lease Agreement, if any, be paid by the Fiduciary to the County, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the County for the payment of such Bonds; provided, however, that before being required to make any such payment to the County the Fiduciary shall, at the written direction of the Authority and at the expense of the County, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the County, subject to the hereinabove stated conditions and except as set forth in subsection (2) below.

2. Subject to the provisions of Section 1202(1) hereof, to the extent any moneys are remaining in such Funds and Accounts and the Fiduciaries and/or the Authority have unreimbursed expenses and/or Authority Administrative Expenses or there are other unpaid amounts due pursuant to this Indenture and the Lease Agreement, such moneys shall be paid to each such Fiduciary and/or the Authority by the Trustee, free and clear of the lien and pledge of this Indenture, to the extent required to reimburse such Fiduciary and/or the Authority for such expenses, Authority Administrative Expenses, and/or other unpaid amounts and, if thereafter there are any unclaimed moneys remaining in the Funds and Accounts, then to the County.

**Section 1203. Satisfaction and Discharge of the Indenture.** If the principal of, redemption premium, if any, and interest on all of the Bonds shall have been paid in accordance with their terms, or provision has been made for such payment as provided in Section 1201 hereof, and provision shall also be made for paying all other sums payable hereunder, any Rebate Amount to the United States of America and the fees, charges and expenses of the Authority, the Trustee, any Paying Agent, including attorneys' fees and expenses, to the date of retirement of the Bonds, then the right, title and interest of the Trustee in respect hereof shall thereupon cease, determine and be void, and thereupon the Trustee, upon written request of the County, and upon receipt by the Trustee and the Authority of a Favorable Opinion of Bond Counsel, which shall, in addition to its other elements, opine that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall cancel, discharge and release this Indenture and shall execute, acknowledge and deliver to the Authority and the County such instruments of satisfaction and discharge or release as shall be reasonably requested to evidence such release and the satisfaction and discharge of this Indenture, and shall assign and deliver to the Authority, the County or other Person entitled thereto as their respective interests may appear, any property and revenues at the time subject to this Indenture which may then be in its possession, other than moneys or obligations held by the Trustee for the payment of the principal of and interest and redemption premium, if any, due or to become due on the Bonds.

Upon provision for the payment of all Outstanding Bonds in accordance with this Section 1202, and compliance with the other payment requirements of Section 1201 hereof, and subject to this Section 1202, the Indenture may be discharged in accordance with the provisions hereof,

and the Owners thereof shall thereafter be entitled to payment only out of the moneys or Government Obligations deposited with the Trustee as aforesaid.

Provision for payment of the Bonds Outstanding hereunder may not be made as aforesaid nor may this Indenture be discharged if under any circumstances the interest on such Bonds is thereby made subject to federal income taxation. In determining the foregoing, the Trustee may conclusively rely upon a favorable opinion of Bond Counsel.

**Section 1204. Payment of Bonds After Discharge.** Notwithstanding the discharge of the lien hereof as in this Article XII provided, the Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided herein. Thereupon it shall be the duty of the Trustee to comply with the Uniform Unclaimed Property Act, *N.J.S.A. 46:30B-1 et seq.*, with respect to such funds in accordance with the Trustee's escheat policies and procedures, which must not be in conflict with the Uniform Unclaimed Property Act, *N.J.S.A. 46:30B-1 et seq.* Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the State escheat laws. Any money held by the Trustee pursuant to this Section 1204 shall be held uninvested and without any liability for interest.

**Section 1205. Evidence of Signatures of Bondholders and Ownership of Bonds.** 1. Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Bondholders may be signed or executed 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 (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Bondholder or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, 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. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature, guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(2) The amount of Bonds transferable by delivery held by any Person executing any instrument as a Bondholder, the date of his holding such Bonds, and the numbers and other identification thereof, 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, trust company, insurance company, or financial corporation or other depository wherever situated, 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 with respect to Bonds owned by it, if acceptable to the Trustee. In addition to the foregoing provisions, the Trustee may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

2. The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be provided by the registry books.

3. Any request or consent by the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

**Section 1206. Moneys Held for Particular Bonds.** The amounts held by any Fiduciary for the payment of the interest or principal due on any date with respect to particular Series of Bonds or for particular Bonds within such Series of Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto.

**Section 1207. Preservation and Inspection of Documents.** All documents received by any Fiduciary under the provisions of this Indenture shall be retained in its possession for a period of seven (7) years and shall be subject at all reasonable times to the inspection of the Authority any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

**Section 1208. Parties Interest Herein.** Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any Person or corporation, other than the Authority, the County, the Fiduciaries and the Holders of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the County, the Fiduciaries and the Holders of the Bonds.

**Section 1209. No Recourse on the Bonds.** No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on this Indenture against any member or officer of the Authority or any Person executing the Bonds.

**Section 1210. Publication of Notice; Suspension of Publication.** 1. Any publication to be made under the provisions of this Indenture in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in a different Authorized Newspaper.

2. If, because of the temporary or permanent suspension of the publication or general circulation of any Authorized Newspaper or for any other reason, it is impossible or impractical to publish any notice pursuant to this Indenture in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Authority shall constitute a sufficient publication of such notice.

**Section 1211. Severability of Invalid Provisions.** If any one or more of the covenants or agreements provided in this Indenture on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture.

**Section 1212. Holidays.** Except with respect to the computation of a Record Date, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall be a legal holiday or a day on which banking institutions in the municipality in which is located the principal office of the Trustee or the operational offices of the Authority or the County are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

**Section 1213. Separate Financings.** Nothing contained in this Indenture shall be construed to prevent the Authority from acquiring, constructing or financing through the issuance of its bonds, notes, or other evidences of indebtedness any other public facilities or from securing such bonds, notes or other evidences of indebtedness by a mortgage of such public facilities so financed or by a pledge of, or other security interest in, the revenues thereunder or any lease or other agreement with respect thereto or any revenues derived from such lease or other agreement; provided that such bonds, notes, or other evidences of indebtedness shall not be payable out of or secured by the Revenues or any Fund held under this Indenture and neither the cost of such public facilities nor any expenditure in connection therewith or with the financing thereof shall be payable from the Revenues or from any such Fund hereunder.

**Section 1214. Notices and Demands.** All notices, demands or other communications provided for in this Indenture shall be in writing and shall be sent by facsimile transmission (confirmed, in writing, and hard copy to follow in the manner prescribed below) or shall be delivered personally, sent by certified or registered mail or by recognized overnight mail, to (i) the County at 164 West Broad Street, Bridgeton, New Jersey 08302, Attn: Chief Financial Officer, Fax No. (856) 451-0639; (ii) the Authority at The Cumberland County Improvement Authority, 2 North High Street, Millville, New Jersey 08332, Attn: President/Chief Executive Officer, Fax No. (856) 776-5391; (iii) the Trustee at U.S. Bank National Association, 333 Thornall Street, 4<sup>th</sup> Floor, Edison, New Jersey 08837, Attn:



Corporate Trust Services, Fax No. (732) 321-3982; and (iv) Bond Counsel to the Authority, Parker McCay P.A., 9000 Midlantic Drive, Suite 300, Mount Laurel, New Jersey 08054, Attn: Craig A. Gargano, Esq., Fax No. (856) 988-8167; or to such other representatives or addresses as the Authority, the County, the Trustee or Bond Counsel may from time to time designate by written notice to the parties hereto or beneficiaries hereof in accordance with this Section 1212.

**Section 1215. Headings.** The Article and Section headings in this Indenture are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Indenture.

**Section 1216. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State.

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## **ARTICLE XIII**

### **BOND FORM AND EFFECTIVE DATE**

**Section 1301. Form of Bonds.** Subject to the provisions of this Indenture, the form of the Bonds shall be substantially as follows:

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**UNITED STATES OF AMERICA  
STATE OF NEW JERSEY  
THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**

**COUNTY GUARANTEED LEASE REVENUE BONDS  
(COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018**

**No. R-**

**INTEREST RATE**

%

**CUSIP NUMBER**

23058P \_\_\_\_

**MATURITY DATE**

October 1, 20\_\_

**DATED DATE**

October \_\_, 2018

**AUTHENTICATION DATE**

October \_\_, 2018

**REGISTERED OWNER:** Cede & Co.

**PRINCIPAL SUM:**

(DOLLARS)

THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY, in the County of Cumberland, State of New Jersey ("Authority"), a public body corporate and politic organized and existing under and by virtue of the laws of the State of New Jersey ("State"), acknowledges itself indebted and for value received hereby promises to pay to the REGISTERED OWNER stated above, or registered assigns, the PRINCIPAL SUM stated above, on the MATURITY DATE stated above or on the date fixed for redemption, as the case may be, together with interest on such PRINCIPAL SUM from the date of this Series 2018 Bond (as hereinafter defined) until the Authority's obligation with respect to the payment of such PRINCIPAL SUM shall be discharged, at the INTEREST RATE per annum stated above on the fifteenth days of April and October, commencing October 1, 2019. This Series 2018 Bond (as hereinafter defined), as to principal, when due, will be payable at the principal corporate trust office of U.S. Bank National Association, 333 Thornall Street, 4<sup>th</sup> Floor, Edison, New Jersey. Interest on this Series 2018 Bond will be payable by check which will be mailed to the REGISTERED OWNER hereof whose name shall appear on the registration books of the Authority which shall be kept and maintained by the Bond Registrar hereinafter mentioned, as determined on the fifteenth days of March and September (whether or not a Business Day) ("Record Date"); provided, however, that a REGISTERED OWNER of \$1,000,000 or more in principal amount of the Series 2018 Bonds shall be entitled, upon three (3) Business Days' written notice to the Trustee in advance of the applicable Record Date, to receive interest payments by wire transfer of immediately available funds. Payment of the principal of and interest on this Series 2018 Bond shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This bond is one of the duly authorized issue of a Series of revenue bonds, each designated as "County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018" ("Series 2018 Bonds" or "Bonds") of the Authority, limited to the aggregate principal amount of \$\_\_\_\_\_ and authorized and issued under and pursuant to the

County Improvement Authorities Law, P.L. 1960, c.183, as amended ("Act"), and under and in accordance with a resolution of the Authority duly adopted September 26, 2018, entitled, "Bond Resolution of The Cumberland County Improvement Authority Authorizing the Issuance and Sale of Up to \$65,000,000 Aggregate Principal Amount of the Authority's County Guaranteed Lease Revenue Bond (County Correctional Facility Project), Series 2018, in One or More Series, on a Tax-Exempt Basis, Making Certain Determinations and Approvals with Respect to Said Bonds; and Authorizing Certain Actions" ("Bond Resolution") and an Indenture of Trust, dated as of November 1, 2018, between the Authority and U.S. Bank National Association, as trustee for the Series 2018 Bonds ("Indenture"). Copies of the Bond Resolution and Indenture are on file in the office of the Authority, 2 North High Street, Millville, New Jersey and at the principal corporate trust office of 333 Thornall Street, 4<sup>th</sup> Floor, Edison, New Jersey ("Trustee"), as trustee under the Indenture.

This Series 2018 Bond is a limited and special obligation of the Authority payable from the Revenues and secured by a lien on the Pledged Property (as defined in the Indenture) of the Authority and from any other moneys pledged therefor under the Indenture; provided, however, that the power and obligation of the Authority to cause application of such Pledged Property and other funds to the payment of the principal or Redemption Price of and the interest on the Series 2018 Bonds is subject to the terms of the Indenture. This Series 2018 Bond is also an obligation which is entitled to the benefit of a guaranty of the County of Cumberland, New Jersey ("County"), authorized pursuant to an ordinance of the County duly adopted on August 28, 2018 ("County Guaranty"), which County Guaranty secures the punctual payment when due of the principal of and interest on the Series 2018 Bonds.

The Series 2018 Bonds are issued in the form of Registered Bonds, without coupons, in book-entry only form in the denomination of \$5,000 each or any integral multiple thereof.

As defined in the Indenture, and for purposes of this Series 2018 Bond, "Business Day" shall mean any day that is not a Saturday, a Sunday or a legal holiday in the State or the State of New York or a day on which the Trustee, the Bond Registrar, any Paying Agent, the County or the Authority is legally authorized to close. All other terms used herein which are not defined shall have the meanings ascribed to such terms in the Indenture.

The Series 2018 Bonds maturing before October 1, 20\_\_ shall not be subject to optional redemption prior to maturity. The Series 2018 Bonds maturing on or after October 1, 20\_\_ shall be subject to redemption prior to maturity at the option of the Authority, to be exercised upon receipt of written notice to the Trustee and the Authority of prepayment from the County in accordance with the terms of the Lease Agreement, on or after October 1, 20\_\_, in whole or in part at any time, at any time in such order of maturity as the Authority may direct and within maturity by lot, at the redemption price redemption price equal to one hundred percent (100%) of the principal amount of the Series 2018 Bonds to be redeemed, together with interest accrued to the redemption date, upon notice as set forth below.

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Sinking Fund Redemption. The Series 2018 Bonds maturing on October 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the redemption date, on the following dates in the respective principal amounts set forth opposite such dates:

Redemption Date (October 1)	Principal Amount to be <u>Redeemed</u>
_____	\$ _____
*Final Maturity.	

The Series 2018 Bonds maturing on October 1, 20\_\_ are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the redemption date, on the following dates in the respective principal amounts set forth opposite such dates:

Redemption Date (October 1)	Principal Amount to be <u>Redeemed</u>
_____	\$ _____
*Final Maturity.	

Unless otherwise provided in the Indenture, if less than all of the Series 2018 Bonds of like maturity shall be called for prior redemption, the particular Series 2018 Bonds or portions of such Series 2018 Bonds to be redeemed shall be selected at random by the Trustee in such manner as the Trustee, in its sole discretion, may deem fair and appropriate; provided, however, that the portion of any such Series 2018 Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and that, in selecting portions of such Series 2018 Bonds for redemption, the Trustee shall treat each such Series 2018 Bond as representing that number of Series 2018 Bonds of \$5,000 denomination which is obtained by dividing by \$5,000 the principal amount of such Series 2018 Bond to be redeemed in part.

When the Trustee shall receive notice from the Authority of its election or direction to redeem the Series 2018 Bonds pursuant to Section 402 of the Indenture and when redemption of the Series 2018 Bonds is authorized or required pursuant to Section 403 of the Indenture, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2018 Bonds, which notice shall specify the maturities of the Series 2018 Bonds to be redeemed, the Redemption Price, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2018 Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2018 Bonds so to be redeemed, and, in the case of the Series 2018 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be

redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2018 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof in the case of the Series 2018 Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee, via first class mail, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the REGISTERED OWNERS of any Series 2018 Bonds or portions of the Series 2018 Bonds which are to be redeemed, at their last addresses appearing upon the registry books. Failure to give notice by mail, or any defect in notice to the REGISTERED OWNER of any Series 2018 Bonds which are to be redeemed shall not affect the validity of the proceedings for the redemption of any other Series 2018 Bonds.

So long as DTC or its nominee is the REGISTERED OWNER of the Bonds, notices of redemption shall be sent to DTC and not to any Beneficial Owners of the Bonds.

The Trustee shall also comply with any notice or other requirements of DTC to effectuate a redemption of Bonds. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice.

If, on the redemption date, moneys for the redemption of all the Series 2018 Bonds or portions thereof of any like maturity to be redeemed, together with interest thereon to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Series 2018 Bonds or portions thereof of such maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such notice of redemption shall be rescinded by the Trustee and shall be deemed to be null and void as if never given and such Series 2018 Bonds or portions thereof shall continue to bear interest until paid at maturity at the same rate as they would have borne had they not been called for redemption.

Pursuant to the Indenture, the Authority may hereafter issue Refunding Bonds for the purposes, in the amounts and on the conditions prescribed in the Indenture. All bonds issued and to be issued under the Indenture, including the Series 2018 Bonds and other Series of Refunding Bonds, are and will be equally secured by the pledge of Funds and Revenues provided in the Indenture except as otherwise provided in or pursuant to the Indenture.

To the extent and in the respects permitted by the Indenture, the provisions of the Indenture or any resolution amendatory thereof or supplemental thereto may be modified or amended by action taken on behalf of the Authority in the manner and subject to the conditions and exceptions which are set forth in the Indenture. The pledge of the Pledged Property and other obligations of the Authority under the terms of the Indenture may be discharged at or prior to the maturity or redemption of the Series 2018 Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Indenture.

This Series 2018 Bond is transferable, as provided in the Indenture, only upon the registration books of the Authority which are kept and maintained for that purpose at the

principal corporate trust office of U.S. Bank National Association, 333 Thornall Street, 4<sup>th</sup> Floor, Edison, New Jersey ("Bond Registrar"), as registrar under the Indenture, or its successor as Bond Registrar, by the REGISTERED OWNER hereof in Person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer which is satisfactory to the Bond Registrar and which is duly executed by the REGISTERED OWNER or by such duly authorized attorney, together with the required signature guarantee, and thereupon the Authority shall issue in the name of the transferee a new registered Series 2018 Bond or Series 2018 Bonds, of the same aggregate principal amount and series, designation, maturity and interest rate as the surrendered Series 2018 Bond as provided in the Indenture, upon payment of the charges therein prescribed. The Authority, the Trustee, the Bond Registrar and any Paying Agent of the Authority may treat and consider the Person in whose name this Series 2018 Bond is registered as the Holder and absolute Owner of this Series 2018 Bond for the purpose of receiving payment of the principal or Redemption Price of and interest due thereon and for all other purposes whatsoever.

Reference to the Bond Resolution, the Indenture, the Lease Agreement, the County Guaranty and the Act is made for a description of the nature and extent of the security for the Series 2018 Bonds, the Pledged Property, the Funds pledged for the payment thereof, the nature, manner and extent of the enforcement of such pledge, the rights and remedies of the Holders of the Series 2018 Bonds with respect thereto, the terms and conditions upon which the Series 2018 Bonds are issued and upon which they may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Authority, the County and the Trustee.

THE ACT PROVIDES THAT NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSON EXECUTING THE SERIES 2018 BONDS SHALL BE LIABLE PERSONALLY ON THE SERIES 2018 BONDS BY REASON OF THE ISSUANCE THEREOF.

THE SERIES 2018 BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR LIABILITY OF THE STATE OR ANY SUBDIVISION THEREOF (OTHER THAN THE AUTHORITY RELATING SOLELY TO THE PLEDGED PROPERTY, AND AS APPLICABLE UNDER AND LIMITED BY THE LEASE AGREEMENT AND THE COUNTY GUARANTY, THE COUNTY), AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF SAID STATE, OR OF ANY SUBDIVISION (OTHER THAN THE AUTHORITY RELATING SOLELY TO THE PLEDGED PROPERTY, AND AS APPLICABLE UNDER AND LIMITED BY THE LEASE AGREEMENT AND THE COUNTY GUARANTY, THE COUNTY), EITHER LEGAL, MORAL OR OTHERWISE. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON THE SERIES 2018 BONDS FROM THE REVENUES AND FUNDS PLEDGED THERETO. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE COUNTY, AS APPLICABLE, UNDER AND LIMITED BY THE COUNTY GUARANTY), IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2018 BONDS. THE AUTHORITY HAS NO TAXING POWER.

It is hereby certified and recited that all conditions, acts and things which are required by the Constitution or by the statutes of the State or by the Indenture to exist, to have

happened or to have been performed precedent to or in the issuance of this Series 2018 Bond exist, have happened and have been performed and that the Series 2018 Bonds, together with all other indebtedness of the Authority, are within every debt and other limit prescribed by said Constitution or statutes.

This Series 2018 Bond shall not be entitled to any security or benefit under the terms of the Indenture or be valid or obligatory for any purpose unless the certificate of authentication has been manually executed by the Trustee upon original issuance and thereafter by the Bond Registrar.

STATEMENT OF INSURANCE

(To be provided if applicable.)

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IN WITNESS WHEREOF, THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY has caused this Series 2018 Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman and its corporate seal to be affixed, impressed or reproduced hereon, and this Series 2018 Bond and such seal to be attested by the manual or facsimile signature of its Secretary, all as of the DATED DATE set forth above.

ATTEST:

THE CUMBERLAND COUNTY  
IMPROVEMENT AUTHORITY

\_\_\_\_\_  
, Secretary

BY: \_\_\_\_\_  
, Chairman

[SEAL]

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## **GUARANTY OF THE COUNTY OF CUMBERLAND, STATE OF NEW JERSEY**

Pursuant to the provisions of the Act, the payment of the principal of and interest on the within Bond is hereby **FULLY AND UNCONDITIONALLY GUARANTEED** by the County of Cumberland, State of New Jersey, and the County of Cumberland, State of New Jersey is unconditionally liable for the payment, when due, of the principal of and interest on said Bond in accordance with its terms.

**IN WITNESS WHEREOF**, the County of Cumberland, State of New Jersey, has caused this Guaranty to be executed on its behalf by the manual or facsimile signature of its Director or Deputy Director of its Board of Chosen Freeholders, and the seal of the County of Cumberland, State of New Jersey to be impressed, imprinted or otherwise reproduced hereon, all as of the date of the within Bond.

(SEAL)

**COUNTY OF CUMBERLAND,  
STATE OF NEW JERSEY**

By: \_\_\_\_\_, (Deputy) Director  
of the Board of Chosen Freeholders"

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**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ [PLEASE PRINT OR TYPE NAME, ADDRESS AND TAXPAYER IDENTIFICATION NO. OF ASSIGNEE] the within Series 2018 Bond and all rights hereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, as Attorney, to transfer the within Series 2018 Bond on the registration books of The Cumberland County Improvement Authority with full power of substitution and revocation.

NOTICE: The signature to this assignment must correspond with the name of the REGISTERED OWNER hereof as it appears upon the face of the within Series 2018 Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: \_\_\_\_\_

SIGNATURE GUARANTEE:  
(Medallion Guarantee Program Stamp)

\_\_\_\_\_

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**Section 1302. Form of Certificate of Authentication of Trustee or Bond Registrar.** The form of Certificate of Authentication by the Trustee or Bond Registrar on the Bonds shall be substantially as follows:

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the issue of County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018 of The Cumberland County Improvement Authority, described and delivered pursuant to the within-mentioned Indenture and being dated \_\_\_\_\_, 2018.

U.S. Bank National Association, as [Trustee]  
[Bond Registrar]

By: \_\_\_\_\_  
Authorized Signature

**Section 1303. Effective Date.** This Indenture shall take effect upon adoption in accordance with the Act, specifically *N.J.S.A. 40:37A-50(7)(e)*.

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**IN WITNESS WHEREOF**, the Authority has caused these presents to be signed in its name and behalf and attested by its duly Authorized Authority Officer, and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and behalf attested by its duly authorized officer, all as of the day and year first above written.

**THE CUMBERLAND COUNTY IMPROVEMENT  
AUTHORITY**

By: \_\_\_\_\_  
**GERARD VELAZQUEZ, III**  
**President/CEO**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

By: \_\_\_\_\_  
**RICK BARNES, Vice President**

Acknowledged:

**COUNTY OF CUMBERLAND, NEW JERSEY**

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

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**LEASE AGREEMENT**

**BETWEEN**

**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY**

**AND**

**COUNTY OF CUMBERLAND, NEW JERSEY**

**Dated as of November 1, 2018**

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THIS LEASE AGREEMENT, dated as of November 1, 2018 ("Lease Agreement"), between The Cumberland County Improvement Authority ("Authority"), a public body corporate and politic and a political subdivision of the State of New Jersey ("State"), and the County of Cumberland, New Jersey ("County"), a body politic and corporate of the State.

**WITNESSETH:**

**WHEREAS**, the Authority, a public body corporate and politic and a political subdivision of the State of New Jersey ("State"), organized and existing under the Act (as hereinafter defined) and created pursuant to a resolution of the Board of Chosen Freeholders of the County of Cumberland ("County") adopted on December 30, 1980, and any successor to its duties and functions, is authorized by the County Improvement Authorities Law, constituting Chapter 183 of the Laws of 1960 of the State of New Jersey, as amended and supplemented (*N.J.S.A. 40:37A-44 et seq.*) ("Act"), to provide within the County, public facilities (as defined in the Act) for use by the State, the County or any beneficiary county, or any municipality in the County, or any two (2) or more or any subdivisions, departments, agencies or instrumentalities of any of the foregoing for any of their respective governmental purposes; and

**WHEREAS**, the Authority is authorized by the Act, specifically *N.J.S.A. 40:37A-78*, to enter into and perform any lease or other agreement with a county, municipality, governmental unit or Person for the lease to or use by such county, municipality, governmental unit or person of all or any part of any public facility or facilities; and

**WHEREAS**, the County has determined to undertake a capital project consisting of the construction, furnishing and equipping of a new County correctional facility on a certain piece of real located in the City of Bridgeton, County of Cumberland, New Jersey ("Project Site"); and

**WHEREAS**, the County has requested assistance from the Authority for purposes of providing funding to pay: (i) the costs of acquisition of the Project Site; (ii) the costs of the development and construction of (a) an approximately 100,000 square foot, approximately 408-bed, County correctional facility (the "Correctional Facility") and (b) an approximately 25,000 square foot, three-story holding center and criminal courtroom facility (the "Holding Center Facility" and together with the Correctional Facility, the "Facility") on the Project Site; (iii) the costs of equipping of the Facility; (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility; (v) capitalized interest on any bonds, notes or other debt obligations issued by the Authority to finance the costs thereof; and (vi) the costs of issuance with respect to the proposed financing, all as further set forth in the information submitted to the Authority in connection therewith or as previously discussed among the parties (collectively, the "Project"); and

**WHEREAS**, the County has requested assistance from the Authority in the development and financing of the Project; and

**WHEREAS**, the Authority, in recognition of the importance of a new Facility for the County, has offered to provide support and assistance to the County with respect to facilitating the financing of the Project; and

**WHEREAS**, the Authority has determined, pursuant to the Act, to finance the costs of the Project through the issuance of one or more series (which may include at least one series of tax-exempt bonds and one series of federally taxable bonds) of its "County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018" in an aggregate principal amount not to exceed \$65,000,000 (the "Series 2018 Bonds"); and

**WHEREAS**, the Series 2018 Bonds will be issued pursuant to the terms of the Authority's bond resolution, adopted September 26, 2018, entitled "BOND RESOLUTION OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF THE AUTHORITY'S COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, IN ONE OR MORE SERIES, ON A TAX-EXEMPT BASIS; MAKING CERTAIN DETERMINATIONS AND APPROVALS WITH RESPECT TO SAID BONDS; AND AUTHORIZING CERTAIN ACTIONS", as amended, modified and supplemented (the "Bond Resolution"), the Act, and an Indenture of Trust, dated as of November 1, 2018 ("Indenture"), by and between the Authority and the Trustee (as hereinafter defined), and other applicable law; and

**WHEREAS**, the County, shall pursuant to an ordinance, *inter alia*, consent to the issuance of the Series 2018 Bonds, authorize the execution and delivery of this Agreement and acknowledge the terms of the Indenture; and

**WHEREAS**, in recognition of the importance of the Project, and to induce the prospective purchasers of the Bonds to purchase the same and provide additional security to the holders thereof, the County has determined, in accordance with an ordinance to be duly and finally adopted on August 28, 2018, pursuant to Section 37 of the Act, *N.J.S.A.* 40:37A-80, to unconditionally and irrevocably guaranty the punctual payment of the principal of and interest on the Bonds, when due, by the adoption of a guaranty ordinance ("County Guaranty"); and

**WHEREAS**, the Authority has applied to the Local Finance Board of the State Department of Community Affairs, Division of Local Government Services ("Local Finance Board"), pursuant to *N.J.S.A.* 40A:5A-6 and *N.J.S.A.* 40:37A-80, for positive findings for the undertaking and completion of the 2018 Project, the issuance of the Bonds to finance the costs thereof and for approval for the provision of the County Guaranty by the County and has received the requisite positive findings and approval from the Local Finance Board on August 8, 2018; and

**WHEREAS**, the Authority will, pursuant to the Act: (i) provide for the financing of the Costs (as hereinafter defined) of the Project by the issuance of the Series 2018 Bonds; (ii) utilize the proceeds of the Series 2018 Bonds to complete the Construction Project; and (iii) lease the Construction Project to the County pursuant to the terms and conditions set forth herein and in the Indenture; and

**WHEREAS**, pursuant to the terms of this Agreement, the County is required to make certain Lease Payments (as hereinafter defined) to the Authority on each Lease Payment Date (as hereinafter defined) in an amount equal to the Debt Service (as defined in the Indenture) on the Series 2018 Bonds due on the immediately succeeding Interest Payment Date (as hereinafter defined) and/or Principal Installment Date (as hereinafter defined), as the case may be; and

**WHEREAS**, all actions necessary and required under the Act for the approval of the Project, including, without limitation, obtaining the consent of the County to undertake the financing and the consent of the County to the County Guaranty and the review of and consent to such financing and such County Guaranty by the Local Finance Board of the Division of Local Government Services, State Department of Community Affairs, have been and/or will have been taken prior to the issuance of the Series 2018 Bonds; and

**WHEREAS**, the Authority and the County agree that their mutual public purposes and their best interests will be promoted by the execution and delivery of this Agreement pursuant to the powers conferred by the Act.

**NOW, THEREFORE**, the parties hereto mutually agree as follows:

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## ARTICLE I

### DEFINITIONS AND GENERAL PROVISIONS

**SECTION 1.01. Definitions.** The terms set forth in this Section 1.01 shall have the meanings ascribed to them for all purposes of this Lease Agreement unless the context clearly indicates some other meaning. Terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires.

**"Account"** or **"Accounts"** shall mean, as the case may be, each or all of the Accounts established and created under Article V of the Indenture.

**"Acquisition Fund"** shall mean the Fund so designated, created and established pursuant to Section 502(1) of the Indenture.

**"Act"** shall mean the County Improvement Authorities Law, constituting Chapter 183 of the Laws of 1960 of the State (*N.J.S.A. 40:37A-44 et seq.*), as amended and supplemented from time to time.

**"Additional Lease Payments"** shall mean all amounts payable by the County to the Authority under this Lease Agreement including, but not limited to, the annual Trustee's fee and annual Authority Administrative Expenses, professional fees incurred for any arbitrage calculation, arbitrage rebate expenses, and all direct and indirect costs and expenses incurred by the Authority related to the enforcement of the Indenture, this Lease Agreement and the County Guaranty, including reasonable attorneys' fees related thereto.

**"Additional Project"** shall mean any additions to the Construction Project or any enlargements thereof undertaken pursuant to Section 7.03 hereof.

**"Agreement"** or **"Lease Agreement"** shall mean this Lease Agreement, dated as of November 1, 2018, by and between the Authority and the County, together with any supplements and amendments thereto relating to the Project to be financed with the proceeds of the Series 2018 Bonds issued by the Authority.

**"Annual Authority Administrative Fee"** shall mean an annual fee for the general administrative expenses of the Authority for each Series of Bonds, due on each anniversary of the Issue Date until such time as such Series of Bonds are no longer Outstanding in an amount equal to the amount of the actual fees which have been paid or incurred by the Authority for legal, auditing and rebate requirements, if any, in connection with such Series of Bonds and all other services or actions of the Authority in connection with this Lease Agreement; provided, however, that any such amount in excess of \$5,000 shall require the prior written approval of the County.

**"Article"** shall mean a specified Article hereof, unless otherwise indicated.

**"Authority"** shall mean The Cumberland County Improvement Authority.

**"Authority Administrative Expenses"** shall mean any and all expenses of the Authority and its agents, professionals and employees incurred or to be incurred by or on behalf of the Authority in the administration of its responsibilities under the Indenture, the County Guaranty and this Lease Agreement, as applicable, including, but not limited to: (i) the Initial Authority Financing Fee; (ii) the Annual Authority Administrative Fee; (iii) all fees and expenses including, but not limited to, indemnification expenses, if any, incurred in connection with the issuance of any Bonds, the financing of the Project or the compelling of the full and punctual performance of the Bond Resolution, the Indenture, the County Guaranty and this Lease Agreement in accordance with the terms thereof and hereof; (iv) all fees and expenses including, but not limited to, indemnification expenses, if any, of counsel, auditors, insurers, Fiduciaries and others; and (v) any fees and expenses including, but not limited to, indemnification expenses, if any, incurred by the Paying Agent, the Bond Registrar or the Trustee or any or all Fiduciaries in connection with the performance of their respective fiduciary responsibilities under the Indenture, the County Guaranty and this Lease Agreement, all to the extent not capitalized pursuant to the requirements of the Indenture, which Authority Administrative Expenses shall be paid as Additional Lease Payments by the County.

**"Authorized Authority Representative"** shall mean any Person or Persons authorized to act on behalf of the Authority by a written certificate signed on behalf of the Authority by the Chairman or Vice Chairman of the Authority containing the specimen signature of each such Person.

**"Authorized County Representative"** shall mean any Person or Persons authorized to act on behalf of the County as shall be set forth in a written certificate signed on behalf of the County by the Freeholder Director of the County, which form of certificate is set forth as Exhibit D annexed hereto and incorporated by this reference herein.

**"Bond Counsel"** shall mean the law firm of Parker McCay P.A., Mount Laurel, New Jersey, or any other lawyer or firm of lawyers with experience and nationally recognized expertise in the field of municipal finance selected by the Authority and acceptable to the Trustee.

**"Bond Resolution"** shall mean the resolution adopted by the Authority on September 27, 2018 entitled "BOND RESOLUTION OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF THE AUTHORITY'S COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, IN ONE OR MORE SERIES, ON A TAX-EXEMPT BASIS; MAKING CERTAIN DETERMINATIONS AND APPROVALS WITH RESPECT TO SAID BONDS; AND AUTHORIZING CERTAIN ACTIONS", as the same may be amended, modified or supplemented in accordance with the provisions thereof.

**"Bond Year"** shall mean, with respect to the Series 2018 Bonds, each one (1) year period that ends on the day that is selected by the Authority. The first and last Bond Years may be short periods. If no day is selected by the Authority before the earlier of the final maturity date of the Series 2018 Bonds or the date that is five (5) years after the Issue Date, Bond Years shall end on each anniversary of the Issue Date and on the final maturity date of the Series 2018 Bonds. For each Series of Refunding Bonds, Bond Year shall be designated in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

**"Bonds"** shall mean the Series 2018 Bonds and any series of Refunding Bonds issued pursuant to a Supplemental Indenture.

**"Bondholder", "Holder of Bonds", "Holder" or "Owner"** shall mean any Person who shall be the Registered Owner of any Bond or Bonds.

**"Business Day"** shall mean any day that is not a Saturday, a Sunday or a legal holiday in the State or the State of New York or a day on which the Trustee, the Bond Registrar, any Paying Agent or the Authority is legally authorized to close.

**"Code"** shall mean the Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations promulgated thereunder.

**"Completion Certificate"** shall mean the certificate described in Section 4.05 hereof, executed by the County and the Authority, wherein, with respect to the Construction Project (including any Additional Project), the County certifies as to such matters as the Authority shall require.

**"Completion Date"** shall mean the date of completion of the Construction Project as stated in the Authority's Completion Certificate described in Section 4.05 hereof.

**"Construction Project"** shall mean: (i) the acquisition of the Project Site; (ii) the costs of the development and construction of the Facility on the Project Site; (iii) the costs of equipping of the Facility; and (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility.

**"Continuing Disclosure Agreement"** shall have the meaning given to such term in Section 5.13 of this Lease Agreement.

**"Cost" or "Costs"** shall mean and shall be deemed to include, with respect to the Project or any portion thereof, together with any other proper and reasonable item of cost not specifically mentioned herein, whether incurred prior to or after the date of this Lease Agreement: (i) the costs of payment of, or reimbursement for, the acquisition, improvement, installation and financing of such Project including, but not limited to, environmental or remediation costs, advances or progress payments, appraisals, engineering, design, site work, surveys, title insurance, demolition, construction and equipment costs, installation costs, administrative costs and capital expenditures relating to the Project, capitalized interest, financing payments, sales taxes, excise taxes, property taxes, costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recordation costs, printing costs for all documents, reproduction and binding costs, fees and charges of the Trustee pursuant to the Indenture, financing documents, legal fees and charges, financial, accounting and other professional consultant fees, the Initial Authority Financing Fee for a particular Series of Bonds, all professional and consulting fees and charges of the Authority and the County, costs of rating agencies, bond insurance, bond insurers or credit ratings, fees for the printing, execution, transportation and safekeeping of the Bonds, and any charges and fees in connection with any of the foregoing; (ii) all other costs which the County or the Authority shall be required to pay under the terms of any contract or contracts for the acquisition of the Construction Project including, but not limited to, the cost of insurance; (iii) any sums required to reimburse the

County for advances made for any of the above items, or for any other costs incurred and for work done, which is properly chargeable to the Construction Project; (iv) deposits in any Fund or Account under the Indenture, all as shall be provided in the Indenture; and (e) such other expenses not specified herein or in the Indenture as may be necessary or incidental to the construction of the Construction Project, the financing thereof and the placing of the same in use and operation. Cost as defined herein shall be deemed to include the cost and expenses incurred by any agent of the Authority or the County for any of the above-mentioned items or in connection with the administration and enforcement of this Lease Agreement, the Indenture, the Continuing Disclosure Agreement or the County Guaranty.

**"County"** shall mean the County of Cumberland, a body politic and corporate of the State.

**"County Guaranty"** shall mean the County's unconditional and irrevocable guaranty of the punctual payment when due of the principal of and interest on the Series 2018 Bonds duly adopted on August 28, 2018, pursuant to Section 37 of the Act (*N.J.S.A. 40:37A-80*), and entitled "AN ORDINANCE AUTHORIZING THE GUARANTY BY THE COUNTY OF CUMBERLAND, STATE OF NEW JERSEY OF COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000 IN BONDS ISSUED FOR THE PURPOSE OF FINANCING THE CONSTRUCTION OF A NEW COUNTY CORRECTIONAL FACILITY IN THE CITY OF VINELAND, CONSENTING TO THE UNDERTAKING AND FINANCING OF SUCH 2018 PROJECT BY THE AUTHORITY AND AUTHORIZING A PUBLIC HEARING THEREON ON AUGUST 28, 2018 AT 6:00 P.M. AND AUTHORIZING PUBLICATION THEREOF," as the same may be amended and supplemented in connection with the issuance of any other Series of Bonds pursuant to the provisions of the Indenture.

**"Debt Retirement Fund"** shall mean the Fund so designated, created and established pursuant to Section 502(6) of the Indenture.

**"Debt Service"** for any period shall mean, as of any date of calculation, with respect to a particular Series of Bonds, including the Series 2018 Bonds, an amount equal to the sum of: (i) the interest accruing during such period on such Series of Bonds except to the extent such interest is to be paid from deposits made from Bond proceeds into the Debt Service Fund; and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the immediately preceding Principal Installment due date or, if there should be no 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 original issuance of a particular Series of Bonds, whichever is later. Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that no Bonds Outstanding at the date of calculation shall cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. The calculations in the preceding sentence shall be made on the basis of a thirty (30) day month and a three hundred sixty (360) day year.



**"Debt Service Fund"** shall mean the Fund so designated, created and established pursuant to Section 502(5) of the Indenture.

**"Debt Service Requirement"** with respect to the next Interest Payment Date for any Series of Bonds shall mean: (i) in the case of an Interest Payment Date on which interest only shall be due, interest accrued and unpaid and to accrue to such date; and (ii) in the case of an Interest Payment Date on which both interest and a Principal Installment or Installments shall be due, interest accrued and unpaid and to accrue to such date plus the Principal Installment or Installments due on such date. The calculations in the preceding sentence shall be made on the basis of a thirty (30) day month and a three hundred sixty (360) day year.

**"Default Interest"** shall have the meaning given to such term in Section 308(2) of the Indenture.

**"Default Interest Payment Date"** shall have the meaning given to such term in Section 308(2) of the Indenture.

**"Event of Default"** shall mean a "default" or an "Event of Default" as defined in Section 8.01 hereof but not under the Indenture.

**"Favorable Opinion of Bond Counsel"** shall mean an opinion of Bond Counsel, addressed to the Authority, the County and the Trustee, to the effect that the action proposed to be taken is authorized or permitted by the Indenture, any Supplemental Indenture and the Act and will not adversely affect the exclusion of interest on such Series of Bonds from gross income for purposes of federal income taxation under Section 103 of the Code.

**"Fiduciary"** or **"Fiduciaries"** shall mean the Trustee, the Paying Agent, the Bond Registrar, the dissemination agent pursuant to the Continuing Disclosure Agreement (as defined in Section 5.13 hereof), if any, or any or all of them, as may be appropriate.

**"Fiscal Year"** shall mean the respective twelve (12) month fiscal periods of the County or the Authority, as applicable.

**"Fitch"** shall mean Fitch Ratings, Ltd., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

**"Fund"** or **"Funds"** shall mean, as the case may be, each or all of the Funds created and established in Section 502 of the Indenture; provided, however, that such Funds do not constitute "funds" in accordance with generally accepted accounting principles.

**"Indenture"** shall mean the Indenture of Trust, dated as of November 1, 2018, by and between the Authority and the Trustee, in connection with the issuance of the Series 2018 Bonds and any Series of Refunding Bonds.

**"Initial Authority Financing Fee"** shall mean, with respect to: (i) the Series 2018 Bonds, one-eighth of one percent of the aggregate principal amount of the bonds, and as set forth in the Indenture; and (ii) any Series of Refunding Bonds, the amount specified in the applicable Supplemental Indenture authorizing such Series of Bonds.

**"Interest Payment Date"** shall mean, with respect to the Series 2018 Bonds, each June 15 and December 15, commencing June 15, 2018 and such other dates as shall be established by a Supplemental Indenture authorizing a Series of Refunding Bonds. In the event an Interest Payment Date is not a Business Day, interest shall be paid on the next succeeding Business Day for interest accrued to the Interest Payment Date.

**"Issue Date"** shall mean, with respect to the Series 2018 Bonds, November \_\_, 2018, and any Series of Refunding Bonds, the date on which the Trustee authenticates the applicable Series of Bonds and on which such Bonds are delivered to the purchasers thereof upon original issuance.

**"Lease"** shall mean the lease by the Authority to the County of the Facility under the terms and conditions set forth herein.

**"Lease Documents"** shall mean this Lease Agreement, the Bond Resolution, the County Guaranty, the Indenture and all documents and instruments executed and delivered in connection herewith and therewith and all amendments and modifications thereto.

**"Lease Ordinance"** shall mean the ordinance, duly and finally adopted by the County on August 28, 2018, approving and authorizing the execution and delivery, among other things, of this Lease Agreement by the County and the performance of its obligations thereunder, including payment of Lease Payment obligations thereunder and Debt Service on any Bonds issued by the Authority in connection with the Project, including the Series 2018 Bonds, entitled "AN ORDINANCE OF THE COUNTY OF CUMBERLAND, STATE OF NEW JERSEY APPROVING AND AUTHORIZING THE ENTERING INTO, EXECUTION AND DELIVERY OF A LEASE AND AGREEMENT WITH THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY RELATING TO THE ISSUANCE OF COUNTY GUARANTEED LEASE REVENUE BONDS (COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018, OF THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY AND AUTHORIZING A PUBLIC HEARING THEREON ON AUGUST 28, 2018 AT 6:00 P.M. AND AUTHORIZING PUBLICATION THEREOF".

**"Lease Payment"** shall mean the sum of money representing principal and interest necessary to amortize Debt Service on the Series 2018 Bonds payable by the County on each Lease Payment Date, as set forth in Exhibit A annexed hereto and incorporated by this reference herein, as described in Section 5.02(A) hereof and redemption premium, if any, to the extent required to redeem the Series 2018 Bonds pursuant to Article IV of the Indenture and, as applicable, Additional Lease Payments payable by the County upon demand pursuant to Sections 5.02(A) and (B) hereof, respectively.

**"Lease Payment Date"** shall mean: (i) with respect to the Series 2018 Bonds, thirty (30) Business Days prior to the applicable Interest Payment Date, Principal Installment Date or Sinking Fund Installment due date, as the case may be; and (ii) such other dates determined in accordance with the Lease Agreement as may be set forth in a Supplemental Indenture authorizing any other Series of Refunding Bonds.

**"Lease Term"** shall mean the period during which this Lease Agreement is in effect as specified in Section 5.01 hereof.

**"Month"** shall mean a calendar month.

**"Moody's"** shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

**"Operating Fund"** shall mean the Fund so designated, created and established pursuant to Section 502(3) of the Indenture.

**"Outstanding"** when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

- (i) Bonds canceled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, together with interest to accrue thereon to the date of maturity or redemption date, shall be held in an irrevocable trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity date); provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as specified in Article IV of the Indenture;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII of the Indenture and as described in Section 1106 of the Indenture; and
- (iv) Bonds deemed to have been paid as provided in Section 1201 of the Indenture.

**"Person" or "Persons"** shall mean any individual, corporation, partnership, limited liability company, joint venture, trust or unincorporated organization or a governmental agency or any political subdivision thereof.

**"Prepayment"** shall mean any amounts received as prepayments of Lease Payments pursuant to Section 5.05 hereof and any other agreement with respect to any Additional Project.

**"Principal Installment"** shall mean, as of any date of calculation, and with respect to a particular Series of Bonds, so long as any Bonds thereof are Outstanding: (i) the principal amount of such Series of Bonds due on a certain future date for which no Sinking Fund Installments have been established plus any applicable redemption premium thereon, and (ii) any Sinking Fund Installments due on a certain future date for such Series of Bonds, if any, plus the amount of the sinking fund redemption premium, if any, which would be applicable upon redemption of such Series of Bonds on such future date in a principal amount equal to such Sinking Fund Installments.

**"Principal Installment Date"** shall mean: (i) with respect to the Series 2018 Bonds, each December 15, commencing December 15, 2021; or (ii) such other date as set forth in a Supplemental Indenture authorizing any other Series of Refunding Bonds. In the event a Principal Installment Date is not a Business Day, principal shall be paid on the next succeeding Business Day for the Principal Installment payable on the Principal Installment Date.

**"Proceeds"** shall mean any insurance, condemnation, performance bond, letter of credit, or any other financial guaranty proceeds paid with respect to the Project remaining after payment therefrom of all expenses incurred in the collection thereof and, with respect to insurance, if and at such time as the County elects to provide self-insurance under Section 7.05 of this Lease Agreement, any moneys payable from any self-insurance fund of the County which may lawfully be expended for the purposes for which such self-insurance is provided.

**"Proceeds Fund"** shall mean the Fund so designated, established and created pursuant to Section 502(4) of the Indenture.

**"Project"** shall mean the financing of the Costs associated with: (i) Construction Project; (ii) capitalized interest on any bonds, notes or other debt obligations issued by the Authority to finance the costs thereof; and (iii) the costs of issuance with respect to the proposed financing, all as further set forth in the information submitted to the Authority in connection therewith or as previously discussed among the parties.

**"Rebate Fund"** shall mean the Fund so designated, created and established pursuant to Section 502(7) of the Indenture.

**"Record Date"** shall mean: (i) with respect to the Series 2018 Bonds, June 1 and December 1 next preceding any Interest Payment Date, or such other date or dates as provided for in the Indenture; or (ii) such other dates as set forth in a Supplemental Indenture authorizing any other Series of Refunding Bonds.

**"Refunding Bonds"** shall mean any Bonds authenticated and delivered on original issuance pursuant to Section 205 of the Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII of the Indenture and as described in Section 1106 of the Indenture.

**"Registered Owner"** shall mean the Owner of any Bond which is issued in fully registered form, as determined on the Record Date, as reflected on the registration books of the Authority which shall be kept and maintained on behalf of the Authority at the principal corporate trust office of the Bond Registrar.

**"Series"** shall mean all of the Bonds authenticated and delivered upon original issuance and pursuant to the Indenture and any Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article III, Section 406 or after any action taken as provided in Articles XI and XII of the Indenture and as described in Section 1106 of the Indenture, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

**"Series 2018 Bonds"** shall mean all of the Bonds so designated, authenticated and delivered upon original issuance pursuant to the Bond Resolution and the Indenture and which are designated County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018.

**"Standard & Poor's"** or **"S&P"** shall mean Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, if any.

**"State"** shall mean the State of New Jersey or any successor to its duties and functions.

**"Supplemental Indenture"** shall mean any indenture of trust supplemental to or amendatory of the Indenture entered into by the Authority and the Trustee in accordance with Section 11 of the Indenture.

**"Trustee"** shall mean, with respect to the Series 2018 Bonds and any Series of Refunding Bonds issued under the Indenture, U.S. Bank, National Association, Edison, New Jersey, and its successors and assigns or any other bank, trust company or national banking association that at any time may be substituted in its place pursuant to the Indenture or appointed trustee pursuant to a Supplemental Indenture.

**"Underwriter"** shall mean the underwriter named in the bond purchase contract between the Authority and the underwriter, dated the date of sale of the Series 2018 Bonds.

**"Yield"** shall mean that yield which when used in computing the present worth of all payments of principal and interest on an obligation produces an amount equal to its purchase price. The Yield for the Bonds is to be computed in accordance with Treasury Regulations Section 1.148-4. The Yield on an investment is to be computed in accordance with Treasury Regulations Section 1.148-5.

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## ARTICLE II

### **REPRESENTATIONS AND WARRANTIES**

**SECTION 2.01. County's Representations and Warranties.** The County represents and warrants that:

(A) It is a duly formed and validly existing political subdivision of the State governed by the Constitution and laws of the State, with full power and legal right to enter into this Lease Agreement and to perform its obligations hereunder, under the County Guaranty and under any other Lease Documents to which it is a party.

(B) The adoption of the County Guaranty and the entering into of this Lease Agreement by the County and the performance of its obligations hereunder have been duly authorized by all necessary action of its governing body and does not violate or constitute, on the part of the County, a violation of, breach of or default under any agreement, indenture, mortgage, deed of trust, instrument or other document by which the County or any of its properties are bound or with respect to any law, statute, rule or regulation or, to the knowledge of the County, order of any court or governmental agency.

(C) This Lease Agreement constitutes a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to bankruptcy, insolvency or other similar laws or equitable principles affecting generally the enforcement of creditors' rights.

(D) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or, to the knowledge of the County, threatened, or any basis therefor, wherein an unfavorable decision, ruling or finding would: (i) result in any material adverse change in the financial condition, properties or operations of the County that would materially adversely affect the ability of the County to make Lease Payments; (ii) materially adversely affect the ability of the County to perform its obligations under this Lease Agreement; (iii) materially impair the Project; (iv) materially adversely affect the transactions contemplated by this Lease Agreement or the County Guaranty; or (v) adversely affect the validity or enforceability of the Series 2018 Bonds, the Bond Resolution, the Indenture, this Lease Agreement, the County Guaranty or any other documents related to the Project.

(E) Neither the execution and delivery of this Lease Agreement nor the fulfillment of or compliance with the terms and conditions contained herein is prevented, limited by, conflicts with or results in a breach of, the terms, conditions or provisions of: (i) any law, rule, regulation or, to the knowledge of the County, order of any court or governmental agency; or (ii) any agreement, instrument or evidence of indebtedness to which the County is bound, or constitutes a default under any of the foregoing. All consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the undertaking of the Project and the transactions contemplated hereby and by the other Lease Documents either have been obtained or are reasonably expected to be obtained in due course.

(F) All statements, representations and warranties made by the County in connection with the financing of the Project, the issuance of the Series 2018 Bonds, or the Lease

Documents or in any other document, agreement, certificate or instrument delivered or to be delivered by the County in connection with any of the foregoing shall be true, correct and complete in all material respects at the time they were made and on and as of the date of issuance of the Series 2018 Bonds, and no information has been or will be omitted which would make any of the foregoing misleading or incomplete.

(G) There has been no material adverse change in the financial condition or operation of the County not reflected in any financial statement, certificate or any other document submitted by the County to the Authority.

(H) No legislation has been enacted which in any way adversely affects the execution and delivery of this Lease Agreement or the adoption of the County Guaranty or the creation, organization or existence of the County or the titles to office of any officials thereof or the power of the County to carry out its obligations under this Lease Agreement.

(I) The County is not a party to any indenture, loan, any other agreement, resolution, contract, instrument, or subject to any restriction, which may reasonably be expected to have a material adverse effect on its properties, operations or conditions, financial or otherwise, or on its ability to carry out its obligations under this Lease Agreement or the County Guaranty.

(J) The County is not, as of the date hereof, in default or noncompliance in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party or by which it is bound or with respect to any law, statute, rule or regulation or, to the knowledge of the County, any judgment, writ, injunction or order of any court or governmental agency.

(K) The County has not taken and will not take any action and knows of no action that any other Person has taken or intends to take, which would cause this Lease Agreement or the County Guaranty to be invalid or unenforceable in whole or in part or which would cause the interest income on the Series 2018 Bonds to be includable in the gross income of the Holders thereof under the Code.

(L) The undertaking of the Project in the manner presently contemplated will not materially conflict with any current zoning, water, air pollution or other ordinances, orders, laws or regulations applicable thereto.

(M) The County shall annually levy the municipal tax rate on all property within the County in an amount sufficient and annually appropriate such amount for payment of its Lease Payment obligations hereunder (including, but not limited to, Debt Service on any Bonds issued by the Authority which are Outstanding under the Indenture, including the Series 2018 Bonds, and Additional Lease Payments).

(N) Any certificate signed by an Authorized County Representative and delivered to the Trustee or the Authority shall be deemed a representation and warranty by the County to the Trustee or Authority, as the case may be, as to the statements made therein.

**SECTION 2.02. Authority Representations and Findings.** The Authority hereby confirms its findings and represents that:

(A) It is a public body corporate and politic constituting an instrumentality of the State, duly organized and existing under the laws of the State, particularly the Act. The Authority is authorized to issue the Series 2018 Bonds in accordance with the Act and to use the proceeds from the sale of the Series 2018 Bonds construct the Facility to make the Lease to the County.

(B) The Authority has complied with the provisions of the Act and has full power and authority pursuant to the Act to consummate all transactions contemplated by this Lease Agreement, the Series 2018 Bonds, the Bond Resolution, the Indenture and any and all other agreements relating thereto and to issue, sell and deliver the Series 2018 Bonds as provided herein and in the Bond Resolution and the Indenture.

(C) Pursuant to the Bond Resolution duly adopted by the Authority and still in full force and effect, the Authority has duly authorized the execution, delivery and due performance of this Lease Agreement and the Series 2018 Bonds and the taking of any and all actions as may be required on the date hereof on the part of the Authority to carry out, give effect to and consummate the transactions contemplated by the Bond Resolution, the Series 2018 Bonds, the Indenture and this Lease Agreement. All approvals of the Authority necessary in connection with the foregoing have been received.

(D) The Series 2018 Bonds have been duly authorized, executed, issued, sold and delivered and constitute valid and binding limited and special obligations of the Authority, the principal of, redemption premium, if any, and interest on which are payable solely from the revenues and other moneys derived pursuant to this Lease Agreement and pledged therefor by the Indenture. The Series 2018 Bonds shall not be in any way a debt or liability of the State or of any political subdivision thereof other than the Authority (limited solely to the Pledged Property (as defined in the Indenture)) and, as applicable under and limited by this Lease Agreement and the County Guaranty, the County, and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision thereof other than the Authority (limited solely to the Pledged Property) and, as applicable under and limited by this Lease Agreement and the County Guaranty, the County, or be or constitute a pledge of the faith and credit of the State or of any political subdivision thereof other than, as applicable under and limited by this Lease Agreement and the County Guaranty, the County.

(E) The final adoption of the Bond Resolution and the execution and delivery of the Indenture, this Lease Agreement and the Series 2018 Bonds, and compliance with the provisions hereof and thereof, do not conflict with or constitute on the part of the Authority a violation of the Constitution of the State or a violation or breach of or default under its by-laws or any statute, indenture, mortgage, deed of trust, note agreement or other agreement or instrument to which the Authority is a party or by which the Authority is bound or, to the knowledge of the Authority, any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Authority or any of its activities or properties. All consents, approvals, authorizations and orders of governmental or regulatory authorities which are required to be obtained by the Authority for the consummation of the transactions contemplated hereby and thereby have been obtained.



(F) The Authority shall cause the Construction Project to be acquired and constructed in accordance with all federal, State and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality. The Authority shall acquire and complete the Construction Project and lease the same to the County pursuant to this Lease Agreement.

(G) The Authority shall apply the proceeds from the sale of the Series 2018 Bonds and the revenues derived under this Lease Agreement for the purposes specified and in the manner provided in this Lease Agreement and the Indenture.

(H) To the best knowledge of the Authority, there is no action, suit, proceeding or investigation at law or in equity, or before or by any court, public board or body pending or threatened against or affecting the Authority, or any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated hereby, or which in any way would materially adversely affect the validity of the Series 2018 Bonds, the Bond Resolution, the Indenture, this Lease Agreement, or any other agreement or instrument to which the Authority is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby or the exemption from taxation as set forth herein.

(I) Any certificate signed by an Authorized Authority Representative and delivered to the Trustee or the County shall be deemed a representation and warranty by the Authority to the Trustee or County, as the case may be, as to the statements made therein.

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## ARTICLE III

### **ISSUE OF SERIES 2018 BONDS; LEASE OF PROJECT**

**SECTION 3.01. Issue of the Series 2018 Bonds.** (A) The Authority shall issue, sell and deliver the Series 2018 Bonds in accordance with the terms of the Bond Resolution and the Indenture, subject to the execution of a bond purchase contract by and between the Authority and the Underwriter for the Series 2018 Bonds. The Authority, in its sole discretion, may, but shall not be required to, issue Refunding Bonds for any of the purposes as permitted by the Indenture.

(B) Upon original issuance of the Series 2018 Bonds, proceeds thereof, including accrued interest, if any, shall be paid to the Trustee and applied in accordance with an order of the Authority simultaneously with the delivery thereof as follows: (i) an amount equal to the accrued interest on the Series 2018 Bonds, if any, for deposit in the Debt Service Fund in an Account established for the Series 2018 Bonds; (ii) an amount representing costs of issuance on the Series 2018 Bonds, including the Initial Authority Financing Fee, for deposit in the Operating Fund and paid to the Authority in accordance with Section 505(2) of the Indenture; and (iii) the remaining Series 2018 Bond proceeds shall be deposited into the Acquisition Fund in an Account established for the Series 2018 Bonds and paid in accordance with Section 503 of the Indenture.

**SECTION 3.02. Lease of the Facility and Project Site.** The Authority hereby agrees to lease the Facility and the Project Site to the County and the County hereby agrees to take and lease the Facility and the Project Site from the Authority during the Lease Term, on the terms and conditions which are set forth in this Lease Agreement.

**SECTION 3.03. Benefit of Bondholders.** This Lease Agreement is executed in part to induce the purchase by others of the Bonds and, accordingly, all covenants, agreements and representations on the part of the County and the Authority, as set forth in this Lease Agreement, are hereby declared to be for the benefit of the Holders from time to time of the Bonds. As such, any of the Funds created under the Indenture and any moneys held therein shall be assigned by the Authority to the Trustee to secure repayment of the Bonds. The County, by execution hereof, consents to such assignment for the benefit of the Bondholders to secure repayment of the Bonds.

**SECTION 3.04. Compliance with Indenture.** The County covenants and agrees to do all things within its power to comply with and to enable the Authority to comply with all requirements of the Indenture, this Lease Agreement and any other Lease Documents to which the Authority is a party and to fulfill and to enable the Authority to fulfill all covenants of the Indenture and the Lease Documents.

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## ARTICLE IV

### **ACQUISITION AND CONSTRUCTION OF THE CONSTRUCTION PROJECT**

#### **SECTION 4.01. Acquisition and Construction of Construction Project.** (a)

The Authority and the County have agreed that the Authority shall construct the Construction Project in accordance with all federal and State laws applicable thereto. The County and the Authority agree that they shall use their respective best efforts to cause such construction of the Construction Project to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted; but if for any reason such acquisition and construction is delayed there shall be no diminution in or postponement of the amounts payable to the Authority by the County under this Lease Agreement.

(b) The Authority shall be responsible for the letting of contracts and for conducting the due diligence on the Construction Project, including appraisals, title work, environmental surveys, etc., and obtaining all consents, approvals, permits and the like in connection with or relating to the construction of the Construction Project.

(c) The County acknowledges that the Authority makes no warranties or representations and accepts no liabilities or responsibilities with respect to or for the adequacy, sufficiency or suitability of or defects in the Construction Project or any contracts or agreements with respect to the Construction Project. In no event shall the Authority be liable for any damages, incidental, direct, indirect, consequential or otherwise in connection with or arising out of the undertaking of the Project or this Lease Agreement.

**SECTION 4.02. Deposits to Acquisition Fund.** The net proceeds of the Series 2018 Bonds, less the proceeds deposited in the Debt Service Fund and the Operating Fund pursuant to the provisions of the Indenture and the written order of the Authority as to delivery of the Series 2018 Bonds pursuant to Section 202(1)(b) of the Indenture, will be deposited in the Acquisition Fund established under the Indenture and shall be used by the Authority for payment of Costs of the Construction Project or an Additional Project upon requisition by the Authority, which requisition shall be acknowledged and approved by the County (such approval not to be unreasonably withheld), as provided in Section 503 of the Indenture and Section 4.03 of this Lease Agreement. The Authority agrees that the sums so requisitioned from the Acquisition Fund will be used to pay the Costs of the Construction Project or an Additional Project. If for any reason the amount in the Acquisition Fund proves insufficient to pay all Costs of the Construction Project or an Additional Project, the County shall pay the remainder of such Costs in accordance with the provisions of Section 4.11 hereof. The Authority shall have the right to requisition payments from the Acquisition Fund upon compliance with the procedures set forth in this Section 4.02 and Section 4.03 hereof and Section 503 of the Indenture; provided that, during the continuance of an Event of Default (as defined in the Indenture), the Acquisition Fund shall be held for the benefit of Holders of the Series 2018 Bonds in accordance with the provisions of the Indenture and the Lease Documents.

**SECTION 4.03. Payments From Acquisition Fund.** The Authority has, in Section 503 of the Indenture, authorized and directed the Trustee to make payments from the Acquisition Fund to pay the Costs of the Construction Project or an Additional Project, or to

reimburse the Authority for any Cost of the Construction Project paid by it in accordance with a reimbursement resolution adopted by the Authority, upon receipt of a requisition signed by an Authorized Authority Representative and approved by an Authorized County Representative (which approval shall not be unreasonably withheld) stating with respect to each payment to be made: (i) the requisition number; (ii) that such payment is to be made from the Acquisition Fund; (iii) the name and address of the Person to whom payment is to be made by the Trustee, or if payment is to be made to the Authority for a reimbursable advance, the name and address of the Person to whom such advance was made together with proof of payment by the Authority; (iv) the amount to be paid, which amount represents the payment due to the Person referenced in clause (iii) above, or one hundred per centum (100%) of the payment previously made by the Authority; (v) the particular item of Cost to be paid to which the requisition relates; (vi) that each obligation, item of Cost or expense mentioned therein has been properly incurred, is an item of Cost of the Construction Project or an Additional Project, unpaid or unreimbursed, and is a proper charge against the Acquisition Fund and has not been the basis of any previously paid withdrawal or requisition; (vii) that the public contracts bidding and prevailing wage laws (including, but not limited to, those required pursuant to the Act), applicable to the contract pursuant to which payment is being requested have been complied with; (viii) if such payment is a reimbursement to the Authority for Costs or expenses incurred (a) by reason of work performed or supervised by officers or employees of the Authority and/or (b) as annual administrative costs associated with the implementation of the Construction Project, that the amount to be paid does not exceed the actual cost thereof to the Authority; (ix) that no uncured Event of Default has occurred under this Lease Agreement or the Indenture; (x) the Authority has not received notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the Persons named therein or, if any of the foregoing has been received, it has been released or discharged or will be released or discharged upon payment of the requisition; and (xi) in the event there are not sufficient funds available to pay such requisition from the maturity of any Investment Securities, instructions specifying the Investment Security or Securities which should be liquidated for the payment thereof. The Authority agrees with the County as a condition precedent to the disbursement of any portion of the Acquisition Fund to comply with the terms of this Lease Agreement and the Indenture and to furnish the Trustee with a requisition form substantially in the form set forth as Exhibit B annexed hereto and incorporated by this reference herein.

**SECTION 4.04. Cooperation in Furnishing Documents.** The County agrees to cooperate with the Authority in furnishing to the Trustee any documents that are required to effect payments out of the Acquisition Fund in accordance with Section 4.03 hereof and Section 503 of the Indenture. Such obligation is subject to any provisions of the Indenture requiring additional documentation with respect to such payments and shall not extend beyond the moneys in the applicable Account in the Acquisition Fund available for payment under the terms of the Indenture.

**SECTION 4.05. Completion Date.** Upon completion of the Construction Project or an Additional Project, the Authority shall deliver to the Trustee and the County the Authority's Completion Certificate, the form of which is annexed hereto as Exhibit C and incorporated by this reference herein, which completion certificate shall be acknowledged and approved by the County (such approval not to be unreasonably withheld) and which Completion Certificate shall evidence completion of the Construction Project or an Additional Project, and in

compliance with the provisions of Section 503(4) of the Indenture shall state: (i) that such Construction Project or Additional Project is complete or has been substantially completed; (ii) the date of such completion of the Construction Project or Additional Project; (iii) the Cost of all labor, services, materials and supplies used in the Construction Project or Additional Project have been paid or will be paid from amounts retained by the Trustee, at the Authority's direction, for any Cost of the Construction Project or an Additional Project and the amount, if any, required, in the opinion of the signer or signers, for the payment of any remaining part of the Cost of such Construction Project or Additional Project or any portion thereof, not then due and payable or, if due and payable, not yet paid; (iv) the Construction Project or Additional Project is an authorized "project" under the Act; and (v) all permits, including a Certificate of Occupancy, if required, necessary for the utilization of the Construction Project or Additional Project have been obtained and are in effect. Notwithstanding the foregoing, the Authority's Completion Certificate may state that it is given without prejudice to any rights against third parties which exist at the date of the Completion Certificate or which may subsequently come into being. Any amount remaining in the Acquisition Fund thereafter (except for amounts therein sufficient to cover Costs of the Construction Project or an Additional Project, not then due and payable or not then paid) shall be applied by the Trustee in the manner set forth in Section 503(4) of the Indenture. If for any reason the amount in the Acquisition Fund proves insufficient to pay all Costs of the Construction Project or an Additional Project, the County shall pay the remainder of such Costs in accordance with the provisions of Section 4.11 hereof.

**SECTION 4.06. Bonds Not to Become Arbitrage Bonds.** As provided in Article VI of the Indenture, the Trustee will invest moneys held by the Trustee as directed by the Authority, in writing, upon written request from the County. The County hereby covenants to the Authority and to the Holders of the Series 2018 Bonds that, notwithstanding any other provision of this Lease Agreement or any other instrument, it will neither make, instruct the Authority to make nor require the Trustee to make any investment or other use of the Acquisition Fund or other proceeds of the Series 2018 Bonds which would cause the Series 2018 Bonds to be arbitrage bonds under Section 148 of the Code, and that it will comply with the requirements of such Section throughout the term of the Series 2018 Bonds.

**SECTION 4.07. Restriction on Use of Acquisition Fund.** The Authority and the County shall not use or direct the use of moneys from the Acquisition Fund in any way, or take or omit to take any other action, so as to cause the interest on any Series 2018 Bonds to become subject to federal income tax.

**SECTION 4.08. Due Diligence Requirement.** Except to the extent otherwise approved by a Favorable Opinion of Bond Counsel, such opinion being paid for by the County and addressed to the Trustee, the Authority and the County, and being satisfactory to the County, the Authority shall reasonably expect to have completed the Project with due diligence and caused all of the proceeds of the Series 2018 Bonds to be expended for Costs of the Project or to be transferred from the Acquisition Fund and applied as described in Section 4.09 hereof and Section 503(4) of the Indenture within three (3) years of the date of issuance of the Series 2018 Bonds.

**SECTION 4.09. Completion of Construction Project or Additional Project; Excess Bond Proceeds.** When the Authority certifies to the Trustee and the County, in the manner provided in Section 4.05 hereof and in Section 503(4) of the Indenture, that the construction of the Construction Project or an Additional Project is complete, excess Bond

proceeds remaining in the Acquisition Fund shall be applied by the Trustee, at the written direction of an Authorized County Representative, in accordance with the provisions of Section 503(4) of the Indenture. If for any reason the amount in the Acquisition Fund proves insufficient to pay all Costs of the Construction Project or an Additional Project, the County shall pay the remainder of such Costs in accordance with the provisions of Section 4.11 hereof.

**SECTION 4.10. Default in Performance.** If there is an event of default by any contractor or any party under any contract made in connection with the Construction Project or an Additional Project, the Authority will promptly proceed, either separately or in conjunction with others, to exhaust the remedies against the party so in default and against each surety for the performance of such party. The Authority agrees to advise the County, in writing, of the steps it intends to take in connection with any such default. The Authority may, in good faith, with the approval of the County and at the cost and expense of the County, prosecute or defend any action or proceeding or take other action involving any such party which the Authority deems reasonably necessary and which may be required for the successful completion of the Construction Project or an Additional Project, and in such event, the County hereby agrees to cooperate fully with the Authority. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall be deposited into the Acquisition Fund and shall be used to complete the Construction Project or an Additional Project or shall be deposited into the Proceeds Fund and shall be applied by the Trustee as a credit toward the County's Lease Payments in accordance with the provisions of Section 507 of the Indenture, as shall be determined in accordance with written instructions from the County.

**SECTION 4.11. Sufficiency of Bond Proceeds; Completion of the Project.**

(A) The County agrees that the proceeds of sale of the Series 2018 Bonds will be sufficient to pay the estimated Costs of the Project. In the event the Costs of the Project shall exceed the amount available in the Acquisition Fund from such Series 2018 Bond proceeds, the County is obligated to pay, as additional payments under Section 5.02(B)(ii) hereof, such sums as may be required to pay the Costs of the Project in excess of the amount available from the proceeds of the sale of the Series 2018 Bonds out of funds legally available therefor. Payment of such additional amounts shall be made by the County at the time or times and in the amount or amounts required for the payment of such excess Costs as the same become due and payable. Such additional moneys shall be paid by the County to the Trustee for deposit in the Acquisition Fund and the Trustee shall pay the Costs thereof in accordance with the procedures outlined in Section 4.03 hereof.

(B) In the event the County pays to the Trustee sums needed to fund the balance of the Costs of the Project in accordance with the provisions of Section 4.11(A) hereof, the County shall complete Exhibit E attached hereto to reflect: (i) the amount of moneys to be withdrawn from the Acquisition Fund to pay the Costs of the Project; (ii) the amount of money forwarded to the Trustee by the County for deposit in the Acquisition Fund to make up the deficiency in such Costs of the Project; (iii) the total Cost of the item being requisitioned; and (iv) such other information required to be completed therefor as contained as Exhibit E, which certificate shall be completed by the County, approved by the Authority and filed with the Trustee.

## ARTICLE V

### **TERM AND PAYMENTS**

**SECTION 5.01. Lease Term.** This Lease Agreement shall remain in full force and effect from the date hereof until the date on which the principal or Redemption Price of and interest on the Bonds and any and all other Costs of the Authority with respect to the Project shall have been fully paid or provision for the payment thereof shall have been made as provided in the Indenture, and the County shall have satisfied and performed all other covenants, agreements and obligations made or undertaken by the County under this Lease Agreement, at which time the Authority shall release and cancel this Lease Agreement. At such time, the Authority shall transfer all right and title to the Construction Project, which shall include both the Project Site and the Facility, to the County free and clear of any lien or encumbrance, other than any liens encumbrances which shall be specifically consented to by the County.

The obligations of the County to make Lease Payments under this lease is subject to annual appropriation, payable solely from the available revenues of the County. The obligation of the County to make any such Lease Payments does not constitute a debt or liability of the County, or of any other agency, department or political subdivision of the State. In the event that the County fails to appropriate sufficient funds to meet any of its obligations under this Lease Agreement, the County, pursuant to the County Guaranty, shall be obligated to levy *ad valorem* taxes on all taxable property within the jurisdiction of the County without limitation as to rate or amount pursuant to the County Guaranty to pay, when due, the principal of and interest on the Series 2018 Bonds.

**SECTION 5.02. Payments.** (A) **Lease Payments.** The County agrees to repay the Lease in an amount which is equal to that portion of the principal of, redemption premium, if any, and interest on the Bonds. The County agrees to pay to the Trustee, in immediately available funds, at the address shown on Exhibit F annexed hereto and incorporated by this reference herein or at such other address as the County may be notified, on each Lease Payment Date, an amount in accordance with the schedule of Lease Payments set forth in Exhibit A annexed hereto and incorporated by this reference herein, which will equal the County's Lease Payment obligation which is to be applied to the Debt Service payable on the Series 2018 Bonds on the immediately succeeding Interest Payment Date and/or Principal Installment Date, as applicable; provided, however, that with respect to the Lease Payments required to be paid pursuant to this Section 5.02, no Lease Payments shall be payable on any Lease Payment Date to the extent the Debt Service payable on such Lease Payment Date shall be paid or provided for under the Indenture from the proceeds of the Bonds designated therefor by the Authority or from the income derived from the investment of amounts in the Funds or other amounts available in the Debt Service Fund established by and maintained under the Indenture.

(B) **Additional Lease Payments.** In addition to the Lease Payments required by paragraph (A) of this Section 5.02, the County agrees to pay the following additional amounts to the Trustee:

(i) The County shall pay to the Trustee, as the same shall become due and payable at any time during the Lease Term, on any Lease Payment Date or thirty (30) days after demand by the Trustee, such sums as represent Additional Lease Payments including, but

not limited to, Authority Administrative Expenses and any other amounts due hereunder, as shall have been submitted by the Authority, in writing, to the Trustee, with a copy to the County. Specifically, but not by way of limitation, the County agrees to pay to, or upon the order of, the Authority (a) on or before the Issue Date, the Initial Authority Financing Fee with respect to the Series of Bonds being issued by the Authority; and (b) on each anniversary of the Issue Date with respect to each Series of Bonds until such time as such Series of Bonds are no longer Outstanding, the Annual Authority Administrative Fee;

(ii) The County shall pay to the Trustee amounts required to be paid by the County pursuant to Section 4.11 hereof; and

(iii) in the event the County fails to make any Lease Payment or Additional Lease Payment in accordance with the provisions of this Section 5.02 on its due date, the County shall pay interest (to the extent permitted by State law) on such overdue Lease Payment or Additional Lease Payment at the highest rate per annum borne by any of the Bonds until paid, which interest shall be paid directly to the Authority.

(C) Payment Credits. Pursuant to the provisions of the Indenture, the County shall be notified annually by the Trustee, in writing, of: (i) the amounts arising from investment earnings, not later than January 1 of each year; (ii) the amounts deposited in the Debt Service Fund from the Acquisition Fund representing excess Bond proceeds of the any series of Bonds pursuant to Section 4.09 hereof and Section 503(4) of the Indenture, not later than January 1 of each year; (iii) proceeds of any insurance award as a result of damage or condemnation of the Construction Project pursuant to Sections 7.06 and 7.07 hereof; and (iv) all other amounts deposited in the Debt Service Fund pursuant to the provisions of this Lease Agreement and the Indenture to be applied as a credit toward the County's Lease Payment obligations, not later than January 1 of each year. In the event a dispute arises between the Authority and the County with respect to the amount of the Lease Payments due and owing by the County or the amount of credits to be applied toward the Lease Payments of the County, such dispute shall be resolved by the Authority, exclusively in reliance upon information and statements provided by the Trustee to the Authority, and the Trustee shall have no obligation with respect thereto (except to the extent that the Trustee is obligated to provide statements showing such information). The County is obligated to pay all amounts which constitute Lease Payments as set forth in Exhibit A hereto and Additional Lease Payments which are due under this Lease Agreement, less any payment credits provided by the terms of this subsection (C).

**SECTION 5.03. Application/Assignment of Payments.** (A) The Lease Payments provided for in paragraph (A) of Section 5.02 hereof and any Additional Lease Payments provided for in clauses (i) and (ii) of paragraph (B) of Section 5.02 hereof shall be paid to and assigned to the Trustee for the account of the Authority and applied as provided in this Lease Agreement and the Indenture.

(B) The interest, if any, due thereon pursuant to clause (iii) of paragraph (B) of Section 5.02 hereof shall be paid directly to the Authority.

**SECTION 5.04. Obligations Unconditional.** The obligations of the County to make payments required under Section 5.02 hereof and all other payments required under this Lease Agreement, as well as to perform its other obligations under this Lease Agreement, shall



be absolute and unconditional without counterclaim, recoupment, defense or set-off by reason of any default by any party under any contract for the Construction Project or by the Authority under this Lease Agreement or under any other agreement, if any, between the County and the Authority. Except as may be expressly provided herein or in the Indenture, such payments shall not be decreased, abated, postponed or delayed for any reason whatsoever including, without limiting the generality of the foregoing, failure to commence or complete the Construction Project, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Construction Project, the taking of any part of the Construction Project, frustration of purpose, failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease Agreement, it being the intention of the parties that the payments required of the County hereunder will be paid in full when due without any delay or diminution whatsoever. Notwithstanding the above, any payment made under protest by the County to the Authority shall be made without prejudice to the right of the County to proceed against the Authority, or the defaulting party as a result of the foregoing.

Notwithstanding anything in this Lease Agreement to the contrary, the cost and expense of the performance by the County of its obligations under this Lease Agreement and the incurrence of any liabilities of the County under this Lease Agreement including, without limitation, the obligation for the payment of all Lease Payments and all other amounts required to be paid by the County under this Lease Agreement is subject to annual appropriation by the County. In the event that the Lease Payments, and such other amounts required to be paid by the County under this Lease Agreement, are not paid, the County shall be obligated to levy *ad valorem* taxes on all taxable property within the jurisdiction of the County without limitation as to rate or amount to pay the principal of, and interest on, the Series 2018 Bonds when due pursuant to the County Guaranty.

**SECTION 5.05. Prepayments.** To the extent the Bonds are subject to redemption under the Indenture, the County shall have the option to prepay in full or in part the unpaid balance of the Lease, together with the redemption price, if any, on the Bonds, and accrued interest to the redemption date, upon written notice to the Trustee and the Authority of its intention to prepay the Lease, which notice shall comply, in all respects, with the provisions of Sections 402 and 405 of the Indenture. The County shall pay to the Trustee the amount of the Prepayment on a date at least thirty (30) days prior to the redemption date identified in the notice referred to herein for deposit by the Trustee in the Debt Retirement Fund to be applied to the redemption of the applicable series of Bonds in accordance with Section 509 of the Indenture.

In addition, pursuant to Section 205 of the Indenture, the Authority shall have the right to effectuate a refunding of the Bonds through the issuance of Refunding Bonds, and the County shall consent, in a writing addressed to the Authority, to the issuance of such Refunding Bonds prior thereto.

**SECTION 5.06. Payment on Termination of Lease Agreement.** The Authority agrees that, upon termination of this Lease Agreement, after first deducting any moneys due to the Authority for the Authority Administrative Expenses incurred or accruing or for the Annual Authority Administrative Fee, or due to the Fiduciaries for fees and expenses of the same, and so long as no Series 2018 Bonds remain Outstanding and payment therefor has been provided for in full, the Authority shall direct the payment to the County of all moneys or

securities held by the Trustee for the account of the Authority pursuant to the Indenture and this Lease Agreement. If such expenses are not fully met from such payment by the Trustee to the Authority, the County shall immediately reimburse the Authority therefor.

**SECTION 5.07. Indemnification of Authority.** Both during the Lease Term and thereafter, to the extent permitted by State law, the County shall indemnify and hold the Authority harmless against, and the County shall pay, any and all liability, loss, cost, damage, claims, judgment or expense, of any and all kinds or nature and however arising: (i) other than as a result of the gross negligence or willful misconduct of the Authority, its members, professionals, officers, agents, servants or employees, which the Authority may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed, or upon or arising out of contracts entered into by the Authority relating to the Construction Project, or arising out of the use, operation or maintenance of the Construction Project pursuant to this Lease Agreement; or (ii) other than as a result of the gross negligence or willful misconduct of the Authority, its members, professionals, officers, agents, servants or employees, out of or caused by any untrue or misleading statement of a material fact relating to the County in Appendix A of the Official Statement, dated November \_\_, 2018, prepared in connection with the issuance of the Series 2018 Bonds ("Official Statement") or any omission of any material fact relating to the County in Appendix A in the Official Statement. It is mutually agreed by the County and the Authority that neither the Authority nor its members, professionals, officers, agents, servants or employees shall be liable in any event for any action performed or omitted to be performed under this Lease Agreement and that the County shall save the Authority harmless from any claim or suit of whatsoever nature arising hereunder except for such claims or suits arising as a result of the Authority's active negligence or willful misconduct. This provision shall survive the end of the Lease Term and the final maturity of the Series 2018 Bonds.

The County, at its own cost and expense, shall defend any and all such claims, suits and actions which may be brought or asserted against the Authority, its members, professionals, officers, agents, servants or employees relating to the performance of its obligations hereunder; but this provision shall not be deemed to relieve any insurance company which has issued a policy of insurance as may be provided for in this Lease Agreement from its obligation to defend the County, the Authority, the Trustee and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy. The Authority and the County agrees that each shall give the opposing party and the Trustee prompt notice, in writing, of the its actual and/or constructive knowledge of the filing of each such claim and the institution of each such suit or action.

The Authority agrees that it:

- (i) shall give the County prompt notice, in writing, of the Authority's actual and/or constructive knowledge of the filing of each such claim and the institution of each such suit or action;
- (ii) shall not, without the prior written consent of the County, adjust, settle or compromise any such claim, suit or action; and
- (iii) shall permit the County to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

Notwithstanding the foregoing, the County shall keep the Authority informed as to the progress of any suit, claim or action, and the County shall not reach a final settlement, adjustment or compromise without the Authority's prior approval, which approval shall not be unreasonably withheld.

Any cost for attorneys' fees in situations where it is necessary for the Authority to engage its own attorneys, experts' testimony costs and all costs to defend the Authority or any of its members, professionals, officers, agents, servants or employees with respect to matters arising hereunder shall be paid to the Authority by the County and shall constitute an Additional Lease Payment pursuant to Section 5.02(B)(i) hereof.

**SECTION 5.08. Nature of Obligations of the Authority.** The cost and expense of the performance by the Authority of any of its obligations under this Lease Agreement shall be limited to the availability of the proceeds of the Series 2018 Bonds of the Authority issued for such purposes or from other funds received by the Authority under this Lease Agreement and available for such purposes.

**SECTION 5.09. Financial Reports.** The County covenants to provide annually to the Authority within sixty (60) days after the same become available: (i) current financial statements; (ii) as evidence of appropriation, the adopted budget for the ensuing Fiscal Year; and (iii) such other financial information relating to the ability of the County to continue to meet its obligations under this Lease Agreement as may be reasonably requested by the Authority and/or the Trustee.

**SECTION 5.10. Performance Bonds and Other Financial Guaranty.** To the extent required in connection with the undertaking of the Construction Project, any performance bond or bonds, letter of credit or other form of financial guaranty shall be executed by a responsible surety company qualified to do business in the State and shall in each case be in an amount not less than one hundred percent (100%) of the contract price. Any performance bond, letter of credit or other form of financial guaranty provided pursuant to this Section 5.10 shall be made payable to the County, the Authority and the Trustee, as their respective interests may appear. The Proceeds from any performance bond provided pursuant to this Section 5.10 shall be paid over to the Trustee for deposit into the Proceeds Fund and may be applied toward the Costs of the Project or as a credit toward the Lease Payment obligations of the County hereunder in accordance with the provisions of Section 506(1) and (2) of the Indenture.

**SECTION 5.11. Net Lease Agreement.** This Lease Agreement shall be deemed and construed to be a "net Lease Agreement", and the County shall pay absolutely net during the Lease Term the Lease Payments and all other payments required under this Lease Agreement, free of all deductions, without abatement, diminution and set-off, except as otherwise specifically provided for hereunder.

**SECTION 5.12. County Notice; Appropriation for Lease Payments.** The County shall provide to the Authority and the Trustee, on an annual basis as long as any Debt Service payments on the Series 2018 Bonds remain unpaid, within five (5) Business Days after the adoption of a temporary appropriation and/or the filing of the annual budget, as introduced by the County, with the Division of Local Government Services, a certificate of the Chief Financial Officer of the County ("Budget Certificate") certifying that the temporary appropriation and/or

the annual budget contains a line item which represents an amount due under this Lease Agreement for all Lease Payment obligations due from the County during the County's Fiscal Year (including, but not limited to, Debt Service on the Series 2018 Bonds and Additional Lease Payments) and evidencing the tax levy at least equal to that amount per \$100 of equalized assessed value of property within the County which shall be sufficient to pay all Lease Payment obligations due from the County (including, but not limited to, Debt Service on the Series 2018 Bonds and Additional Lease Payments) and which shall be deposited in the general fund of the County. Such Budget Certificate shall have attached a copy of the page of the temporary appropriation and/or the annual budget on which the line item appears and evidencing the tax levy at least equal to that amount per \$100 of equalized assessed value of property within the County which shall be sufficient to pay all County Lease Payment obligations hereunder (including, but not limited to, Debt Service on the Series 2018 Bonds and Additional Lease Payments) and which shall be deposited in the general fund of the County. The County shall also provide to the Trustee and the Authority, within five (5) Business Days thereof, notice of any revisions to such line item. In the event such Budget Certificate is not received by the Trustee within sixty (60) days following the beginning of the County's Fiscal Year or the Trustee has actual knowledge that the County has revised its budget without submitting a Budget Certificate or that the tax levy is not sufficient to pay all County Lease Payment obligations hereunder (including, but not limited to, Debt Service on the Series 2018 Bonds and Additional Lease Payments), the Trustee shall promptly notify the Authority of such event(s) and the Authority may take immediate action to cause all Lease Payments to be timely paid by the County. For the purposes of this Section 5.12, the Trustee shall be deemed to have actual knowledge only if an officer of the corporate trust department of the Trustee has actual knowledge thereof.

By execution hereof, the County expressly acknowledges the Authority's right to bring an action for immediate *ex parte* injunctive relief or other judicial proceeding to compel the County to provide payments pursuant to the County Guaranty.

**SECTION 5.13. Secondary Market Disclosure.** The County covenants that, as it is an Obligated Person pursuant to Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission in accordance with the Securities Exchange Act of 1934, as amended ("Rule"), with respect to any series of Bonds, it will execute and deliver a Continuing Disclosure Agreement to be entered into with Phoenix Advisors, LLC, Bordentown, New Jersey, acting as dissemination agent ("Continuing Disclosure Agreement"), which Continuing Disclosure Agreement will set forth the obligation of the County to file budgetary, financial and operating data on an annual basis and notices of certain enumerated material events as required to comply with and in accordance with the provisions of the Rule.

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## ARTICLE VI

### **SPECIAL COVENANTS**

**SECTION 6.01. Compliance with Laws and Regulations.** The County will, at its own cost and expense, promptly comply with, or cause to be complied with, all laws, rules, regulations and other governmental requirements, which may be applicable to the County, the Project or the use or manner of use of the Construction Project provided that the County shall not be required to so comply during the period when the need to so comply is being contested in good faith and by proper proceedings and will not result in a material, adverse detriment to the Construction Project and provided further that such contest will not result in a forfeiture or reversion of title. The County will also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Construction Project provided that the County shall not be required to so comply during the period when the need to so comply is being contested in good faith and by proper proceedings and provided further that it will not result in a material, adverse detriment to the Construction Project or result in a forfeiture or reversion of title.

**SECTION 6.02. Covenant Against Waste.** The County covenants not to do or suffer or permit to exist any waste, damage, disfigurement or injury to, or public or private nuisance upon, the Construction Project.

**SECTION 6.03. Right of Inspection.** The County covenants and agrees to permit the Authority and the authorized agents and representatives of the Authority to inspect the Construction Project at all reasonable times during regular business hours for the purpose of inspecting same, upon not less than twenty-four (24) hours prior notice from the Authority, except that entry may be made at any time without notice in the event of an emergency.

**SECTION 6.04. Condition of the Construction Project.** The Authority makes no representations whatsoever in connection with the condition of the Construction Project, and the Authority shall not be liable for any defects therein.

**SECTION 6.05. Assignment of Lease Agreement by the County.** This Lease Agreement may not be assigned in whole or in part by the County without the prior written consent of the Authority and upon receipt by the Authority of a Favorable Opinion of Bond Counsel to the effect that any such assignment shall not adversely affect the exclusion from federal income taxation of interest on the Outstanding Bonds. No such disposition or assignment shall relieve the County from primary liability for any of its obligations hereunder, and in the event of any such disposition or assignment the County shall continue to remain solely liable for the payments specified in this Lease Agreement and for performance and observance of the other agreements on its part herein provided.

**SECTION 6.06. Sale, Lease or Sublease.** (A) The County shall not sell, exchange, transfer, lease or sublease the Construction Project, or any portion thereof or interest therein, without: (i) the prior written consent of the Authority, which request by the County for such consent by the Authority to any such conveyance shall include written documentation that the procedures outlined in paragraph (B) below have been complied with; and (ii) the receipt by the Authority of a Favorable Opinion of Bond Counsel to the effect that such sale, exchange,

transfer, lease or sublease will not adversely affect the exclusion from federal income taxation of interest on the Outstanding Bonds. No sale, exchange, transfer, lease or sublease shall have any adverse effect upon this Lease Agreement or affect or reduce the County's obligations hereunder or thereunder or under the County Guaranty.

(B) In the event of a conveyance, through sale, exchange, transfer or other disposition, of title to or a lesser interest in any lands acquired by the County with the proceeds of the Bonds, the County shall evidence compliance with the provisions of *N.J.S.A. 40:12-15.4*, and any amendments thereto, or any successor statute, including: (i) the conduct by the County of at least one public hearing on such conveyance; (ii) a finding contained in a resolution adopted by the governing body of the County that any land previously acquired by the County is required for another public use; (iii) any land conveyed or exchanged must be replaced by land of at least equal fair market value and of reasonably equivalent usefulness, size, quality and location to the land being conveyed or exchanged; and (iv) that any such conveyance or exchange must be made in accordance with the provisions of the Local Lands and Buildings Law (*N.J.S.A. 40A:12-1 et seq.*), as amended, or any applicable successor statute.

(C) Any moneys received by the County from the conveyance or exchange of any such lands undertaken in accordance with the provisions hereof shall be deposited in the Debt Service Fund held by the Trustee and shall be applied as a credit toward the County's Lease Payment obligations in accordance with the provisions of Sections 508 of the Indenture and used to pay Debt Service on the Bonds.

**SECTION 6.07. Cooperation by the County.** The County, by notice in writing signed by an Authorized County Representative, shall keep the Authority informed of anticipated needs for money to pay the Cost of the Project and the County shall give the Authority its full cooperation and assistance in all matters relating to financing of the Cost of the Project.

The County agrees that it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Authority, such information concerning the County and the Project, the operations and finances of the County and such other matters necessary to enable the Authority to complete and publish an Official Statement relating to the sale of a series of Bonds, if any, or to enable the Authority to make any reports required by law or governmental regulations.

**SECTION 6.08. Full Faith and Credit Pledge.** The County unconditionally and irrevocably pledges its full faith and credit and covenants to exercise its unlimited taxing powers for the punctual payment of the principal and redemption premium, if any, of the Lease, the interest on the Lease and all other amounts due under this Lease Agreement according to the terms hereof.

**SECTION 6.09. Compliance With Laws.** The parties to this Lease Agreement agree to comply with all laws of the State or other governmental bodies or entities having jurisdiction over the County, the Project or this Lease Agreement and applicable to the performance of this Lease Agreement.

**SECTION 6.10. Covenant not to Affect the Tax-Exempt Status of the Bonds.** The County hereby covenants not to take or omit to take any action so as to cause interest on the Bonds to be no longer excluded from gross income for the purposes of federal income taxation

and to otherwise comply with the requirements of Section 103 and 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of the Bonds. The County further covenants that it will make no investment or other use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" (as defined in Section 148 of the Code). The County further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in Section 148(f) of the Code and any regulations promulgated thereunder, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable. The County further covenants not to cause the Bonds to become "private activity bonds" (within the meaning of Section 141 of the Code).

**SECTION 6.11. Affirmative Covenants.** So long as the Bonds remain Outstanding, the County shall, unless the Authority shall otherwise consent in writing:

- (a) Preserve and maintain its legal existence, rights, franchises and privileges.
- (b) Comply with the requirements of all applicable laws, rules, regulations, ordinances and orders of any governmental authority, the non-compliance with which would reasonably be expected to materially and adversely affect its operations or financial condition, provided that the County shall not be required to so comply during the period when the need to so comply is being contested in good faith and by proper proceedings.
- (c) Maintain and preserve, or cause to be maintained and preserved, in good working order and condition (the latter to the extent applicable) the Construction Project or any portion thereof necessary or useful in the proper conduct of its operation.
- (d) Maintain and keep in effect or cause to be maintained and kept in effect any approvals, licenses, permits and similar documents necessary in the proper conduct of its operations at or related to the Construction Project.
- (e) Acquire, operate, use and maintain the Construction Project in accordance with all applicable federal, State and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter including, but not limited to, the Americans With Disabilities Act, workers' compensation, sanitary, safety, non-discrimination and zoning laws, ordinances, rules and regulations as shall be binding upon the County and which might adversely affect its activities or its financial condition.
- (f) Furnish to the Authority and the Trustee the following:
  - (i) no later than sixty (60) days after the receipt and acceptance thereof by the County, a detailed audit report for the preceding Fiscal Year, certified by certified independent public accountants selected by the County, presenting the County's revenues and expenses at the close of the preceding Fiscal Year and the results of its operations during said Fiscal Year; and
  - (ii) as soon as possible, and in any event within five (5) days, after the occurrence of each Event of Default (as such term is defined herein pursuant to Section 8.01 hereof) hereunder within the knowledge of the County, or each event within the knowledge of

the County which, with the giving of notice or lapse of time, or both, would constitute an Event of Default hereunder, a statement of an Authorized County Representative setting forth details of such Event of Default or event(s) and the action which the County proposes to take with respect thereto.

(g) Raise moneys in the annual tax levy to be applied to and deposited in the general fund of the County, as shall be sufficient to make the Lease Payments hereunder to enable the Authority to amortize Debt Service on the Bonds as long as the same are Outstanding.

**SECTION 6.12. Delivery of Documents.** Concurrently with the delivery of this Lease Agreement and the issuance of a series of Bonds, the County shall cause to be delivered to the Authority each of the following items:

- (i) opinions of County Solicitor and County Bond Counsel in form and substance satisfactory to the Authority;
- (ii) counterparts of this Lease Agreement as previously executed by the parties hereto;
- (iii) copy of the Lease Ordinance of the governing body of the County authorizing the execution and delivery of this Lease Agreement and related applicable matters, certified by an Authorized County Representative, together with the record of proceedings thereof;
- (iv) the Lease Documents duly executed by the respective parties thereto;
- (v) copy of the Continuing Disclosure Agreement, if applicable; and
- (vi) copy of the County Guaranty, certified by an Authorized County Representative;
- (vii) such other certificates, documents, opinions and information as the Authority may reasonably require in connection with the execution, delivery and implementation of this Lease Agreement, the County Guaranty, the financing of the Project and the issuance of the Bonds.

**SECTION 6.13. Information.** The County agrees, whenever reasonably requested by the Authority or the Trustee, to provide and certify or cause to be provided and certified such information concerning the Project, the County and its financial condition, and other topics as the Authority may reasonably request and, further, the County assures that the records and accounts of the County shall at all reasonable times be subject to inspection and use of the Authority and the Trustee and their respective agents and attorneys.

**SECTION 6.14. Rebate Covenant.** (A) Within forty-five (45) days of the end of each fifth anniversary date of the issuance of the Bonds, the Authority shall retain or cause the County to retain a firm of certified public accountants or a financial consulting firm which is experienced in the calculation of the amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code or the penalty amount in lieu of rebate elected by



the Authority under Section 148(f)(4)(C)(vii) of the Code ("Financial Consultant"), to compute the amount rebatable or payable as a penalty to the United States of America, if any, and will cause to be delivered to the Trustee an opinion of such Financial Consultant concerning its conclusions with respect to the amount rebatable or payable as a penalty to the United States of America, together with a written summary of the calculations thereof. The County shall pay to the Trustee at such times as required under the Code an amount equal to the amount rebatable or payable as a penalty to the United States of America for deposit by the Trustee into the Rebate Fund. To the extent the amounts on deposit in the Rebate Fund as of any date of computation are less than the amount rebatable or payable as a penalty to the United States of America, the County shall immediately pay the amounts necessary to the Trustee for deposit in the Rebate Fund.

(B) The amounts in the Rebate Fund shall be applied at the times and in the amounts required under the Code solely for the purpose of paying the United States of America in accordance with Section 148(f) of the Code.

(C) With respect to the Bonds, the County covenants and agrees that it will comply with the requirements of the Code relating to the investment restrictions on the proceeds of the Bonds and the calculation of the amount rebatable or payable as a penalty to the United States of America and payment thereof under the Code.

(D) The Authority shall have the right at any time and from time to time, in its sole and absolute discretion, to obtain from the County and the Trustee the information necessary to determine the amount to be paid to the United States. Additionally, the Authority may: (i) review or cause to be reviewed any determination of the amount to be paid to the United States made by or on behalf of the County; and (ii) make or retain a Financial Consultant to make the determination of the amount to be paid to the United States of America. The County hereby agrees to be bound by any such review or determination, to pay the costs of such review including, without limitation, the reasonable fees and expenses of any professional including, but not limited to, counsel or Financial Consultants retained by the Authority, and to pay to the Trustee any additional amounts for deposit in the Rebate Fund required as the result of any such review or determination.

(E) Notwithstanding any provision of this Section 6.14 to the contrary, the County shall be liable, and shall indemnify and hold the Authority harmless against any liability, for payments due to the United States pursuant to Section 148(f) of the Code. Further, the County specifically agrees that the Authority shall not be held liable, or in any way responsible, for any mistake or error in the filing of the payment or the determination of the amount due to the United States of America or for any consequences resulting from any such mistake or error.

(F) The Authority and the County recognize that the provisions of this Section 6.14 are intended to comply with Section 148 of the Code and if, as a result of a change in such Section of the Code or in the interpretation thereof, a change in this Section 6.14 shall be permitted or necessary to assure continued compliance with Section 148 of the Code, then with written notice to the Trustee, the Authority and the County shall be empowered to amend this Section 6.14 and the Authority may require, by written notice to the County and the Trustee, the County to amend, and the County hereby agrees to consent to, comply with and be bound by any such amendment to this Section 6.14 to the extent necessary or desirable to assure compliance

with the provisions of Section 148 of the Code; provided that either the Authority or the Trustee shall require, prior to any such amendment becoming effective, at the sole cost and expense of the County, a Favorable Opinion of Bond Counsel satisfactory to the Authority to the effect that either (i) such amendment is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid and payable on the Bonds or (ii) such amendment shall not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid or payable on the Bonds.

(G) Notwithstanding anything herein or in the Indenture to the contrary, the obligations of the County under the provisions of this Section 6.14 shall survive the payment, redemption or defeasance of the Bonds until the expiration of all statutes of limitations applicable to the Authority with respect to the Bonds and Section 148 of the Code.

**SECTION 6.15. Negative Covenants.** So long as the Bonds remain Outstanding, the County shall not, without the written consent of the Authority:

(a) Amend, modify, terminate or supplement, or permit the amendment, modification, termination or supplementation of, this Lease Agreement.

(b) With respect to any part of the Construction Project, enter into any management or operating contract with a term greater than twelve (12) months with any entity or Person, without the prior written consent of the Authority.

(c) Permit any action to occur which would be in direct violation of any and all applicable federal, State and municipal laws, ordinances, rules and regulations now in force or hereinafter enacted, including the Act and regulations of the Authority promulgated thereunder and the regulations of the State Department of Environmental Protection.

**SECTION 6.16. Third Party Beneficiaries.** The County agrees that the covenants, representations and warranties set forth herein are for the benefit of the Authority, Bondholders and the Trustee.

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## ARTICLE VII

### **INSURANCE; DAMAGE, DESTRUCTION AND CONDEMNATION**

**SECTION 7.01. Operation, Maintenance and Repair.** During the Lease Term, the Authority shall be responsible for maintaining, preserving and keeping the Construction Project in good repair, working order and condition and protect the same from deterioration and for making all necessary repairs and replacements thereto in compliance with the requirements of applicable laws, ordinances and regulations and the requirements of any insurance or self-insurance program required under Section 7.05 hereof. During the Lease Term, the County shall be responsible for reimbursing the Authority for any and all reasonable costs it incurs for its obligations contained in this Section 7.01, which reimbursements shall be treated as Additional Lease Payments. Neither the Authority nor the Trustee shall have any obligation in any of these matters, or for the making of improvements or additions to the Construction Project.

**SECTION 7.02. Utilities, Taxes and Governmental Charges.** The County will pay or cause to be paid any and all charges for the operation and maintenance of the Construction Project including, but not limited to, as applicable, water, electricity, light, heat or power, sewage, utility service, rendered or supplied upon or in connection with the Construction Project during the Lease Term.

In addition, the County shall: (i) pay, or make provision for payment of, all lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any federal, State or any municipal government upon the Authority or the County with respect to or upon the Construction Project, or any part thereof, or upon any payments hereunder when the same shall become due; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Construction Project; (iii) not create or suffer to be created any lien or charge upon the Construction Project, or any part thereof, or upon the payments in respect thereof pursuant to this Lease Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon the Construction Project, or any part thereof, or upon any payments hereunder and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments hereunder. The County shall, to the extent permitted by law, undertake all reasonable action necessary to obtain and preserve the legal exemption of the Construction Project from the levy of taxes and assessments.

**SECTION 7.03. Additions, Enlargements and Improvements.** (A) The County shall, with the prior written approval of the Authority, have the right at any time and from time to time during the Lease Term, at its own cost and expense, to make such enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, the Construction Project as the County shall deem necessary or desirable in connection with the use of the Construction Project; provided, however, that prior to making any such enlargements, improvements and expansions to, or repairs, reconstruction or restorations of, the Construction Project, the County shall obtain all necessary permits and approvals relating to the same. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the operation, maintenance or value of the Construction Project. The cost of any such additions,

enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so the Construction Project shall at all times be free of liens for labor and materials supplied thereto.

**SECTION 7.04. Additional Rights of the County.** The Authority agrees that the County shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense such equipment and personalty in or upon the Construction Project as may, in the County's judgment, be necessary and advisable for its purposes. It is further understood and agreed that anything erected or installed under the provisions of this Section 7.04 shall be and remain the personal property of the County and shall not become part of the Construction Project, and may be removed, altered or otherwise changed as long as such removal does not cause substantial damage to the Construction Project, upon or before the termination of this Lease Agreement.

**SECTION 7.05. Insurance.** With respect to the Construction Project, or any portion thereof, as the case may be, the County hereby assumes the entire risk of loss thereof from any and every cause whatsoever including, but not limited to, damage to or the destruction of the Construction Project, or any portion thereof, by fire or any other casualty or the taking of title to or the temporary use of the Construction Project, or a portion thereof, as the case may be, or the interest of the County therein under the exercise of the power of eminent domain by any governmental body *de jure* or *de facto* or by any Person, firm or corporation acting under governmental authority. At its own expense, the County shall cause casualty, public liability and all-risk property damage insurance to be carried and continuously maintained, or shall demonstrate (upon request) to the satisfaction of the Authority that adequate self-insurance is provided with respect to the Construction Project sufficient in the aggregate to cover the full replacement cost of the Construction Project or to pay the applicable value thereof, and to protect the Authority and the Trustee from liability in all events. Any casualty or property damage insurance policies shall include a standard non-contribution mortgagee clause in favor of and satisfactory to the Trustee and any liability insurance shall be for the benefit of the Trustee and the Authority as named insureds, as their interests may appear. All policies shall require that not less than thirty (30) days' written notice of cancellation or material change will be given to the Trustee. The Authority and the Trustee agree to accept allocated value blanket insurance policies, provided however, that any casualty or property damage insurance policies maintained pursuant to this Section 7.05 shall be so written or endorsed as to make losses, if any, with respect to the Construction Project payable to the Trustee and applied as provided in Sections 7.06 or 7.07 hereof, as applicable. The County will provide a copy of a blanket insurance policy or policies to the Authority as evidence of such coverage. If the County maintains a program of self-insurance for similar properties, the County may insure the Construction Project in its self-insurance program and provide an adequate insurance fund to pay losses.

The County agrees to deliver annually to the Authority and the Trustee not later than December 15 of each year a certificate dated as of December 1 of such year setting forth not less than the following: (i) a schedule of all insurance policies then in effect, including the names of the insurance companies, the risks covered, the periods for which such policies are in effect and the amounts of any coverage and the deductibles, if any; (ii) if certain risks are covered by self-insurance programs of the County, a schedule identifying what risks are so covered; and (iii) a statement that all such insurance policies or self-insurance programs comply with the provisions of this Section 7.05 and are in full force and effect. The Authority and the County agree that the

Trustee shall be entitled to reasonably rely upon said certificate as to the County's compliance with the insurance requirements without further inquiry. The Authority and the County understand that the Trustee makes no representation as to and shall have no responsibility for the sufficiency or adequacy of the insurance.

The Trustee shall promptly notify the Authority if such certificate is not received by December 31 of each year. All insurance policies shall be held by the County and shall be open to the inspection of the Trustee and its representatives at all reasonable times, although absent contrary directions from the Authority, no such inspection shall be required of the Trustee. The net proceeds of the insurance required in this Section 7.05 shall be applied as provided in Sections 7.06 and 7.07 hereof.

**SECTION 7.06. Damage or Destruction.** The County agrees to immediately notify the Authority and the Trustee in the case of damage to or destruction of the Construction Project (or any portion thereof) resulting from fire or other casualty during the Lease Term. So long as no Event of Default has occurred and is continuing hereunder, the County may, with the prior consent of the Authority (which consent shall not be unreasonably withheld), either: (i) repair, reconstruct and restore the Construction Project (or any portion thereof) or request the Authority to repair, reconstruct and restore the Construction Project (or any portion thereof) at the County's cost and expense; or (ii) undertake an Additional Project, subject to the conditions set forth in Section 7.03 of this Lease Agreement and Section 503 of the Indenture. In such event, the County shall proceed forthwith to either repair, reconstruct and restore the Construction Project (or any portion thereof), or request the Authority to repair, reconstruct and restore the Construction Project (or any portion thereof) at the County's cost and expense, to substantially the same condition as existed prior to the event causing such damage or destruction or undertake an Additional Project in accordance with the provisions of this Section 7.06. As long as no Event of Default has occurred and is continuing hereunder, any such net proceeds of insurance relating to such damage or destruction shall be deposited in the Acquisition Fund and applied by the Trustee, and used as directed by the County, for the payment of the Cost of such repair, reconstruction and restoration or such Additional Project, in the same manner and upon the same conditions as set forth in the Indenture for the payment of the Cost of the Construction Project. Any proceeds of insurance remaining following the repair and restoration of the Construction Project or the undertaking of any Additional Project shall be transferred by the Trustee upon written direction of an Authorized County Representative, as approved by an Authorized Authority Representative, and applied as a credit toward Lease Payments of the County in accordance with the provisions of Section 503(2) of the Indenture. The County shall complete the repair, reconstruction and restoration of the Construction Project (or any portion thereof) or the undertaking of any Additional Project, whether or not the proceeds of the insurance proceeds received by the County are sufficient to pay for the same.

In the event the Authority does not consent to the repair, reconstruction and restoration of the Construction Project (or portion thereof) or the undertaking of any Additional Project pursuant to the terms of this Section 7.06 then, in such event, the County shall be under no obligation to repair, reconstruct and restore the Construction Project (or portion thereof) or to undertake such Additional Project and the net proceeds of insurance relating to such damage or destruction shall be deposited in the Debt Service Fund and applied by the Trustee in accordance with the provisions of the Indenture with respect thereto.

If an Event of Default has occurred and is continuing hereunder, any such proceeds of insurance shall be deposited with the Trustee in the Debt Service Fund and shall be applied by the Trustee in accordance with the provisions of Section 903 of the Indenture.

**SECTION 7.07. Condemnation.** This Lease Agreement and the interest of the County in the Construction Project (or any portion thereof) which is condemned or taken for any public or quasi-public use shall be terminated when title thereto vests in the party condemning or taking the same (hereinafter referred to as the "termination date"). The County hereby irrevocably assigns to the Authority, all right, title and interest of the County in and to the net proceeds of any award, compensation or taking during the Lease Term. Such award shall be initially paid to the Authority for disbursement as hereinafter provided.

So long as no Event of Default has occurred and is continuing hereunder, the County shall use the net proceeds of the award made in connection with such condemnation or taking for replacement of the Construction Project (or such portion thereof) or undertaking an Additional Project and the County shall proceed forthwith to replace the Construction Project (or such portion thereof) or undertake such Additional Project. In such event, any such net proceeds shall be deposited in the Acquisition Fund for application by the Trustee to pay the Cost of such replacement or the undertaking of such Additional Project, in the same manner and upon the same conditions set forth in the Indenture for the payment of the Cost of the Construction Project (or such portion thereof). Any proceeds of an award remaining following replacement of the Construction Project (or such portion thereof) or undertaking any Additional Project as provided herein shall be transferred by the Trustee upon written direction of an Authorized County Representative, as approved by an Authorized Authority Representative, and applied as a credit toward Lease Payments of the County in accordance with the provisions of Section 503(2) of the Indenture. The County shall complete the replacement of the Construction Project (or such portion thereof) or the undertaking of any Additional Project, whether or not the net proceeds of the condemnation award which are received by the County are sufficient to pay for same.

If an Event of Default has occurred and is continuing hereunder, any such condemnation award shall be deposited with the Trustee in the Debt Service Fund and shall be applied by the Trustee in accordance with Section 903 of the Indenture.

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## ARTICLE VIII

### **EVENTS OF DEFAULT AND REMEDIES**

**SECTION 8.01. Events of Default.** An "Event of Default" or a "default" shall mean, whenever such word or words are used in this Lease Agreement, any one or more of the following events:

(a) Failure by the County to pay or cause to be paid when due the payments required to be paid under Section 5.02(A) hereof;

(b) Failure by the County to pay when due any payments (other than payments under Section 5.02(A) hereof) to be made under this Lease Agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the County by the Authority or the Trustee;

(c) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed (other than as referred to in subsections (a) and (b) of this Section 8.01), which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the County by the Authority or the Trustee, unless the notifying party shall agree, in writing, to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the notifying party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is remedied; and provided further that the failure of the County to comply with the provisions of Section 5.13 hereof or the Continuing Disclosure Agreement shall not constitute an event of default hereunder;

(d) The entering of an order or decree appointing a receiver with the consent or acquiescence of the County or the entering of such order or decree without the acquiescence or consent of the County if it shall not be vacated, discharged or stayed within sixty (60) days after its entry; or

(e) A petition is filed by or against the County under any federal or State bankruptcy or insolvency law or other similar law in effect on the date of this Lease Agreement or thereafter enacted, unless in the case of any such petition filed against the County such petition shall be dismissed within thirty (30) days after filing and such dismissal shall be final and not subject to appeal; or the County shall become insolvent or bankrupt or make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee) of the County or any of its property shall be appointed by court order or take possession of the County's property or assets if such order remains in effect or such possession continues for more than thirty (30) days.

The foregoing provisions of subsection (c) of this Section 8.01 are subject to the following limitations: if by reason of acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders of any kind of the government of the United States or of the State or any department, agency, political subdivision or official of either of them, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, blizzards, or other storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, partial or entire failure of utilities, or any cause or event not reasonably within the control of the County, the County is unable, in whole or in part, to carry out its agreements herein contained, the County shall not be deemed in default during the continuance of such inability. The County agrees, however, to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the County, and the County shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of an opposing party or parties when such course is, in the judgment of the County, unfavorable to the County.

If any Event of Default described in this Section 8.01 shall have occurred, and if no acceleration of the amounts payable hereunder shall have been declared pursuant to Section 8.02 hereof, and all amounts then due and payable hereunder are paid by the County and the County also performs all other things in respect of which it may have been in default hereunder and pays any reasonable charges of the Authority and the Trustee, including reasonable attorneys' fees (or, in the case of a failure by the County to make a payment of the Annual Authority Administrative Fee, if the Authority shall extend the time for making such payment), then, and in every such case, such Event of Default shall be deemed to have been cured and the parties hereto shall be restored to their former respective positions; but no such curing of an Event of Default shall extend to or affect or constitute a waiver of any subsequent Event of Default or impair any right or remedy consequent thereon.

Notwithstanding the above, an Event of Default under this Article VIII shall not be construed as an Event of Default under the Indenture.

**SECTION 8.02. Acceleration and Annulment Thereof; Opportunity to Cure Default.**

(A) If any Event of Default occurs hereunder, the Authority and the Trustee may, so long as the County Guaranty is in full force and effect and no default by the County pursuant to the County Guaranty has occurred and is continuing, upon written notice to the County, declare all amounts payable during the Lease Term in respect of the unpaid principal balance of the Lease made hereby, together with all interest accrued and all other amounts then payable to the Authority or the Trustee, to be immediately due and payable; and upon such declaration the said principal amount shall become due and payable immediately, anything in the Bond Resolution, the Series 2018 Bonds or this Lease Agreement to the contrary notwithstanding.

(B) If, after such declaration, all amounts due, which were due and payable prior to such declaration, are paid by the County and the County also performs all other things in respect of which it may have been in default hereunder and pays the reasonable charges of the



Authority and the Trustee, including reasonable attorneys' fees, then, and in every such case, the Authority, by written notice to the County and the Trustee and subject to the provisions of the Bond Resolution, may annul such declaration and its consequences and the County, the Authority and the Trustee shall be restored to their respective former positions and rights under the Bond Resolution; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. Upon such payment and annulment, this Lease Agreement shall be fully reinstated as if it had never been accelerated.

**SECTION 8.03. Payments Under County Guaranty.** (A) If an Event of Default referred to in Section 8.01(a) hereof shall have happened and be continuing and there remains outstanding Lease Payments which have not been paid by the County to the Trustee pursuant to the terms of this Lease Agreement (which determination shall be made by the Trustee as at the close of business on any Lease Payment Date), the Trustee, on behalf of the Authority, shall notify the Chief Financial Officer of the County or his designee, an Authorized County Representative and the Authority, in writing, not later than 4:00 p.m. on the first Business Day after such Lease Payment Date, of the failure of the County to pay its Lease Payment on the Lease Payment Date, which notice shall state the amount of any such deficiency as at the close of business on the Lease Payment Date and that such deficiency must be cured no later than the next ensuing Interest Payment Date and Principal Installment Date, as applicable. If the nonpayment of the County is not cured by the applicable Interest Payment Date and Principal Installment Date, as applicable, the County, pursuant to the terms of the County Guaranty, shall pay to the Trustee, not later than such Interest Payment Date and Principal Installment Date, as applicable, any and all amounts in immediately available funds required to pay Debt Service on the Series 2018 Bonds for such Interest Payment Date and Principal Installment Date, as applicable. Notwithstanding the foregoing, the Authority and the Trustee shall undertake all diligent efforts to pursue the County and cause it to pay all amounts due and owing to the Authority under this Lease Agreement prior or subsequent to an Interest Payment Date and Principal Installment Date, as applicable.

(B) When written notice has been provided to the County by the Trustee as described above, the County shall take all actions, pursuant to the County Guaranty necessary and permitted by law, to make payment of an amount equal to the deficiency owed, which amount, when added to available amounts on deposit in the Debt Service Fund, shall be sufficient to pay the principal of and interest on the Series 2018 Bonds due on the next ensuing Interest Payment Date and Principal Installment Date, as applicable.

**SECTION 8.04. Remedies.** Upon the occurrence of an Event of Default hereunder, the Authority may exercise any one or more of the remedies available to it under the terms of this Lease Agreement, any other agreement, or now or hereafter existing at law or in equity or by statute separately or concurrently and as often as required to enforce the County's obligations hereunder. In addition to the other remedies provided in this Lease Agreement, the Authority shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, by the County of any of the covenants, conditions or provisions of this Lease Agreement, and to a decree compelling specific performance of any such covenants, conditions or provisions.

In case of any proceeding of the Authority wherein appointment of a receiver may be permissible, the Authority, as a matter of right and immediately upon institution of each proceeding, upon written notice to the County, shall be entitled to appointment of a receiver,

with such powers as the court making such appointment can confer. Upon demand, the County shall pay to the Authority all expenses, including receiver's fees, costs and agent's compensation, incurred pursuant to the provisions of this Section 8.04 and all such expenses shall be secured by this Lease Agreement.

**SECTION 8.05. Cumulative Rights; No Implied Waiver.** No remedy conferred upon or reserved to the Authority or the Trustee by this Lease Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement, any other agreement, or now or hereafter existing at law or in equity or by statute. No delay, omission or waiver by the Authority or the Trustee of any breach by the County of any of its obligations, agreements or covenants hereunder, shall be deemed a waiver of any subsequent breach, and no delay or omission to exercise any right or power shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

**SECTION 8.06. No Duty to Mitigate Damages.** The Authority and the Trustee shall not be required to do any act whatsoever or exercise any diligence whatsoever to mitigate damages if an Event of Default shall occur hereunder.

**SECTION 8.07. Employment of Attorneys.** If the Authority and the Trustee, in accordance with the terms of the Indenture or this Lease Agreement, or as reasonably determined by such party, shall require and employ attorneys or incur other expenses for the collection of payments due or to become due or the enforcement or performance or observance of any obligation or agreement on the part of the County herein contained, the County shall, on demand thereof, pay to the Authority or the Trustee, as applicable, the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Authority or the Trustee, or any of them.

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## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Successors and Assigns.** This Lease Agreement shall inure to the benefit of the County, the Authority and the Trustee and their respective successors and assigns and shall be binding upon the County, the Authority and the Trustee and their respective successors and assigns; provided, however, that the County may only assign this Lease Agreement in accordance with Section 6.05 hereof.

**SECTION 9.02. Amendments, Changes and Modifications.** Except as otherwise provided in this Lease Agreement and the Indenture, subsequent to the issuance of the Series 2018 Bonds and prior to payment or provision for the payment of all Bonds in full and any other obligations incurred by the Authority to pay the Cost of the Project, including interest, premiums and other charges, if any, thereon, and payment or provision for the payment of Authority Administrative Expenses, this Lease Agreement may not be amended, changed, modified, altered or terminated so as to adversely affect the interests of the Holders of the Series 2018 Bonds without the prior written consent of the Holders of at least fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding; provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of the Outstanding Bonds, the consent of the Holders of which is required for any such amendment, change, modification, alteration or termination or to decrease the amount of any payment required to be made under this Lease Agreement or extend the time of payment thereof. This Lease Agreement may be amended, changed, modified and altered without the prior written consent of the Holders of the Bonds to provide necessary changes only to cure any ambiguity, correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions contained herein, in connection with the issuance of Refunding Bonds pursuant to the Indenture and applicable Supplemental Indenture or to provide other changes which will not adversely affect the interests of such Holders. No other amendment, change, modification, alteration or termination of this Lease Agreement shall be made other than pursuant to a written instrument signed by the Authority and the County and in accordance with the Indenture and this Lease Agreement. Copies of any amendments to this Lease Agreement shall be filed with the Trustee.

For all purposes of this Section 9.02, the Trustee shall be entitled to rely upon a Favorable Opinion of Bond Counsel with respect to the extent, if any, as to which any action adversely affects the interests of any Holders of Bonds then Outstanding.

**SECTION 9.03. Amounts Remaining Under Indenture.** Upon expiration of the Lease Term, it is agreed by the parties hereto that any amounts remaining in any Fund or Account created under the Indenture, after payment in full of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee, the Paying Agent and the Authority in accordance with the Indenture and this Lease Agreement, shall belong to and be paid to the County pursuant to Section 512 of the Indenture. Notwithstanding the above, if the Bonds shall have been defeased in accordance with Section 1201 of the Indenture, unclaimed funds remaining under the Indenture pursuant to Section 1202 thereof shall be released to the Authority free and clear of the lien and pledge of the Indenture.

**SECTION 9.04. Counterparts.** This Lease Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.05. Headings.** The Article and Section headings in this Lease Agreement are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease Agreement.

**SECTION 9.06. Non-Waiver.** It is understood and agreed that nothing contained in this Lease Agreement shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Lease Agreement.

**SECTION 9.07. Survival of Lease Agreement.** Notwithstanding anything else to the contrary herein, the provisions of Sections 2.01(N), 4.08, 5.08, 6.10 and 6.14 hereof shall survive the expiration of the Lease Term and the final maturity of the Series 2018 Bonds.

**SECTION 9.08. Assignment.** This Lease Agreement may not be assigned by the County except as provided in Section 6.05 hereof.

**SECTION 9.09. Severability.** Any provision of this Lease Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any such jurisdiction.

**SECTION 9.10. Applicable Law.** This Lease Agreement shall be deemed to be a contract made in the State and governed by the laws of the State.

**SECTION 9.11. Notices.** All notices, consents, approvals and statements (including statements of amounts due hereunder) required to be given or authorized to be given by either party pursuant to this Lease Agreement shall be in writing, and shall be sent by facsimile transmission (with written confirmation of receipt and hard copy to follow in a manner described below) or shall be sent by personal delivery, registered or certified mail or recognized overnight delivery to the main office of the other party, at the following address:

**If to the Authority:**

The Cumberland County Improvement Authority  
2 North High Street  
Millville, New Jersey 08332  
Attention: President/Chief Executive Officer

**With Copy to Bond Counsel:**

Parker McCay P.A.  
9000 Midlantic Drive, Suite 300  
Mount Laurel, New Jersey 08054  
Attention: Craig A. Gargano, Esquire

If to the County:

County of Cumberland  
164 West Broad Street  
Bridgeton, New Jersey 08302  
Attention: Chief Financial Officer/County Treasurer

If to the Trustee:

U.S. Bank National Association  
333 Thornall Street, 4<sup>th</sup> Floor  
Edison, New Jersey 08837  
Attention: Corporate Trust Services

or to such other representatives or addresses as the Authority, the County or the Trustee may designate, in writing.

Any such notice shall be effective on the third Business Day following the mailing thereof, or upon the date of receipt, whichever is earlier.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Authority has caused this instrument to be signed by its Chairman as its duly authorized officer and its official seal to be hereunto affixed and the County has caused this instrument to be executed in its name by its Chief Financial Officer/Treasurer and its official seal to be hereunto affixed, all as of the day and year first above written.

**THE CUMBERLAND COUNTY  
IMPROVEMENT AUTHORITY**

By: \_\_\_\_\_  
**GERARD VELAZQUEZ, III**  
**President/CEO**

**ATTEST**

\_\_\_\_\_  
**ALBERT B. KELLY, Secretary**

**(SEAL)**

**COUNTY OF CUMBERLAND, NEW JERSEY**

By: \_\_\_\_\_  
**GERRY SENESKI,**  
**Chief Financial Officer/County Treasurer**

**ATTEST**

\_\_\_\_\_  
**(SEAL)**

**EXHIBIT A**

**LEASE PAYMENT SCHEDULE**

DRAFT

**EXHIBIT B**

**FORM OF REQUISITION FOR PAYMENT**

**THE CUMBERLAND COUNTY IMPROVEMENT AUTHORITY  
COUNTY GUARANTEED LEASE REVENUE BONDS  
(COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018**

**REQUISITION REF. NO. \_\_\_\_\_**

I, the undersigned \_\_\_\_\_ [insert title] of The Cumberland County Improvement Authority ("Authority") DO HEREBY CERTIFY that I am an Authorized Authority Representative duly designated by the Authority to execute and deliver this certificate on behalf of the Authority. I DO HEREBY FURTHER CERTIFY pursuant to and in accordance with the terms of a Lease Agreement by and between The Authority and the County of Cumberland, New Jersey, dated as of November 1, 2018 ("Lease Agreement") as follows:

1. This requisition is Requisition No. \_\_\_\_\_ and is to be paid in connection with the portion of the Construction Project described below:

Construction Project Description:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Payment is to be made from the Acquisition Fund.

3. The name and address of the Person, firm or corporation to whom payment is due is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[If such payment is to be made to the Authority for a reimbursable advance, insert the name and address of the Person, firm or corporation to whom such advance was made together with proof of payment by the Authority.]

4. The amount to be paid to such Person, firm or corporation named in Paragraph 3 above is \$\_\_\_\_\_.

[Attach description and invoice or billing reference.]



5. Each obligation, item of Cost or expense mentioned herein has been properly incurred, is a proper charge against the Acquisition Fund, is an item of Cost of the Construction Project, is unpaid or unreimbursed, and has not been the basis of any previously paid withdrawal or requisition.

6. The applicable public contracts bidding laws, prevailing wage laws (including, but not limited to, the Act) and affirmative action requirements applicable to the contract pursuant to which payment is being requested have been complied with.

7. If such payment is a reimbursement to the Authority for Costs or expenses incurred (A) by reason of work performed or supervised by officers or employees of the Authority and/or (B) as annual administrative costs incurred by the Authority, such amount mentioned herein to be paid does not exceed the actual cost thereof to the Authority.

8. No uncured Event of Default has occurred under the Lease Agreement or the Indenture (as defined in the Lease Agreement) and everything required to be performed by the Authority has been performed.

9. The Authority has received no written notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under this requisition to any of the Persons, firms or corporations named herein, or if any of the foregoing has been received, it has been released or discharged or will be released or discharged upon payment of this requisition.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Lease Agreement.

**DATED:** \_\_\_\_\_

**THE CUMBERLAND COUNTY  
IMPROVEMENT AUTHORITY**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

The undersigned, on behalf of County of Cumberland, New Jersey, hereby approves the above requisition.

**DATED:** \_\_\_\_\_

**COUNTY OF CUMBERLAND,  
NEW JERSEY**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

## **EXHIBIT C**

### **FORM OF COMPLETION CERTIFICATE**

County of Cumberland  
164 West Broad Street  
Bridgeton, New Jersey

U.S. Bank National Association  
as Trustee  
333 Thornall Street, 4<sup>th</sup> Floor  
Edison, New Jersey 08837

Pursuant to Section 4.05 of the Lease Agreement by and between The Cumberland County Improvement Authority ("Authority") and the County of Cumberland, New Jersey, dated as of November 1, 2018 ("Lease Agreement"), the undersigned, an Authorized Authority Representative (all undefined terms used herein shall have the same meaning ascribed to them in the Lease Agreement), as of the date hereof, certifies that:

- (i) the portion of the Construction Project described below was completed as of \_\_\_\_\_, 20\_\_\_\_;

Construction Project Description:

\_\_\_\_\_

- (ii) as of such date referenced in clause (i) above, except for amounts retained by the Trustee, at the Authority's direction, for any Cost of the Construction Project not now due and payable or, if due and payable, not presently paid, the Cost of all labor, services, materials and supplies used in the Construction Project have been paid, or will be paid from amounts retained by the Trustee, at the Authority's direction, for any Cost of the Construction Project not then due or payable, or if due and payable, not then paid;
- (iii) the Authority has paid the amount of \$\_\_\_\_\_ toward the Costs of the Construction Project;
- (iv) the Construction Project is being operated and maintained as an authorized "public facility" under the Act; and
- (v) all permits, including a Certificate of Occupancy, if required or necessary for the utilization of the Construction Project, have been obtained and are in effect.

Any amount hereafter remaining in the Acquisition Fund (except amounts therein sufficient to cover Costs of the Construction Project not now due and payable or not presently paid and except for interest or other income earned from the investment of the moneys held in the Acquisition Fund, if any) shall be transferred by the Trustee and shall be applied by the

Trustee in accordance with Sections 4.05 and 4.09 of the Lease Agreement and Section 503(4) of the Indenture and shall not be invested at a yield materially higher than the yield on the Series 2018 Bonds as provided in the Indenture.

This certificate is given without prejudice to any rights against third parties which exist on the date hereof or which may subsequently come into being.

**DATED:** \_\_\_\_\_

**THE CUMBERLAND COUNTY  
IMPROVEMENT AUTHORITY**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

DRAFT

**EXHIBIT D**

**CERTIFICATE OF INCUMBENCY AND SIGNATURES  
OF OFFICERS OF THE AUTHORITY**

The undersigned, Secretary of The Cumberland County Improvement Authority ("Authority"), hereby certifies that the individuals named below are, on the date hereof, the duly appointed, qualified and acting incumbents of the offices of the Authority set out to the left of their name, and that the signatures set out to the right of their names are the genuine signatures of said officers:

<b><u>Title</u></b>	<b><u>Name</u></b>	<b><u>Signature</u></b>
<b>Chairman</b>	<b>Dale K. Jones</b>	_____
<b>President/ Chief Executive Officer</b>	<b>Gerard Velazquez, III</b>	_____

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official corporate seal of the Authority this \_\_\_\_th day of October, 2018.

**THE                      CUMBERLAND                      COUNTY  
IMPROVEMENT AUTHORITY**

By: \_\_\_\_\_  
**ALBERT B. KELLY, Secretary**

[SEAL]

**EXHIBIT E**

**CERTIFICATE TO BE USED WHEN CONSTRUCTION PROJECT COSTS  
EXCEED AMOUNTS IN ACQUISITION FUND**

**REQUISITION REF. NO. 2018-\_\_\_\_\_**

I, the undersigned \_\_\_\_\_  
[insert title] of The Cumberland County Improvement Authority ("Authority") DO HEREBY  
CERTIFY that I am an Authorized Authority Representative duly designated by the Authority to  
execute and deliver this certificate on behalf of the Authority. I DO HEREBY FURTHER  
CERTIFY pursuant to and in accordance with the terms of the Lease Agreement between the  
Authority and the County of Cumberland, New Jersey, dated as of November 1, 2018 ("Lease  
Agreement") as follows:

1. This requisition is Requisition No. 2018-\_\_\_\_\_.
2. The name and address of the Person, firm or corporation to whom payment is due  
is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. The amount to be paid to such Person, firm or corporation named in Paragraph 2  
above is \$\_\_\_\_\_.

[Add description and include invoice or billing reference]

4. The Item(s) of Cost of the Construction Project to which this requisition relates is  
\_\_\_\_\_  
\_\_\_\_\_.

5. \$\_\_\_\_\_ is the amount necessary to pay the Cost related to the  
Construction Project.

6. \$\_\_\_\_\_ is the amount of money the Authority has forwarded to the  
Trustee on behalf of the Authority for deposit in the Acquisition Fund to fund the balance of the  
Cost related to the Construction Project. [Attach check for Trustee, copy of the check for the  
Authority]

7. Each item of Cost or expense mentioned in Paragraph 5 hereof has been properly  
incurred, is an item of Cost and is a proper charge against the Acquisition Fund and has not been  
the basis of any previous withdrawal.

8. The public contracts bidding laws, prevailing wage laws (including, but not limited to, the Act) and affirmative action requirements applicable to the contract pursuant to which payment is being requested have been complied with.

9. No uncured Event of Default has occurred under the Lease Agreement or the Indenture.

10. The Authority has received no written notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under this requisition to any of the Persons, firms or corporations named herein, or if any of the foregoing has been received, it has been released or discharged or will be released or discharged upon payment of this requisition.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Lease Agreement.

**DATED:** \_\_\_\_\_

**THE CUMBERLAND COUNTY  
IMPROVEMENT AUTHORITY**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

The undersigned, on behalf of County of Cumberland, New Jersey, hereby approves the above requisition.

**DATED:** \_\_\_\_\_

**COUNTY OF CUMBERLAND,  
NEW JERSEY**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**EXHIBIT F**

**TRUSTEE INFORMATION**

The name/address/phone number of the Trustee is:

U.S. Bank National Association  
333 Thornall Street, 4<sup>th</sup> Floor  
Edison, New Jersey 08837  
Attention: Corporate Trust Services

Phone number: (732) 321-2516  
Fax number: (732) 321-3982

## **EXHIBIT G**

### **PROJECT DESCRIPTION**

- (i) The acquisition of real property by the Authority (collectively, the "Project Site"); and
- (ii) The development and construction of: (a) an approximately 100,000 square foot County correctional facility with space to fit approximately 408 beds ("Correctional Facility"); and (b) an approximately 25,000 square foot, three-story holding center and criminal courtroom facility ("Holding Center Facility" and together with the Correctional Facility, the "Facility"), on the Project Site for use by the County; and
- (iii) All other costs and expenses necessary for or related to the development, construction and equipping of the Facility.



## **APPENDIX D**

### **PROPOSED FORM OF OPINION OF BOND COUNSEL**



# PARKER McCAY

**Parker McCay P.A.**  
9000 Midlantic Drive, Suite 300  
P.O. Box 5054  
Mount Laurel, New Jersey 08054-5054

P: 856.596.8900  
F: 856.596.9631  
[www.parkermccay.com](http://www.parkermccay.com)

November \_\_, 2018

The Cumberland County Improvement Authority  
2 North High Street  
Millville, New Jersey

**RE: \$\_\_\_\_\_ THE CUMBERLAND COUNTY IMPROVEMENT  
AUTHORITY, COUNTY GUARANTEED LEASE REVENUE BONDS  
(COUNTY CORRECTIONAL FACILITY PROJECT), SERIES 2018**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance and sale by The Cumberland County Improvement Authority ("Authority") of \$\_\_\_\_\_ aggregate principal amount of its County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018 ("Series 2018 Bonds").

The Series 2018 Bonds are issued pursuant to and in accordance with: (i) the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey ("State") (*N.J.S.A. 40:37A-44 et seq.*), and the acts amendatory thereof and supplemental thereto ("Act"); (ii) a bond resolution of the Authority, duly adopted on September 26, 2018 ("Bond Resolution"); and (iii) a Trust Indenture, dated as of November 1, 2018 ("Indenture"), between the Authority and U.S. Bank National Association. Capitalized terms, not otherwise defined herein, shall have the meanings ascribed thereto in the Indenture, unless the context clearly requires otherwise.

The Series 2018 Bonds are being issued to finance the costs of: (i) of acquisition of certain real property located in the City of Bridgeton, County of Cumberland, New Jersey ("Project Site"); (ii) the costs of the development and construction of (a) an approximately 100,000 square foot correctional facility ("Correctional Facility"), and (b) an approximately 25,000 square foot holding center and criminal courtroom facility ("Holding Center Facility" and together with the Correctional Facility, the "Facility") on the Project Site for use by the County of Cumberland, New Jersey ("County"); (iii) the costs of equipping the Facility; (iv) all other costs and expenses necessary for or related to the development, construction and equipping of the Facility; (v) capitalized interest on the Series 2018 Bonds, if any; and (vi) the costs of issuance with respect to the issuance and sale of the Series 2018 Bonds

The Authority and the County have entered into a Lease Agreement, dated as of November 1, 2018 ("Lease Agreement"), pursuant to which the Authority will lease the Facility and the Project Site to the County. Pursuant to the Lease Agreement, the County will make certain Lease Payments to the Authority in an aggregate amount equal to the principal, redemption premium, if any, and interest on the Series 2018 Bonds as well as applicable Additional Lease Payments, as the same become due and payable on each Lease Payment Date.

**COUNSEL WHEN IT MATTERS.<sup>SM</sup>**

Mount Laurel, New Jersey | Hamilton, New Jersey | Atlantic City, New Jersey



The Series 2018 Bonds are special and limited obligations of the Authority payable solely from the Revenues and secured by a lien on the Pledged Property of the Authority and from any other moneys pledged therefor under the Indenture. "Revenues" consist of: (i) all amounts, including Lease Payments, received by the Authority from the County under the Lease Agreement, and any other agreement with respect to any Additional Project; (ii) any moneys or securities held pursuant to the Indenture (other than the Rebate Fund) and paid or required to be paid into the Debt Service Fund; (iii) any payments made by the County to the Authority pursuant to the Indenture or the County Guaranty; (iv) interest received on any moneys or Investment Securities held under the Indenture (other than in the Rebate Fund) and required to be paid into the Revenue Fund pursuant to the Indenture; and (v) any other amounts received from any other source by the Authority and pledged by the Authority as security for the payment of a particular Series of Bonds pursuant to a Supplemental Indenture. The County's obligation to make Lease Payments is subject to annual appropriation of sufficient funds by the County Board of Chosen Freeholders ("Board") in accordance with applicable State law.

The Series 2018 Bonds are also secured by the provisions of a guaranty ordinance, duly and finally adopted by the Board on August 28, 2018 ("Guaranty Ordinance"), pursuant to which the County has unconditionally and irrevocably guaranteed the payment, when due, of the principal of and interest on the Series 2018 Bonds ("County Guaranty"). The County, upon endorsement of the Series 2018 Bonds by the County, will be unconditionally and irrevocably obligated to levy *ad valorem* taxes upon all taxable real property within the jurisdiction of the County without limitation as to rate or amount when required under the provisions of applicable law and the County Guaranty for the payment, when due, of the principal of and interest on the Series 2018 Bonds.

The Series 2018 Bonds are dated November \_\_, 2018, mature on October 1 in each of the years and in the principal amounts set opposite each such year in the table below and bear interest at the interest rates per annum below, payable semi-annually April 1 and October 1, commencing April 1, 2019, in each year until maturity or earlier redemption.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$	%	2033	\$	%	2046	\$	%
2021			2034			2047		
2022			2035			2048		
2023			2036			2049		
2024			2037			2050		
2025			2038			2051		
2026			2039			2052		
2027			2040			2053		
2028			2041			2054		
2029			2042			2055		
2030			2043			2056		
2031			2044			2057		
2032			2045			2058		



The Series 2018 Bonds are issued in fully registered book-entry-only form in the form of one certificate for each maturity of the Series 2018 Bonds. The Series 2018 Bonds are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth in the Indenture.

As Bond Counsel to the Authority, we have examined the Bond Resolution, the Indenture, the Lease Agreement and such statutes of the State and such resolutions of the Authority and proceedings relating thereto as we have deemed necessary to enable us to render the opinions set forth below. We have also examined and relied upon the proceedings authorizing the issuance of the Series 2018 Bonds and the execution and delivery of the Lease Agreement, and certain certifications and agreements (including a Certificate as to Nonarbitrage and Other Tax Matters ("Nonarbitrage Certificate") executed by the Authority and the County with respect to the Series 2018 Bonds) intended to satisfy certain provisions of the Internal Revenue Code of 1986, as previously amended, and as further amended pursuant to Public Law 115-97 ("Tax Cuts and Jobs Act"), signed into law on December 22, 2017 (as amended, the "Code"), and applicable Treasury Regulations, rulings and court decisions, receipts and other documents which we have considered relevant. We have also examined a specimen Series 2018 Bond and have relied on certifications as to the execution and authentication of the Series 2018 Bonds. We have assumed that all documents, records and other instruments examined by us are genuine, accurate and complete and we have not undertaken to verify the factual matters set forth in any certificates or other documents by independent investigation.

Based upon and subject to the foregoing, we are of the following opinion:

1. The Authority has been duly created and is validly existing under the provisions of the Constitution and the laws of the State, including the Act, and has full right and lawful authority to issue the Series 2018 Bonds for the purpose of financing the costs of the Project and to adopt or execute, as appropriate, and deliver and perform its obligations under the Bond Resolution, the Indenture and the Lease Agreement.

2. The Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority, enforceable in accordance with its terms, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium or other laws or other legal or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

3. The Indenture and the Lease Agreement have each been duly authorized, executed and delivered by the Authority and, assuming that: (i) the Indenture has been duly authorized and delivered by the Trustee and constitutes a legal, valid and binding obligation of the Trustee; and (ii) the Lease Agreement has been duly authorized, executed and delivered by the County and constitutes a legal, valid and binding obligation of the County, the Indenture and the Lease Agreement are each legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with the respective terms thereof, except to the extent that enforcement thereof may be limited by Creditors' Rights Limitations.



4. The Indenture creates the valid pledge which it purports to create of the Pledged Property, subject only to the application thereof to the purposes and on the conditions permitted in the Indenture.

5. The Series 2018 Bonds have been duly authorized, executed, authenticated, issued and delivered and constitute valid and binding special and limited obligations of the Authority, enforceable in accordance with the respective terms thereof, except to the extent that enforcement thereof may be limited by Creditors' Rights Limitations.

6. Interest on the Series 2018 Bonds will not be includible for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals and, for tax years beginning prior to January 1, 2018, corporations.

For tax years beginning on and after January 1, 2018, the Tax Cuts and Jobs Act has repealed the alternative minimum tax for corporations. However, for tax years beginning prior to January 1, 2018, the adjustment for "adjusted current earnings" set forth in Section 56(g) of the Code is required in determining a corporation's alternative minimum taxable income. Alternative minimum taxable income is increased by seventy-five percent (75%) of the excess, if any, of the "adjusted current earnings" of a corporation over the alternative minimum taxable income (determined without regard to this adjustment or the alternative tax net operating loss deduction). For certain corporations with tax years beginning prior to January 1, 2018, interest on tax-exempt obligations, including the Series 2018 Bonds, is not excludable in calculating "adjusted current earnings" of those corporations. Accordingly, a portion of the interest on the Series 2018 Bonds received or accrued by corporations with tax years beginning prior to January 1, 2018 that own the Series 2018 Bonds is included in computing such corporation's alternative minimum taxable income for such year.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the Series 2018 Bonds received or accrued by a foreign corporation subject to the branch profits tax is included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the Series 2018 Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by: (i) the Authority with the covenants contained in the Resolution, the Lease Agreement and the Nonarbitrage Certificate; and (ii) the County with the covenants contained in the Lease Agreement and the Nonarbitrage Certificate, that each will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Series 2018 Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Authority or the County to comply with its respective covenants could result in the interest on the Series 2018 Bonds being subject to federal income tax retroactive to the date of issue. We have not undertaken to monitor compliance with such



covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Series 2018 Bonds.

Ownership of the Series 2018 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the Series 2018 Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the Series 2018 Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the Series 2018 Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Series 2018 Bonds are *not* "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Owners of the Series 2018 Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

7. Interest on the Series 2018 Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof.

We call your attention to the fact that the Series 2018 Bonds are special and limited obligations of the Authority payable solely from the Revenues and secured by a lien on the Pledged Property of the Authority and from any other moneys pledged therefor under the Indenture. The Series 2018 Bonds do not constitute a debt or obligation of the State or any political subdivision thereof (other than the Authority relating solely to the Pledged Property, and as applicable under and limited by the Lease Agreement and the County Guaranty, the County), and neither the credit nor the taxing power of the State or any political subdivision thereof (other than the Authority relating solely to the Pledged Property, and as applicable under and limited by



the County Guaranty, the County) is pledged for the payment of the principal of, redemption premium, if any, or interest on the Series 2018 Bonds. The Authority has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the Series 2018 Bonds.

The opinions expressed in the numbered paragraphs above are being rendered on the basis of federal law and the laws of the State, as presently enacted and construed, and we assume no responsibility to advise any party as to any changes in law or fact subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed above.

This letter is being provided solely for the benefit of the Authority and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

## **APPENDIX E**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**



## CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** ("Disclosure Agreement") is made on this \_\_\_th day of November, 2018, by and between the County of Cumberland, New Jersey ("County"), The Cumberland County Improvement Authority ("Authority") and Phoenix Advisors, LLC ("Dissemination Agent"), in connection with the issuance by the Authority of its County Guaranteed Lease Revenue Bonds (County Correctional Facility Project), Series 2018 ("Series 2018 Bonds"). The Series 2018 Bonds are being issued pursuant to: (i) the County Improvement Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1960 of the State of New Jersey (*N.J.S.A. 40:37A-44 et seq.*), and the acts amendatory thereof and supplemental thereto; (ii) a bond resolution of the Authority, duly adopted on September 26, 2018; and (iii) a Trust Indenture, dated as of November 1, 2018 ("Indenture"), between the Authority and U.S. Bank National Association.

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the Series 2018 Bonds (collectively, "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended and supplemented from time to time, including administrative or judicial interpretations thereof, as it applies to the Series 2018 Bonds ("Rule").

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, capitalized terms shall have the following meanings:

**"Annual Report"** shall mean the County's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

**"Commission"** shall have the meaning set forth in Section 1 of this Disclosure Agreement.

**"Continuing Disclosure Information"** shall mean, collectively, (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

**"EMMA"** shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062, of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt and taxable bonds, including the Series 2018 Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

**"Listed Events"** shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

**"MSRB"** shall mean the Municipal Securities Rulemaking Board.

**"National Repository"** shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the Commission as a repository for purposes of the Rule.

**"Opinion of Counsel"** shall mean a written opinion of counsel expert in federal securities law acceptable to the County.

**"Rule"** shall have the meaning set forth in Section 1 of this Disclosure Agreement.

**"Trustee"** shall mean U.S. Bank National Association.

### **SECTION 3. Provision of Annual Report.**

(a) The County shall not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the County's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent, the Annual Report prepared for the preceding fiscal year of the County (commencing for the fiscal year ending December 31, 2018). Each Annual Report provided to the Dissemination Agent by the County shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the County, shall submit each Annual Report received by it to the National Repository and the Authority and thereafter shall file a written report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and the Authority and stating the date it was provided to the National Repository and the Authority.

(c) If the County fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the County advising of such failure. Whether or not such notice is given or received, if the County thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with copies of said notice to the County, the Authority, and the Trustee) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

**SECTION 4. Contents of Annual Report.** The County's Annual Report shall contain or incorporate by reference the following for the relevant fiscal year: (i) The audited financial statements of the County (as of December 31 of the applicable year). The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs ("Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State; and (ii) Financial

information and operating data of the County of the type included in the Official Statement relating the Series 2018 Bonds, consisting of: (a) County and overlapping indebtedness, including a schedule of outstanding debt issued by the County; (b) the County's most current adopted budget; (c) property valuation information; and (d) tax rate, levy and collection data. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the County is an Obligated Person, which have been filed with EMMA. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify each such other document so incorporated by reference.

If any of the information above can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the County under this Section 4, provided however that the County shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

#### **SECTION 5. Reporting of Significant Events.**

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following listed events ("Listed Events"):

- (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 Series 2018 Bonds or other material events affecting the tax status of the Series 2018 Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) Series 2018 Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2018 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the County, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in

a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

- (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In determining the materiality of any of the Listed Events specified in subsections (a)(2), (7), (8), (10) and (14) of this Section 5, the County may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(b) The County shall, in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event contained in Section 5(a)(2), (10), (11)(solely with respect to rating changes of the County), (12) and (13) hereof, notify the Dissemination Agent, in writing, to report the Listed Event pursuant to subsection (c) of this Section 5. The Dissemination Agent shall have no obligation under this Disclosure Agreement to provide, or to monitor the County's obligation to provide, notification of the occurrence of any of the Listed Events.

(c) The Authority shall, in a timely manner not in excess of seven (7) Business Days after the occurrence of any Listed Event contained in Section 5(a)(1), (3), (4), (5), (6), (7), (8), (9), (11)(solely with respect to Series 2018 Bond rating changes) and (14) hereof, notify the Dissemination Agent, in writing, to report the Listed Event pursuant to subsection (c) of this Section 5. The Dissemination Agent shall have no obligation under this Disclosure Agreement to provide, or to monitor the Authority's obligation to provide, notification of the occurrence of any of the Listed Events.

(d) If the Dissemination Agent has been instructed by the County or the Authority, respectively, to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository, as specified by the County or the Authority, respectively, in written instructions to the Dissemination Agent, within three (3) Business Days of the receipt of such instruction (but in no event later than ten (10) Business Days after the occurrence of a Listed Event), with a copy of such notice provided by the Dissemination Agent to the County, the Authority, and the Trustee. In addition, notice of Listed Events described in subsections (a)(8) and (9) of this Section 5 shall be given by the Dissemination Agent under this subsection (c) simultaneously with the giving of the notice of the underlying event to holders of affected Series 2018 Bonds without any required notice from the County or the Authority.

**SECTION 6. Termination of Reporting Obligations.** The reporting obligations of the County and the Authority under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Series 2018 Bonds or when the County is no longer an Obligated Person (as defined in the Rule) with respect to the Series 2018 Bonds.

**SECTION 7. Amendment; Waiver.** Notwithstanding any other provisions of this Disclosure Agreement, the County or the Authority may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Authority, the County and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto. The party seeking amendment or waiver of provisions of this Disclosure Agreement shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent (with a copy to the Authority) and the Dissemination Agent shall file such notice with the National Repository.

**SECTION 8. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the County or the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure 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 Disclosure Agreement. If the County or 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 Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 9. Default and Remedies.** In the event of a failure of the County or the Authority to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Series 2018 Bonds and after provision of satisfactory indemnification in accordance with the Indenture, shall), or any beneficial owner of the Series 2018 Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County or the Authority, as applicable, to comply with its respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Indenture or the Lease Agreement (as defined in the Indenture), and the sole remedy under this Disclosure Agreement in the event of any failure of the County or the Authority to comply with its respective obligations under this Disclosure Agreement shall be an action to compel performance.

**SECTION 10. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the County, the Authority, the Dissemination Agent and the Bondholders, and each Bondholder is hereby declared to be a third party beneficiary of this Disclosure Agreement. Except as provided in the immediately preceding sentence, this Disclosure Agreement shall create no rights in any other person or entity.

**SECTION 11. Submission of Information to MSRB.** The County, the Authority and the Dissemination Agent agree that all Continuing Disclosure Information filed with the National Repository in accordance with this Disclosure Agreement shall be in electronic format as

shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

**SECTION 12. Notices.** All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the County:

County of Cumberland  
164 West Broad Street  
Bridgeton, New Jersey 08302  
Attention: Chief Financial Officer

(ii) If to the Dissemination Agent:

Phoenix Advisors, LLC  
625 Farnsworth Avenue  
Bordentown, New Jersey 08505  
Attention: Anthony Inverso, Senior Managing Director

(iii) If to the Authority:

The Cumberland County Improvement Authority  
2 North High Street  
Millville, New Jersey 08043  
Attention: President/Chief Executive Officer

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 12 for the giving of notice.

**SECTION 13. Compensation and Indemnification.** The County shall pay: (i) the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement; and (ii) the Authority for any costs it may incur in the performance of its obligations under this Disclosure Agreement.

**SECTION 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 15. Appointment, Removal and Resignation of the Dissemination Agent.**

(a) The County or the Authority may each discharge the Dissemination Agent and satisfy its obligations under this Disclosure Agreement without the assistance of a Dissemination

Agent, or the County or the Authority each may discharge the Dissemination Agent and appoint a successor Dissemination Agent, in either case by giving not less than thirty (30) days' written notice to the Dissemination Agent (with a copy to the Authority or the County, as applicable).

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Disclosure Agreement by giving not less than forty-five (45) days' written notice to the County and the Authority. Such resignation shall take effect on the date specified in such notice unless a replacement Dissemination Agent has not been appointed by the County or the Authority, in which event, the Dissemination Agent shall continue to serve in such capacity until a successor has been appointed.

**SECTION 16. Severability.** If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

**SECTION 17. Successors and Assigns.** All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the County or the Authority or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

**SECTION 18. Headings for Convenience Only.** The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

**SECTION 19. Governing Law.** This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

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**IN WITNESS WHEREOF**, the parties hereto have caused this Disclosure Agreement to be executed as of the date first written above.

**COUNTY OF CUMBERLAND, NEW JERSEY**

By: \_\_\_\_\_  
**GERALD SENESKI,**  
**Chief Financial Officer/County Treasurer**

**THE CUMBERLAND COUNTY  
IMPROVEMENT AUTHORITY**

By: \_\_\_\_\_  
**GERARD VELAZQUEZ, III,**  
**President/Chief Executive Officer**

**PHOENIX ADVISORS, LLC,**  
**as Dissemination Agent**

By: \_\_\_\_\_  
**ANTHONY INVERSO,**  
**Senior Managing Director**



**EXHIBIT "A"**

**NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT**

Name of Issuer: The Cumberland County Improvement Authority  
("Authority")

Name of Bond Issue Affected: The Cumberland County Improvement Authority  
\$\_\_\_\_\_ County Guaranteed Lease Revenue Bonds  
(County Correctional Facility Project), Series 2018

Date of Issuance of Affected Bond Issue: November \_\_, 2018

NOTICE IS HEREBY GIVEN that the County of Cumberland, New Jersey has not provided an Annual Report with respect to the above-named Bond Issue as required by Section 3 of the Continuing Disclosure Agreement, dated November \_\_, 2018, between the County and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The County anticipates that such Annual Report will be filed by \_\_\_\_\_.]

Dated:

PHOENIX ADVISORS, LLC,  
as Dissemination Agent

cc: County  
Authority  
Trustee